

11-017
Axel & Associates, Inc.

MANAGEMENT CONSULTANTS

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MAR 30 2011

HEALTH FACILITIES &
SERVICES REVIEW BOARD

by FedEx

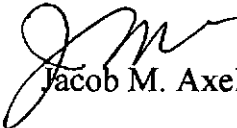
March 28, 2011

Ms. Courtney Avery
Administrator
Illinois Health Facilities
and Services Review Board
525 West Jefferson
Springfield, IL 62761

Dear Ms. Avery:

Enclosed please find two copies of a Certificate of Need application being filed on behalf of Memorial Group, Inc. and MHE, Inc., proposing the establishment of a hospital in Shiloh, Illinois. The proposed hospital will operate as a satellite of Memorial Hospital in Belleville. Also enclosed is a check in the amount of \$2,500.00 as a filing fee.

Sincerely,


Jacob M. Axel

enclosures

cc Mark J. Turner



MEMORIAL HOSPITAL
4500 MEMORIAL DRIVE
BELLEVILLE, ILLINOIS 62216-5399
(618) 257-5602

REGIONS BANK
BELLEVILLE, ILLINOIS 62220

CHECK NO : 289616
VENDOR NO: H50034

CHECK AMOUNT

****\$2500.00

CHECK DATE: 03/08/11

Void After 120 Days

PAY TWO THOUSAND FIVE HUNDRED 00/100

TO THE
ORDER OF

ILLINOIS DEPARTMENT OF PUBLIC
HEALTH
525 W JEFFERSON STREET
2ND FLOOR
SPRINGFIELD, IL 62761

11-017 Memorial Hospital East

Mark J. Turner

AUTHORIZED SIGNATURE

Joe H. Lanier

AUTHORIZED SIGNATURE

⑈289616⑈ ⑆07⑆⑆2266⑆⑆ 0000162027⑈

ORIGINAL

11-017

RECEIVED

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

MAR 30 2011

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION HEALTH FACILITIES & SERVICES REVIEW BOARD

This Section must be completed for all projects.

Facility/Project Identification

Facility Name:	Memorial Hospital-East		
Street Address:	legal description attached		
City and Zip Code:	Shiloh, Illinois 62269		
County:	St. Clair	Health Service Area	XI
Health Planning Area:	F-01		

Applicant /Co-Applicant Identification

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

Exact Legal Name:	Memorial Group, Inc.		
Address:	4500 Memorial Drive Belleville, IL 62226		
Name of Registered Agent:			
Name of Chief Executive Officer:	Mark J. Turner, President & CEO		
CEO Address:	4500 Memorial Drive Belleville, IL 62226		
Telephone Number:	618/257-5642		

Type of Ownership of Applicant/Co-Applicant

<input checked="" type="checkbox"/>	Non-profit Corporation	<input type="checkbox"/>	Partnership	
<input type="checkbox"/>	For-profit Corporation	<input type="checkbox"/>	Governmental	
<input type="checkbox"/>	Limited Liability Company	<input type="checkbox"/>	Sole Proprietorship	<input type="checkbox"/> 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.

Primary Contact

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

Name:	Mark J. Turner
Title:	President & CEO
Company Name:	Memorial Hospital
Address:	4500 Memorial Drive Belleville, IL 62226
Telephone Number:	618/257-5642
E-mail Address:	mturner@memhosp.com
Fax Number:	618/257-5658

Additional Contact

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

Name:	none
Title:	
Company Name:	
Address:	
Telephone Number:	
E-mail Address:	
Fax Number:	

**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:	Memorial Hospital-East		
Street Address:	legal description attached		
City and Zip Code:	Shiloh, Illinois 62269		
County:	St. Clair	Health Service Area	XI Health Planning Area: F-01

Applicant /Co-Applicant Identification

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

Exact Legal Name:	Metro-East Services, Inc. d/b/a Memorial Hospital-East
Address:	4500 Memorial Drive Belleville, IL 62226 (current mailing address)
Name of Registered Agent:	
Name of Chief Executive Officer:	Mark J. Turner, President & CEO
CEO Address:	4500 Memorial Drive Belleville, IL 62226
Telephone Number:	618/257-5642

Type of Ownership of Applicant/Co-Applicant

<input checked="" type="checkbox"/>	Non-profit Corporation	<input type="checkbox"/>	Partnership	
<input type="checkbox"/>	For-profit Corporation	<input type="checkbox"/>	Governmental	
<input type="checkbox"/>	Limited Liability Company	<input type="checkbox"/>	Sole Proprietorship	<input type="checkbox"/> 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.

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Primary Contact

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

Name:	Mark J. Turner
Title:	President & CEO
Company Name:	Memorial Group, Inc.
Address:	4500 Memorial Drive Belleville, IL 62226
Telephone Number:	618/257-5642
E-mail Address:	mtturner@memhosp.com
Fax Number:	618/257-5658

Additional Contact

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

Name:	none
Title:	
Company Name:	
Address:	
Telephone Number:	
E-mail Address:	
Fax Number:	

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:	Mark J. Turner
Title:	President & CEO
Company Name:	Memorial Hospital
Address:	4500 Memorial Drive Belleville, IL 62226
Telephone Number:	618/257-5642
E-mail Address:	mturner@memhosp.com
Fax Number:	618/257-5658

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner:	Regions Bank, N.A., Trustee
Address of Site Owner:	South Church Street Belleville, IL 62220
Street Address or Legal Description of Site:	legal description attached
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:	Metro-East Services, Inc. d/b/a Memorial Hospital-East	
Address:	(temporary) c/o Memorial Hospital 4500 Memorial Drive Belleville, IL 62226	
<input checked="" type="checkbox"/> Non-profit Corporation	<input type="checkbox"/> Partnership	
<input type="checkbox"/> For-profit Corporation	<input type="checkbox"/> Governmental	
<input type="checkbox"/> Limited Liability Company	<input type="checkbox"/> Sole Proprietorship	<input type="checkbox"/> Other
<ul style="list-style-type: none"> 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. o 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.		

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:

- Substantive
 Non-substantive

Part 1120 Applicability or Classification:
[Check one only.]

- Part 1120 Not Applicable
 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.

The project addressed in this Application for Permit is designed to allow Memorial Hospital in Belleville to operate with all of its beds located in private rooms, consistent with the practice of many Illinois hospitals over the past five years.

The applicants propose to build a 94-bed hospital on land they own in Shiloh, Illinois. The hospital will operate as a "satellite" of Memorial Hospital, which is located approximately 5 miles away, in Belleville. Memorial Hospital-East will include the following IDPH-designated "categories of service": medical/surgical beds, obstetrics beds, ICU beds and cardiac catheterization services. In addition, the hospital will have an Emergency Department to be designated as "comprehensive" by the Illinois Department of Public Health, an imaging department, a surgical suite and other diagnostic and treatment modalities to support the inpatient and outpatient care to be provided at Memorial-East. To the extent practical, and to avoid unnecessary duplication, many administrative and support functions will be provided by or through Memorial Hospital-Belleville. The two hospitals will operate with a common Medical Staff, common policies and procedures and common management.

The hospital will be configured in the following manner:

- LL: pharmacy, materials mgt., environmental services, plant operations, laboratory, kitchen, IT, sterile processing and biomedical engineering
- 1st Floor: surgery, recovery, cath , GI lab, lobby and public areas
- 2nd Floor: imaging, non-invasive cardiology, ED, PT/OT, and observation
- 3rd Floor: OB/Gyn services and nursery
- 4th Floor: ICU and medical/surgical
- 5th Floor: medical/surgical

Upon the opening of Memorial-East, Memorial Hospital-Belleville will be re-configured, with existing semi-private rooms being converted to private rooms, and the licensed bed capacity of the hospital being reduced, consistent with need at the time and applicable IHFSRB rules. The "re-configuration" of Memorial Hospital-Belleville will be addressed through a separate Certificate of Need application (if required), because the two hospitals will be on different sites. At the conclusion of the two projects, net reductions in medical/surgical/ pediatrics beds and obstetrics beds are anticipated.

This is a "substantive" project because it proposes the establishment of a new licensed health care facility.

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	\$1,180,000	\$435,000	\$1,615,000
Site Survey and Soil Investigation	\$30,000	\$20,000	\$50,000
Site Preparation	\$2,450,000	\$1,240,000	\$3,690,000
Off Site Work	\$3,600,000	\$2,400,000	\$6,000,000
New Construction Contracts	\$46,390,169	\$23,445,185	\$69,835,354
Modernization Contracts			
Contingencies	\$3,552,000	\$2,205,450	\$5,757,450
Architectural/Engineering Fees	\$2,640,000	\$1,350,000	\$3,990,000
Consulting and Other Fees	\$240,000	\$160,000	\$400,000
Movable or Other Equipment (not in construction contracts)	\$20,023,000	\$3,533,000	\$23,556,000
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)	\$2,656,527	\$1,079,127	\$3,735,654
Fair Market Value of Leased Space or Equipment			
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$82,761,696	\$35,867,762	\$118,629,458
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$7,000,000	\$3,000,000	\$10,000,000
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages	\$75,761,696	\$32,867,762	\$108,629,458
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$82,761,696	\$35,867,762	\$118,629,458

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

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	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Purchase Price: \$ _____	acquired in excess of 24 months prior	
Fair Market Value: \$ _____	CON application filing	
The project involves the establishment of a new facility or a new category of service <input checked="" type="checkbox"/> Yes <input type="checkbox"/> 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:
<input type="checkbox"/> None or not applicable <input checked="" type="checkbox"/> Preliminary
<input type="checkbox"/> Schematics <input type="checkbox"/> Final Working
Anticipated project completion date (refer to Part 1130.140): <u>June, 2017 (1/16 const mid-point)</u>
Indicate the following with respect to project expenditures or to obligation (refer to Part 1130.140):
<input type="checkbox"/> Purchase orders, leases or contracts pertaining to the project have been executed.
<input type="checkbox"/> Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON Contingencies
<input checked="" type="checkbox"/> 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:
<input checked="" type="checkbox"/> Cancer Registry
<input checked="" type="checkbox"/> APORS
<input checked="" type="checkbox"/> All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
<input checked="" type="checkbox"/> 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.**

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical							
NON REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL							

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: Memorial Hospital-East		CITY: Shiloh, Illinois			
REPORTING PERIOD DATES: N/A new facility From: to:					
Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical	0			+72	72
Obstetrics	0			+16	16
Pediatrics					
Intensive Care	0			+6	6
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify)					
TOTALS:	0			+94	94

CERTIFICATION

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

- o in the case of a corporation, any two of its officers or members of its Board of Directors;
- o 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);
- o 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);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of METRO-EAST SERVICES, INC. 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.

Mark J. Turner
SIGNATURE
Mark J. Turner
PRINTED NAME
President & CEO
PRINTED TITLE

Joe H. Lanius
SIGNATURE
Joe H. Lanius
PRINTED NAME
Vice President - Finance
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 25th day of March

Notarization:
Subscribed and sworn to before me
this 25th day of March

Judy L. Lynch
Signature of Notary

Judy L. Lynch
Signature of Notary

Seal OFFICIAL SEAL
JUDY L LYNCH
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES 04/30/14

Seal OFFICIAL SEAL
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- o 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);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of Memorial Group, Inc. * 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.

Mark J. Turner
SIGNATURE
Mark J. Turner
PRINTED NAME
President & CEO
PRINTED TITLE

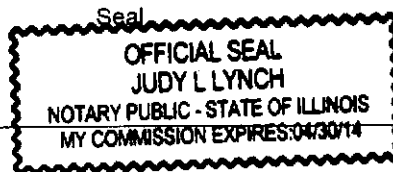
Joe H. Lanius
SIGNATURE
Joe H. Lanius
PRINTED NAME
Vice President - Finance
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 25th day of March, 2011

Notarization:
Subscribed and sworn to before me
this 25th day of March, 2011

Judy L. Lynch
Signature of Notary

Judy L. Lynch
Signature of Notary



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:

N/A—no shell space being provided

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 to 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

SECTION VII - SERVICE SPECIFIC REVIEW CRITERIA

This Section is applicable to all projects proposing establishment, expansion or modernization of categories of service that are subject to CON review, as provided in the Illinois Health Facilities Planning Act [20 ILCS 3960]. It is comprised of information requirements for each category of service, as well as charts for each service, indicating the review criteria that must be addressed for each action (establishment, expansion and modernization). After identifying the applicable review criteria for each category of service involved, read the criteria and provide the required information, AS APPLICABLE TO THE CRITERIA THAT MUST BE ADDRESSED:

A. Criterion 1110.530 - Medical/Surgical, Obstetric, Pediatric and Intensive Care

1. Applicants proposing to establish, expand and/or modernize Medical/Surgical, Obstetric, Pediatric and/or Intensive Care categories of service must submit the following information:
2. Indicate bed capacity changes by Service: Indicate # of beds changed by action(s):

Category of Service	# Existing Beds	# Proposed Beds
<input checked="" type="checkbox"/> Medical/Surgical	0	72
<input checked="" type="checkbox"/> Obstetric	0	16
<input type="checkbox"/> Pediatric	0	0
<input checked="" type="checkbox"/> Intensive Care	0	6

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

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.530(b)(1) - Planning Area Need - 77 Ill. Adm. Code 1100 (formula calculation)	X		
1110.530(b)(2) - Planning Area Need - Service to Planning Area Residents	X	X	
1110.530(b)(3) - Planning Area Need - Service Demand - Establishment of Category of Service	X		
1110.530(b)(4) - Planning Area Need - Service Demand - Expansion of Existing Category of Service		X	
1110.530(b)(5) - Planning Area Need - Service Accessibility	X		
1110.530(c)(1) - Unnecessary Duplication of Services	X		
1110.530(c)(2) - Maldistribution	X	X	
1110.530(c)(3) - Impact of Project on Other Area Providers	X		
1110.530(d)(1) - Deteriorated Facilities			X
1110.530(d)(2) - Documentation			X

APPLICABLE REVIEW CRITERIA			
	Establish	Expand	Modernize
1110.530(d)(3) - Documentation Related to Cited Problems			X
1110.530(d)(4) - Occupancy			X
110.530(e) - Staffing Availability	X	X	
1110.530(f) - Performance Requirements	X	X	X
1110.530(g) - Assurances	X	X	X
APPEND DOCUMENTATION AS ATTACHMENT-20, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

F. Criterion 1110.1330 - Cardiac Catheterization

This section is applicable to all projects proposing to establish or modernize a cardiac catheterization category of service or to replace existing cardiac catheterization equipment.

1. Criterion 1110.1330(a), Peer Review

Read the criterion and submit a detailed explanation of your peer review program.

2. Criterion 1110.1330(b), Establishment or Expansion of Cardiac Catheterization Service

Read the criterion and, if applicable, submit the following information:

- a. A map (8 1/2" x 11") showing the location of the other hospitals providing cardiac catheterization service within the planning area.
- b. The number of cardiac catheterizations performed for the last 12 months at each of the hospitals shown on the map.
- c. Provide the number of patients transferred directly from the applicant's hospital to another facility for cardiac catheterization services in each of the last three years.

3. Criterion 1110.1330(c), Unnecessary Duplication of Services

Read the criterion and, if applicable, submit the following information.

- a. Copies of the letter sent to all facilities within 90 minutes travel time which currently provide cardiac catheterization. This letter must contain a description of the proposed project and a request that the other facility quantify the impact of the proposal on its program.
- b. Copies of the responses received from the facilities to which the letter was sent.

4. Criterion 1110.1330(d), Modernization of Existing Cardiac Catheterization Laboratories

Read the criterion and, if applicable, submit the number of cardiac catheterization procedures performed for the latest 12 months.

5. Criterion 1110.1330(e), Support Services

Read the criterion and indicate on a service by service basis which of the listed services are available on a 24 hour basis and explain how any services not available on a 24 hour basis will be available when needed.

6. Criterion 1110.1330(f), Laboratory Location

N/A—one procedure room

Read the criterion and, if applicable, submit line drawings showing the location of the proposed laboratories. If the laboratories are not in close proximity explain why.

7. Criterion 1110.1330(g), Staffing

Read the criterion and submit a list of names and qualifications of those who will fill the positions detailed in this criterion. Also provide staffing schedules to show the coverage required by this criterion.

8. Criterion 1110.1330(h), Continuity of Care

Read the criterion and submit a copy of the fully executed written referral agreement(s).

9. Criterion 1110.1330(i), Multi-institutional Variance

N/A—no variance

Read the criterion and, if applicable, submit the following information:

- a. A copy of a fully executed affiliation agreement between the two facilities involved.
- b. Names and positions of the shared staff at the two facilities.
- c. The volume of open heart surgeries performed for the latest 12-month period at the existing operating program.
- d. A cost comparison between the proposed project and expansion at the existing operating program.
- e. The number of cardiac catheterization procedures performed in the last 12 months at the operating program.
- f. The number of catheterization laboratories at the operating program.
- g. The projected cardiac catheterization volume at the proposed facility annually for the next 2 years.
- h. The basis for the above projection.

APPEND DOCUMENTATION AS ATTACHMENT-25 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
<input type="checkbox"/>		
<input type="checkbox"/>		
<input type="checkbox"/>		

please see table in ATTACHMENT 37

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:**

_ \$10,000,000 _	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;
\$108,629,458	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;
_____	g)	All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
\$118,629,458	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. 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.

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)
	2007	2008	2009	Yr 2/2018
Enter Historical and/or Projected Years:				
Current Ratio	1.31	1.42	1.66	1.52
Net Margin Percentage	4.86%	-4.42%	3.28%	0.49%
Percent Debt to Total Capitalization	No LTD	No LTD	No LTD	31.3%
Projected Debt Service Coverage	No LTD	No LTD	No LTD	1.96
Days Cash on Hand	334	206	208	202
Cushion Ratio	No LTD	No LTD	No LTD	12.38

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	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

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.

Memorial Hospital-Belleville

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	2007	2008	2009
Inpatient	998	632	720
Outpatient	2,382	2,224	2,725
Total	3,380	2,856	3,445
Charity (cost in dollars)			
Inpatient	1,832,575	2,398,566	2,445,491
Outpatient	674,417	942,164	821,826
Total	2,506,992	3,340,730	3,267,317
MEDICAID			
Medicaid (# of patients)	2007	2008	2009
Inpatient	2,032	2,207	2,258
Outpatient	26,643	28,796	31,852
Total	28,675	31,003	34,110
Medicaid (revenue)			
Inpatient	19,987,588	20,699,889	19,565,636
Outpatient	4,338,276	3,855,378	4,276,224
Total	24,325,864	24,555,267	23,841,860

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.

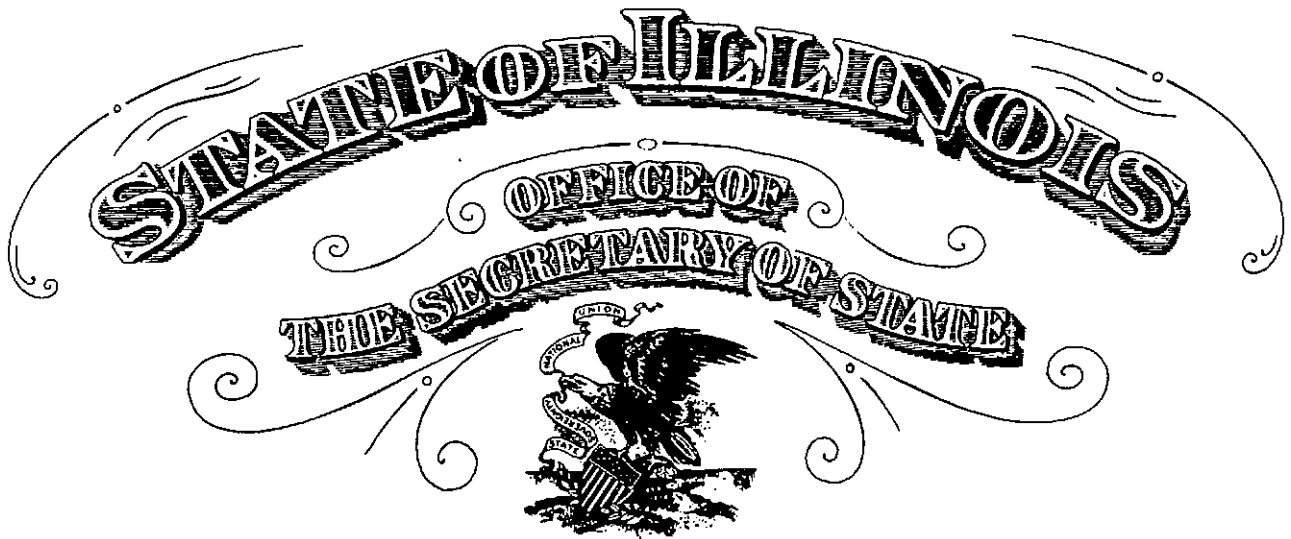
Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer. (20 ILCS 3960/3) Charity Care **must** be provided at cost.

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

Memorial Hospital-Belleville

CHARITY CARE			
	2007	2008	2009
Net Patient Revenue	210,623,425	226,604,410	238,765,471
Amount of Charity Care (charges)	6,395,215	8,310,114	7,664,384
Cost of Charity Care	2,506,992	3,340,730	3,267,317

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



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

MEMORIAL GROUP, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON OCTOBER 08, 1985, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 3RD day of MARCH A.D. 2011 .



Jesse White

Authentication #: 1106201632

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

SECRETARY OF STATE

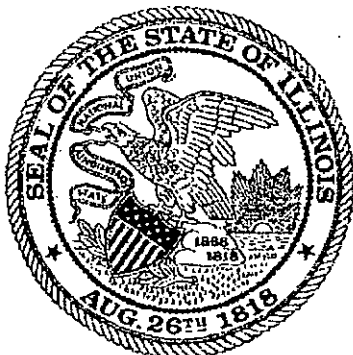
ATTACHMENT 1



To all to whom these Presents Shall Come, Greeting:

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

METRO-EAST SERVICES, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON MARCH 17, 2011, 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 MARCH A.D. 2011

Jesse White

SECRETARY OF STATE ATTACHMENT 1

LEGAL DESCRIPTION OF SITE
and
PROOF OF OWNERSHIP

Seven adjacent parcels of land have been acquired for the future site of the proposed hospital. The full site is triangular in shape, and bordered by Interstate 64 on the north, South Lincoln Avenue on the west/southwest and North Main Street on the east/southeast. The individual parcels, identified by the names they are commonly referred to by the applicants, along with the acreage of each parcel are provided in the table below. The legal description of each parcel follows.

<u>Parcel</u>	<u>Acres</u>
Sportsman's Club	20
Rasp	52
Cross Street	13
Ettling	1
Korte	1
Whobrey	5
Baptist Church	<u>2</u>
	94



PTAX-203

Illinois Real Estate Transfer Declaration

Please read the instructions before completing this form. This form can be completed electronically at tax.illinois.gov/retd.

Step 1: Identify the property and sale information.

1 CROSS STREET
 Street address of property (or 911 address, if available)
SHILOH 62269
 City or village **ZIP**
SHILOH VALLEY
 Township

2 Write the total number of parcels to be transferred. 2
3 Write the parcel identifying numbers and lot sizes or acreage.

Parcel identifying number	Lot size or acreage
a <u>04-32-0-300-006</u>	<u>17.97</u>
b <u>04-32-0-300-007</u>	<u>2.00</u>
c _____	_____
d _____	_____

Write additional parcel identifiers and lot sizes or acreage in Step 3.
4 Date of instrument: 04 / 20 / 08
 Month Year

5 Type of instrument (Mark with an "X"):
 Warranty deed
 Quit claim deed Executor deed Trustee deed
 Beneficial interest Other (specify): _____

6 Yes No Will the property be the buyer's principal residence?
7 Yes No Was the property advertised for sale?
 (i.e., media, sign, newspaper, realtor)

Identify the property's current and intended primary use.
 Current Intended (Mark only one item per column with an "X")

	Current	Intended
a <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> Land/lot only		
b _____ <input type="checkbox"/> Residence (single-family, condominium, townhome, or duplex)		
c _____ <input type="checkbox"/> Mobile home residence		
d _____ <input type="checkbox"/> Apartment building (6 units or less) No. of units: _____		
e _____ <input type="checkbox"/> Apartment building (over 6 units) No. of units: _____		
f _____ <input type="checkbox"/> Office		
g _____ <input type="checkbox"/> Retail establishment		
h _____ <input type="checkbox"/> Commercial building (specify): _____		
i _____ <input type="checkbox"/> Industrial building		
j _____ <input type="checkbox"/> Farm		
k _____ <input type="checkbox"/> Other (specify): _____		

Step 2: Calculate the amount of transfer tax due.

Note: Round Lines 11 through 18 to the next highest whole dollar. If the amount on Line 11 is over \$1 million and the property's current use on Line 8 above is marked "a," "f," "g," "h," "i," or "k," complete Form PTAX-203-A, Illinois Real Estate Transfer Declaration Supplemental Form A. If you are recording a beneficial interest transfer, do not complete this step. Complete Form PTAX-203-B, Illinois Real Estate Transfer Declaration Supplemental Form B.

11 Full actual consideration	11 \$ <u>1,830,000.00</u>
12a Amount of personal property included in the purchase	12a \$ <u>0.00</u>
12b Was the value of a mobile home included on Line 12a?	12b Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
13 Subtract Line 12a from Line 11. This is the net consideration for real property.	13 \$ <u>1,830,000.00</u>
14 Amount for other real property transferred to the seller (in a simultaneous exchange) as part of the full actual consideration on Line 11	14 \$ <u>1,155,000.00</u>
15 Outstanding mortgage amounts to which the transferred real property remains subject	15 \$ <u>0.00</u>
16 If this transfer is exempt, use an "X" to identify the provision.	16 _____ b _____ k _____ m
17 Subtract Lines 14 and 15 from Line 13. This is the net consideration subject to transfer tax.	17 \$ <u>675,000.00</u>
18 Divide Line 17 by 500. Round the result to the next highest whole number (e.g., 61.002 rounds to 62). Illinois tax stamps — multiply Line 18 by 0.50.	18 <u>1,350.00</u>
19 County tax stamps — multiply Line 18 by 0.25.	19 \$ <u>675.00</u>
20 Add Lines 18 and 19. This is the total amount of transfer tax due.	20 \$ <u>337.50</u>
21 Add Lines 19 and 20. This is the total amount of transfer tax due.	21 \$ <u>1,012.50</u>

This form is authorized in accordance with 35 ILCS 200.1-1 et seq. Disclosure of this information is REQUIRED. This form has been approved by the Form Management Center IL-492-0227

PTAX-203 (1-8-08)

ID:INT, Declaration Number: P120-14951-4592-9031

Do not write in this area. County Recorder's Office Use.

County: _____
 Date: _____
 Doc. No.: _____
 Vol.: _____
 Page: _____
 Received by: _____

9 Identify any significant physical changes in the property since January 1 of the previous year and write the date of the change.
 Date of significant change: _____ / _____ / _____
 (Mark with an "X") Month Year
 Demolition/damage Additions Major remodeling
 New construction Other (specify): _____

10 Identify only the items that apply to this sale. (Mark with an "X")

a _____	Fulfillment of installment contract — year contract initiated: _____
b _____	Sale between related individuals or corporate affiliates
c _____	Transfer of less than 100 percent interest
d _____	Court-ordered sale
e _____	Sale in lieu of foreclosure
f _____	Condemnation
g _____	Auction sale
h _____	Seller/buyer is a relocation company
i _____	Seller/buyer is a financial institution or government agency
j _____	Buyer is a real estate investment trust
k _____	Buyer is a pension fund
l _____	Buyer is an adjacent property owner
m _____	Buyer is exercising an option to purchase
n <input checked="" type="checkbox"/>	Trade of property (simultaneous)
o _____	Sale-leaseback
p _____	Other (specify): _____
q _____	Homestead exemptions on most recent tax bill:
	1 General/Alternative \$ <u>0.00</u>
	2 Senior Citizens \$ <u>0.00</u>
	3 Senior Citizens Assessment Freeze \$ <u>0.00</u>

31

Step 3: Write the legal description from the deed. Write, type (minimum 10-point font required), or attach the legal description from the deed. If you prefer, submit an 8 1/2" x 11" copy of the extended legal description with this form. You may also use the space below to write additional parcel identifiers and lots sizes or acreage from Step 1, Line 3.

SEE LEGAL DESCRIPTION ATTACHED HERETO AS EXHIBIT "A".

Step 4: Complete the requested information.

The buyer and seller (or their agents) hereby verify that to the best of their knowledge and belief, the full actual consideration and facts stated in this declaration are true and correct. If this transaction involved any real estate located in Cook County, the buyer and seller (or their agents) hereby verify that to the best of their knowledge, the name of the buyer shown on the deed or assignment of beneficial interest in a land trust is either a natural person, an Illinois corporation or foreign corporation authorized to do business or acquire and hold title to real estate in Illinois, a partnership authorized to do business or acquire and hold title to real estate in Illinois, or other entity recognized as a person and authorized to do business or acquire and hold title to real estate under the laws of the State of Illinois. Any person who willfully falsifies or omits any information required in this declaration shall be guilty of a Class B misdemeanor for the first offense and a Class A misdemeanor for subsequent offenses. Any person who knowingly submits a false statement concerning the identity of a grantee shall be guilty of a Class C misdemeanor for the first offense and of a Class A misdemeanor for subsequent offenses.

Seller Information (Please print.)

O'FALLON SPORTSMEN'S CLUB, INC.

Seller's or trustee's name

707 SOUTH AUGUSTA

Street address (after sale)

James Logan
Seller's or agent's signature

Seller's trust number (if applicable - not an SSN or FEIN)

O'FALLON IL 62269

City State ZIP

(618) 632-6090 Ext.

Seller's daytime phone

Buyer Information (Please print.)

REGIONS BANK, N.A., TRUSTEE

's or trustee's name

SOUTH CHURCH STREET

Street address (after sale)

Kurt Schroeder, its agent
Buyer's or agent's signature

01-90-H315-00

Buyer's trust number (if applicable - not an SSN or FEIN)

BELLEVILLE IL 62220

City State ZIP

(618) 236-4434 Ext.

Buyer's daytime phone

Mall tax bill to:

REGIONS BANK, N.A., TRUST 1 SOUTH CHURCH STREET

Name or company

Street address

BELLEVILLE IL 62220

City State ZIP

Preparer Information (Please print.)

KURT S. SCHROEDER

Preparer's and company's name

23 PUBLIC SQUARE, SUITE 300

Street address

Kurt S. Schroeder
Preparer's signature

Preparer's file number (if applicable)

BELLEVILLE IL 62220

City State ZIP

(618) 234-9800 Ext.

Preparer's daytime phone

k.schroeder@marq.com

Preparer's e-mail address (if available)

Identify any required documents submitted with this form. (Mark with an "X")

- _____ Extended legal description Form PTAX-203-A
 _____ Itemized list of personal property Form PTAX-203-B

To be completed by the Chief County Assessment Officer

1	County	Township	Class	Cook-Affor	Code 1	Code 2
2	Board of Review's final assessed value for the assessment year prior to the year of sale.					
	Land					
	Buildings					
	Total					

- 3 Year prior to sale _____
 4 Does the sale involve a mobile home assessed as real estate? Yes ___ No ___
 5 Comments _____

Illinois Department of Revenue Use

Tab number

Part of the Southwest Quarter of Section 32, Township 2 North, Range 7 West of the Third Principal Meridian, County of St. Clair, State of Illinois and being more particularly described as follows:

Commencing at a concrete monument that marks the southwest corner of said Southeast Quarter of Section 32; thence North 00 degrees 03 minutes 27 seconds West, on the east line of said Southwest Quarter of Section 32, a distance of 342.80 feet to the northeast corner of a tract of land described in Document Number A01771273 and the Point of Beginning.

From said Point of Beginning; thence North 89 degrees 06 minutes 08 seconds West, on the northerly lines of said tract of land described in Document Number A01771273 and a tract of land described in Deed Book 2745 on page 689, a distance of 264.00 feet to the northwest corner of said tract of land described in Deed Book 2745 on page 689; thence South 00 degrees 03 minutes 27 seconds East, on the westerly line of said tract of land described in Deed Book 2745 on page 689, a distance of 47.64 feet to the northeast corner of a tract of land described in Deed Book 1834 on page 314; thence North 89 degrees 06 minutes 08 seconds West, on the northerly line of said tract of land described in Deed Book 1834 on page 314, a distance of 295.16 feet to the northwest corner of said tract of land described in Deed Book 1834 on page 314; thence South 00 degrees 03 minutes 27 seconds East, on the westerly line of said tract of land described in Deed Book 1834 on page 314, a distance of 240.79 feet to the northeasterly right of way line of County Highway 43 (A.K.A. Cross Street, S.A. Route No. 2, Shiloh-O'Fallon Road), reference being had to the plat thereof in the St. Clair County Recorder's Office in Plat Book 45 on pages 120 and 121; thence North 43 degrees 36 minutes 53 seconds West, on said northeasterly right of way line of County Highway 43, a distance of 1352.41 feet to a northerly line of a tract of land described in Deed Book 1395 on page 53; thence North 89 degrees 26 minutes 42 seconds East, on said northerly line of a tract of land described in Deed Book 1395 on page 53, a distance of 1491.06 feet to said east line of the Southwest Quarter of Section 32; thence South 00 degrees 03 minutes 27 seconds East, on said east line of the Southwest Quarter of Section 32, a distance of 713.92 feet to the Point of Beginning.

Said parcel contains 19.97 acres, more or less.



ATTACHMENT 2



PTAX-203

Illinois Real Estate Transfer Declaration

Please read the instructions before completing this form.
This form can be completed electronically at tax.illinois.gov/rtd.

Step 1: Identify the property and sale information.

1 CROSS STREET
(Street address of property for 911 address, if available)

SHILOH 62269
City or village ZIP

SHILOH VALLEY
Township

2 Write the total number of parcels to be transferred. 4

3 Write the parcel identifying numbers and lot sizes or acreage.

Parcel identifying number	Lot size or acreage
a <u>04-32-0-300-026</u>	<u>11.52</u>
b <u>04-32-0-300-027</u>	<u>10.20</u>
c <u>04-32-0-400-001</u>	<u>10.20</u>
d <u>04-32-0-400-002</u>	<u>20.00</u>

Write additional parcel identifiers and lot sizes or acreage in Step 3.

4 Date of instrument: 04 / 20 / 08
Month Year

5 Type of instrument (mark with an "X"):
 Quit claim deed Executor deed Trustee deed
 Beneficial interest Other (specify): _____

6 Yes No Will the property be the buyer's principal residence?

7 Yes No Was the property advertised for sale?
(i.e. media, sign, newspaper, realtor)

8 Identify the property's current and intended primary use.
Current Intended (Mark only one item per column with an "X")

	Current	Intended
a <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> Land/lot only		
b <input type="checkbox"/> Residence (single-family), condominium, townhome, or duplex		
c <input type="checkbox"/> Mobile home residence		
d <input type="checkbox"/> Apartment building (6 units or less) No. of units: _____		
e <input type="checkbox"/> Apartment building (over 6 units) No. of units: _____		
f <input type="checkbox"/> Office		
g <input type="checkbox"/> Retail establishment		
h <input type="checkbox"/> Commercial building (specify): _____		
i <input type="checkbox"/> Industrial building		
j <input type="checkbox"/> Farm		
k <input type="checkbox"/> Other (specify): _____		

County: _____
Date: _____
Doc. No.: _____
Vol.: _____
Page: _____
Received by: _____

9 Identify any significant physical changes in the property since January 1 of the previous year and write the date of the change.
Date of significant change: _____ / _____ / _____
(Mark with an "X")

Demolition/damage Additions Major remodeling
 New construction Other (specify): _____

10 Identify only the items that apply to this sale. (Mark with an "X")

a Fulfillment of installment contract — year contract initiated: _____

b Sale between related individuals or corporate affiliates

c Transfer of less than 100 percent interest

d Court-ordered sale

e Sale in lieu of foreclosure

f Condemnation

g Auction sale

h Seller/buyer is a relocation company

i Seller/buyer is a financial institution or government agency

j Buyer is a real estate investment trust

k Buyer is a pension fund

l Buyer is an adjacent property owner

m Buyer is exercising an option to purchase

n Trade of property (simultaneous)

o Sale-leaseback

p Other (specify): _____

q Homestead exemptions on most recent tax bill:

1 General/Alternative	\$	0.00
2 Senior Citizens	\$	0.00
3 Senior Citizens Assessment Freeze	\$	0.00

Step 2: Calculate the amount of transfer tax due.

Note: Round Lines 11 through 18 to the next highest whole dollar. If the amount on Line 11 is over \$1 million and the property's current use on Line 8 above is marked "o," "l," "g," "h," "i," or "k," complete Form PTAX-203-A, Illinois Real Estate Transfer Declaration Supplemental Form A. If you are recording a beneficial interest transfer, do not complete this step. Complete Form PTAX-203-B, Illinois Real Estate Transfer Declaration Supplemental Form B.

11 Full actual consideration	11	\$	1,350,000.00
12a Amount of personal property included in the purchase	12a	\$	0.00
12b Was the value of a mobile home included on Line 12a?	12b		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
13 Subtract Line 12a from Line 11. This is the net consideration for real property.	13	\$	1,350,000.00
14 Amount for other real property transferred to the seller (in a simultaneous exchange) as part of the full actual consideration on Line 11	14	\$	0.00
15 Outstanding mortgage amount to which the transferred real property remains subject	15	\$	0.00
16 If this transfer is exempt, use an "X" to identify the provision.	16		b <input type="checkbox"/> k <input type="checkbox"/> m <input type="checkbox"/>
17 Subtract Lines 14 and 15 from Line 13. This is the net consideration subject to transfer tax.	17	\$	1,350,000.00
18 Divide Line 17 by 500. Round the result to the next highest whole number (e.g., 61,002 rounds to 62).	18		2,700.00
19 Illinois tax stamps — multiply Line 18 by 0.50.	19	\$	1,350.00
20 County tax stamps — multiply Line 18 by 0.25.	20	\$	675.00
21 Add Lines 19 and 20. This is the total amount of transfer tax due.	21	\$	2,025.00

34

Part of the Southwest Quarter and part of the Southeast Quarter of Section 32, Township 2 North, Range 7 West of the Third Principal Meridian, County of St. Clair, State of Illinois and being more particularly described as follows:

Commencing at a concrete monument that marks the southwest corner of said Southeast Quarter of Section 32; thence North 00 degrees 03 minutes 27 seconds West, on the east line of said Southwest Quarter of Section 32, a distance of 672.43 feet to the northwest corner Lot 9, reference being had to the assessor's plat thereof in the St. Clair County Recorder's Office in Assessor's Plat "Lands North No.2" on page 27 and the Point of Beginning.

From said Point of Beginning; thence continuing North 00 degrees 03 minutes 27 seconds West, on the east line of said Southwest Quarter of Section 32, a distance of 384.29 feet to the northeast corner of a tract of land described in Deed Book 1395 on page 53; thence South 89 degrees 26 minutes 42 seconds West, on the northerly line of said tract of land described in Deed Book 1395 on page 53, a distance of 1251.34 feet to the southeast corner of a tract of land described in Document Number A01969751 (Parcel 2); thence North 03 degrees 51 minutes 06 seconds West, on the easterly line of said tract of land described in Document Number A01969751 (Parcel 2), a distance of 385.02 feet to the northeast corner of a tract of land described in Deed Book 2102 on page 266, also being described as the northeast corner of Parcel 1 in Document Number A01969751; thence North 68 degrees 19 minutes 47 seconds West, on the northeasterly line of tract of land described in Document Number A01969751 (Parcel 3), a distance of 695.95 feet to the intersection of the southerly right of way line of F.A.L. Route 64, reference being had to the plat thereof in the St. Clair County Recorder's Office in Plat Book 64 on page 22 and the northeasterly right of way line of County Highway 43, reference being had to the plat thereof in the St. Clair County Recorder's Office in Plat Book 64 on page 22; thence on said southerly right of way line of F.A.L. Route 64 the following eight (8) courses and distances: 1.) North 87 degrees 45 minutes 11 seconds East, 400.00 feet; 2.) South 89 degrees 23 minutes 05 seconds East, 200.25 feet; 3.) North 84 degrees 53 minutes 26 seconds East, 100.12 feet; 4.) North 89 degrees 30 minutes 55 seconds East, 1300.62 feet; 5.) South 57 degrees 15 minutes 18 seconds East, 244.13 feet; 6.) North 87 degrees 45 minutes 11 seconds East, 500.00 feet; 6.) North 49 degrees 05 minutes 35 seconds East, 256.13 feet; 7.) North 87 degrees 45 minutes 11 seconds East, 342.13 feet to the east line of the West Half of said Southeast Quarter of Section 32; thence South 00 degrees 08 minutes 09 seconds West, on said east line of the West Half of the Southeast Quarter of Section 32, a distance of 1135.29 feet to a stone marking the southeast corner of Lot 8 of the Southwest Quarter of said Southeast Quarter of Section 32, reference being had to the assessor's plat thereof in the St. Clair County Recorder's Office in Assessor's Plat "Lands North No.2" on page 27, said point being the northeast corner of South Half of said Southwest Quarter of the Southeast Quarter of Section 32; thence North 89 degrees 08 minutes 04 seconds West, on the southerly line of said Lot 8 of the Southwest Quarter of Southeast Quarter of Section 32, said line being the south line of the North Half of said Southwest Quarter of the Southeast Quarter of Section 32, a distance of 1313.78 feet to the Point of Beginning.

Said parcel contains 51.92 acres, more or less.

EXHIBIT A

ATTACHMENT 2



PTAX-203

Illinois Real Estate Transfer Declaration

Please read the instructions before completing this form. This form can be completed electronically at tax.illinois.gov/reltd.

Step 1: Identify the property and sale information.

Do not write in this area. County Recorder's Office use.

09-05-0-208-004

1 NE QUAD P. S. P. 4 CROSS STREET
Street address of property for 911 address, if available

SHILOH 62269
City or village ZIP

SHILOH VALLEY
Township

2 Write the total number of parcels to be transferred. 4

3 Write the parcel identifying numbers and lot sizes or acreage.

Parcel identifying number	Lot size or acreage
a. <u>04-32-0-400-009 (DIV)</u>	
b. <u>04-32-0-400-010 (DIV)</u>	<u>31.73 ACRES</u>
c. <u>09-05-0-104-002 (DIV)</u>	
d. <u>09-05-0-104-003 (DIV)</u>	<u>1.34 ACRES</u>

Write additional parcel identifiers and lot sizes or acreage in Step 3.

4 Date of instrument: 04 / 20 / 08
Month Year

5 Type of instrument (Mark with an "X")

Quit claim deed Executor deed Trustee deed

Beneficial interest Other (specify): SMD

6 Yes No Was the property to be the buyer's principal residence?

7 Yes No Was the property advertised for sale?
(i.e. media, sign, newspaper, realtor)

8 Identify the property's current and intended primary use.

- Current Intended (Mark only one item per column with an "X")
- a. Land/lot only
 - b. Residence (single-family, condominium, townhome, or duplex)
 - c. Mobile home residence
 - d. Apartment building (6 units or less) No. of units: _____
 - e. Apartment building (over 6 units) No. of units: _____
 - f. Office
 - g. Retail establishment
 - h. Commercial building (specify): _____
 - i. Industrial building
 - j. Farm
 - k. Other (specify): _____

9 Identify any significant physical changes in the property since January 1 of the previous year and write the date of the change.

Date of significant change: _____ / _____ / _____
(Mark with an "X") Month Year

Demolition/damage Additions Major remodeling

New construction Other (specify): _____

10 Identify only the items that apply to this sale. (Mark with an "X")

- a. Fulfillment of installment contract — year contract initiated: _____
- b. Sale between related individuals or corporate affiliates
- c. Transfer of less than 100 percent interest
- d. Court-ordered sale
- e. Sale in lieu of foreclosure
- f. Condemnation
- g. Auction sale
- h. Seller/buyer is a relocation company
- i. Seller/buyer is a financial institution or government agency
- j. Buyer is a real estate investment trust
- k. Buyer is a pension fund
- l. Buyer is an adjacent property owner
- m. Buyer is exercising an option to purchase
- n. Trade of property (simultaneous)
- o. Sale-leaseback
- p. Other (specify): _____
- q. Homestead exemptions on most recent tax bill:

1 General/Alternative	\$	<u>0.00</u>
2 Senior Citizens	\$	<u>0.00</u>
3 Senior Citizens Assessment Freeze	\$	<u>0.00</u>

Step 2: Calculate the amount of transfer tax due.

Note: Round Lines 11 through 18 to the next highest whole dollar. If the amount on Line 11 is over \$1 million and the property's current use on Line 8 above is marked "a," "f," "g," "h," "i," or "k," complete Form PTAX-203-A, Illinois Real Estate Transfer Declaration Supplemental Form A. If you are recording a beneficial interest transfer, do not complete this step. Complete Form PTAX-203-B, Illinois Real Estate Transfer Declaration Supplemental Form B.

11 Full actual consideration	11	\$	<u>2,561,981.40</u>
12a Amount of personal property included in the purchase	12a	\$	<u>0.00</u>
12b Was the value of a mobile home included on Line 12a?	12b		<u>Yes</u> <input checked="" type="checkbox"/> <u>No</u> <input type="checkbox"/>
13 Subtract Line 12a from Line 11. This is the net consideration for real property.	13	\$	<u>2,561,981.40</u>
14 Amount for other real property transferred to the seller (in a simultaneous exchange) as part of the full actual consideration on Line 11.	14	\$	<u>0.00</u>
15 Outstanding mortgage amount to which the transferred real property remains subject	15	\$	<u>0.00</u>
16 If this transfer is exempt, use an "X" to identify the provision.	16		<u>b</u> <input type="checkbox"/> <u>k</u> <input type="checkbox"/> <u>m</u> <input type="checkbox"/>
17 Subtract Lines 14 and 15 from Line 13. This is the net consideration subject to transfer tax.	17	\$	<u>2,561,981.40</u>
18 Divide Line 17 by 500. Round the result to the next highest whole number (e.g. 61,002 rounds to 62).	18		<u>5,124.00</u>
19 Illinois tax stamps — multiply Line 18 by 0.50.	19	\$	<u>2,562.00</u>
20 County tax stamps — multiply Line 18 by 0.25.	20	\$	<u>1,281.00</u>
21 Add Lines 19 and 20. This is the total amount of transfer tax due.	21	\$	<u>3,843.00</u>

This form is authorized in accordance with 35 ILCS 200/31-1 or see Disclosure of this information is REQUIRED! This form has been approved by the Forms Management Council. 8-102-0227

PTAX-203 (R-8/05)

Page 1 of 4

ID:INT. Declaration Number: M120-K950-S331-6531

ATTACHMENT 2

37

Step 3: Write the legal description from the deed. Write, type (minimum 10-point font required), or attach the legal description from the deed. If you prefer, submit an 8 1/2" x 11" copy of the extended legal description with this form. You may also use the space below to write additional parcel identifiers and lots sizes or acreage from Step 1, Line 3.
SEE ATTACHED LEGAL DESCRIPTION AS EXHIBIT "A"

Step 4: Complete the requested information.

The buyer and seller (or their agents) hereby verify that to the best of their knowledge and belief, the full actual consideration and facts stated in this declaration are true and correct. If the transaction involves any real estate located in Cook County, the buyer and seller (or their agents) hereby verify that to the best of their knowledge, the name of the buyer shown on the deed or assignment of beneficial interest in a land trust is either a natural person, an Illinois corporation or foreign corporation authorized to do business or acquire and hold title to real estate in Illinois, a partnership authorized to do business or acquire and hold title to real estate in Illinois, or other entity recognized as a person and authorized to do business or acquire and hold title to real estate under the laws of the State of Illinois. Any person who willfully falsifies or omits any information recited in this declaration shall be guilty of a Class B misdemeanor for the first offense and a Class A misdemeanor for subsequent offenses. Any person who knowingly submits a false statement concerning the identity of a grantee shall be guilty of a Class C misdemeanor for the first offense and of a Class A misdemeanor for subsequent offenses.

Seller Information (Please print.)

CROSS STREET PROPERTIES, LLC

Seller's or trustee's name

1532 OLD O'FALLON ROAD

Street address (other than PO)

Seller's trust number (if applicable - not an SSN or FEIN)

O'FALLON IL 62269

City State ZIP

1618 1632-0200 Ext.

Seller's daytime phone

Dee A Schuff, agent

Seller's or agent's signature

Buyer Information (Please print.)

REGION'S BANK AS TRUSTEE OF ITS LAND TRUST

Buyer's or trustee's name

ONE SOUTH CHURCH STREET

Street address (other than PO)

01-90-H315-00

Buyer's trust number (if applicable - not an SSN or FEIN)

BELLEVILLE IL 62220

City State ZIP

1618 1236-4434 Ext.

Buyer's daytime phone

By: *Paul S Schroeder*, its agent

Buyer's or agent's signature

Mail tax bill to:

REGION'S BANK AS TRUSTEE ONE SOUTH CHURCH STREET

Name of company

Street address

BELLEVILLE IL 62220

City State ZIP

Preparer Information (Please print.)

JULIANO, A PROFESSIONAL CORPORATION

Preparer's and company's name

772 WALL STREET, SUITE A

Street address

Preparer's file number (if applicable)

O'FALLON IL 62269

City State ZIP

(618) 632-0200 Ext.

Preparer's daytime phone

Dee A Schuff

Preparer's signature

sues@juliano.law.com

Preparer's e-mail address (if available)

Identify any required documents submitted with this form. (Mail with an "X") Extended legal description Form PTAX-203-A
 Itemized list of personal property Form PTAX-203-B

To be completed by the Chief County Assessment Officer

1	County	Township	Class	Cook-Minor	Code 1	Code 2	3 Year prior to sale _____	
2	Board of Review's final assessed value for the assessment year prior to the year of sale.						4	Does the sale involve a mobile home assessed as real estate? Yes ___ No ___
	Land	_____	_____	_____	_____	_____	5	Comments
	Buildings	_____	_____	_____	_____	_____		
	Total	_____	_____	_____	_____	_____		

Illinois Department of Revenue Use	Tab number
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DESCRIPTION OF PARCEL 2 NORTH OF PROPOSED ROW
CLIENT: REGIONS
JOB NO.: D00070594
MARCH 12, 2008

Part of the South Half of the Southwest Quarter of the Southeast Quarter of Section 32, Township 2 North, Range 7 West and part of the Northeast Quarter of Section 5, Township 1 North, Range 7 West of the Third Principal Meridian, County of St. Clair, State of Illinois, lying northwesterly of and adjoining the northwesterly right of way line of the proposed extension of Frank Scott Parkway and being more particularly described as follows:

Beginning at a concrete monument that marks the southwest corner of said Southeast Quarter of Section 32; thence North 00 degrees 03 minutes 27 seconds West, on the east line of said Southwest Quarter of Section 32, a distance of 672.43 feet to the northwest corner of Lot 9, reference being had to the plat thereof in the St. Clair County Recorder's Office in Assessor's Plat "Lands North 2" on page 27; thence South 89 degrees 08 minutes 04 seconds East, on the north line of said South Half of the Southwest Quarter of the Southeast Quarter of Section 32, also being the north line of said Lot 9, a distance of 1313.78 feet to a stone at the northeast corner of said South Half of the Southwest Quarter of the Southeast Quarter of Section 32; thence South 00 degrees 08 minutes 09 seconds West, on the east line of said South Half of the Southwest Quarter of Section 32, a distance of 134.71 feet to said northwesterly right of way line of the proposed extension of Frank Scott Parkway; thence on said northwesterly right of way line of the proposed extension of Frank Scott Parkway, the following nine (9) courses and distances: 1.) 242.24 feet on a non-tangential curve to the left having a radius of 2550.00 feet, the chord of said curve bears South 69 degrees 26 minutes 31 seconds West, a distance of 242.15 feet; 2.) South 89 degrees 45 minutes 52 seconds West, 168.21 feet; 3.) South 68 degrees 13 minutes 33 seconds West, 150.33 feet; 4.) South 64 degrees 24 minutes 42 seconds West, 200.00 feet; 5.) South 53 degrees 06 minutes 06 seconds West, 101.98 feet; 6.) South 58 degrees 42 minutes 04 seconds West, 201.00 feet; 7.) South 64 degrees 24 minutes 42 seconds West, 100.00 feet; 8.) South 53 degrees 06 minutes 06 seconds West, 101.98 feet; 9.) South 64 degrees 24 minutes 42 seconds West, 191.40 feet to the west line of said Northeast Quarter of Section 5; thence North 00 degrees 01 minutes 56 seconds West, on said west line of the Northeast Quarter of Section 5, a distance of 62.68 feet to the Point of Beginning.

Said parcel contains 11.73 acres, more or less of which 0.07 acres, more or less, are within existing right of way.

Subject to existing roadways and road right of way.

Also:

Part of Lot 76 of the Northwest Quarter of Section 5, Township 1 North, Range 7 West of the Third Principal Meridian, County of St. Clair, State of Illinois, reference being had to the Assessor's plat thereof in the St. Clair County Recorder's Office in Plat Book A on page 244, lying northwesterly of and adjoining the northwesterly right of way of the proposed Frank Scott Parkway and being more particularly described as follows:

Beginning at a concrete monument that marks the northeast corner of said northwest quarter of Section 5; thence South 00 degrees 01 minutes 58 seconds East, on the east line of said northwest quarter of Section 5, a distance of 62.68 feet to said northwesterly right of way line of the proposed extension of Frank Scott Parkway; thence on said northwesterly right of the proposed extension of Frank Scott Parkway, the following (2) courses and distances: 1.) South 64 degrees 24 minutes 42 seconds West, 290.51 feet; 2.) North 78 degrees 36 minutes 22 seconds West, 45.81 feet; thence North 43 degrees 36 minutes 53 seconds West, on a line that is 15.00 feet northeasterly of and parallel with the northeasterly right of way line of County Highway 43, reference being had to the plat thereof, recorded in the St. Clair County Recorder's Office in Plat Book 45 on pages 120 and 121, a distance of 259.03 feet to the north line of said Northwest Quarter of Section 5; thence South 89 degrees 06 minutes 08 seconds East, on said north line of the Northwest Quarter of Section 5, a distance of 485.59 feet to the Point of Beginning.

Said parcel contains 1.34 acres, more or less.

Subject to existing roadways and road right of way.



PTAX-203

Illinois Real Estate Transfer Declaration

Please read the instructions before completing this form.
This form can be completed electronically at tax.illinois.gov/etd.

Step 1: Identify the property and sale information.

1. 1516 OLD O'FALLON ROAD
Street address of property (or R11 address, if available)
SHILOH 62269
City or village ZIP
SHILOH VALLEY
Township

2. Write the total number of parcels to be transferred. 1

3. Write the parcel identifying numbers and lot sizes or acreage.

Parcel identifying number	Lot size or acreage
a. <u>04-12-0-300-011</u>	<u>1.04 ACRES</u>
b. _____	_____
c. _____	_____
d. _____	_____

Write additional parcel identifiers and lot sizes or acreage in Step 3.

4. Date of instrument: 0 5 / 2 0 0 8
Month Year

5. Type of instrument (Mark with an "X"):
 Quit claim deed Executor deed Warranty deed
 Beneficial interest Other (specify): _____

6. Yes No Will the property be the buyer's principal residence?

7. Yes No Was the property advertised for sale?
(i.e., media, sign, newspaper, realtor)

Identify the property's current and intended primary use.
 Current Intended (Mark only one item per column with an "X")

a. <input type="checkbox"/>	<input type="checkbox"/>	Land/lot only
b. <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Residence (single-family, condominium, townhome, or duplex)
c. <input type="checkbox"/>	<input type="checkbox"/>	Mobile home residence
d. <input type="checkbox"/>	<input type="checkbox"/>	Apartment building (6 units or less) (No. of units: _____)
e. <input type="checkbox"/>	<input type="checkbox"/>	Apartment building (over 6 units) (No. of units: _____)
f. <input type="checkbox"/>	<input type="checkbox"/>	Office
g. <input type="checkbox"/>	<input type="checkbox"/>	Retail establishment
h. <input type="checkbox"/>	<input type="checkbox"/>	Commercial building (specify): _____
i. <input type="checkbox"/>	<input type="checkbox"/>	Industrial building
j. <input type="checkbox"/>	<input type="checkbox"/>	Farm
k. <input type="checkbox"/>	<input type="checkbox"/>	Other (specify): _____

Do not write in this area.
County Recorder's Office use.

County: _____
 Date: _____
 Doc. No.: _____
 Vol.: _____
 Page: _____
 Received by: _____

9. Identify any significant physical changes in the property since January 1 of the previous year and write the date of the change.
 Date of significant change: _____ / _____ / _____
(Mark with an "X")
 Demolition/damage Additions Major remodeling
 New construction Other (specify): _____

10. Identify only the items that apply to this sale. (Mark with an "X")

a. <input type="checkbox"/>	Fulfillment of installment contract — year contract initiated: _____
b. <input type="checkbox"/>	Sale between related individuals or corporate affiliates
c. <input type="checkbox"/>	Transfer of less than 100 percent interest
d. <input type="checkbox"/>	Court-ordered sale
e. <input type="checkbox"/>	Sale in lieu of foreclosure
f. <input type="checkbox"/>	Condemnation
g. <input type="checkbox"/>	Auction sale
h. <input type="checkbox"/>	Seller/buyer is a relocation company
i. <input type="checkbox"/>	Seller/buyer is a financial institution or government agency
j. <input type="checkbox"/>	Buyer is a real estate investment trust
k. <input type="checkbox"/>	Buyer is a pension fund
l. <input type="checkbox"/>	Buyer is an adjacent property owner
m. <input type="checkbox"/>	Buyer is exercising an option to purchase
n. <input type="checkbox"/>	Trade of property (simultaneous)
o. <input type="checkbox"/>	Sale-leaseback
p. <input type="checkbox"/>	Other (specify): _____

q. Homestead exemptions on most recent tax bill:

1 General/Alternative	\$	0.00
2 Senior Citizens	\$	0.00
3 Senior Citizens Assessment Freeze	\$	0.00

Step 2: Calculate the amount of transfer tax due.

Note: Round Lines 11 through 18 to the next highest whole dollar. If the amount on Line 11 is over \$1 million and the property's current use on Line 8 above is marked "a," "l," "g," "h," "i," or "k," complete Form PTAX-203-A, Illinois Real Estate Transfer Declaration Supplemental Form A. If you are recording a beneficial interest transfer, do not complete this step. Complete Form PTAX-203-B, Illinois Real Estate Transfer Declaration Supplemental Form B.

11	Full actual consideration	11	\$	400,000.00
12a	Amount of personal property included in the purchase	12a	\$	0.00
12b	Was the value of a mobile home included on Line 12a?	12b	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
13	Subtract Line 12a from Line 11. This is the net consideration for real property.	13	\$	400,000.00
14	Amount for other real property transferred to the seller (in a simultaneous exchange) as part of the full actual consideration on Line 11	14	\$	0.00
15	Outstanding mortgage amount to which the transferred real property remains subject if this transfer is exempt, use an "X" to identify the provision.	15	\$	0.00
16	Subtract Lines 14 and 15 from Line 13. This is the net consideration subject to transfer tax.	16	<input type="checkbox"/> b <input type="checkbox"/> k <input type="checkbox"/> m	
17	Divide Line 16 by 500. Round the result to the next highest whole number (e.g., 81.002 rounds to 82).	17	\$	400,000.00
18	Illinois tax stamps — multiply Line 17 by 0.50.	18		800.00
19	County tax stamps — multiply Line 17 by 0.25.	19	\$	400.00
20	Add Lines 18 and 19. This is the total amount of transfer tax due.	20	\$	200.00
21	Add Lines 19 and 20. This is the total amount of transfer tax due.	21	\$	600.00

This form is authorized in accordance with 35 ILCS 200/3-1 et seq. Declaration of the information is REQUIRED. This form has been approved by the Farms Management Center IL-192-0327

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Step 3: Write the legal description from the deed. Write, type (minimum 10-point font required), or attach the legal description from the deed. If you prefer, submit an 8 1/2" x 11" copy of the extended legal description with this form. You may also use the space below to write additional parcel identifiers and lots sizes or acreage from Step 1, Line 3.

SEE LEGAL DESCRIPTION ATTACHED AS EXHIBIT "A".

Step 4: Complete the requested information.

The buyer and seller (or their agents) hereby verify that to the best of their knowledge and belief, the full actual consideration and facts stated in this declaration are true and correct. If the transaction involves any real estate located in Cook County, the buyer and seller (or their agents) hereby verify that to the best of their knowledge, the name of the buyer shown on the deed or assignment of beneficial interest in a land trust is either a natural person, an Illinois corporation or foreign corporation authorized to do business or acquire and hold title to real estate in Illinois, a partnership authorized to do business or acquire and hold title to real estate in Illinois, or a limited liability company recognized as a person and authorized to do business or acquire and hold title to real estate under the laws of the State of Illinois. Any person who willfully falsifies or omits any information required in this declaration shall be guilty of a Class B misdemeanor for the first offense and a Class A misdemeanor for subsequent offenses. Any person who knowingly submits a false statement concerning the identity of a grantee shall be guilty of a Class C misdemeanor for the first offense and of a Class A misdemeanor for subsequent offenses.

Seller Information (Please print.)

BRADLEY AND SHELLY ETTLING

Seller's or trustee's name

1516 OLD O'FALLON ROAD

Street address (other sale)

Bradley & Shelly Ettl

Seller's or agent's signature

Seller's trust number (if applicable - not an SSN or FEIN)

SHILOH

IL 62269

City

State ZIP

(618) 624-5637

Ext.

Seller's daytime phone

Buyer Information (Please print.)

REGIONS BANK, N.A., TRUSTEE

Trustee's name

SOUTH CHURCH STREET

Street address (other sale)

By: Kurt S. Schroeder, its agent

Buyer's or agent's signature

01-90-H315-00

Buyer's trust number (if applicable - not an SSN or FEIN)

BELLEVILLE

IL 62220

City

State ZIP

(618) 236-4434

Ext.

Buyer's daytime phone

Mail tax bill to:

REGIONS BANK, N.A., TRUST 1 SOUTH CHURCH STREET

Name of company

Street address

BELLEVILLE

IL 62220

City

State ZIP

Preparer Information (Please print.)

KURT S. SCHROEDER

Preparer's and company's name

23 PUBLIC SQUARE, SUITE 300

Street address

Kurt S. Schroeder

Preparer's signature

Preparer's title number (if applicable)

BELLEVILLE

IL 62220

City

State ZIP

(618) 234-9800

Ext.

Preparer's daytime phone

k.schroeder@mnrj.com

Preparer's e-mail address (if available)

Identify any required documents submitted with this form. (Mark with an "X")

Extended legal description

Form PTAX-203-A

Normalized list of personal property

Form PTAX-203-B

To be completed by the Chief County Assessment Officer

1	County	Township	Class	Cook-Affior	Code 1	Code 2
2	Board of Review's final assessed value for the assessment year prior to the year of sale.					
	Land					
	Buildings					
	Total					

3 Year prior to sale

4 Does the sale involve a mobile home assessed as real estate? Yes No

5 Comments

Illinois Department of Revenue Use

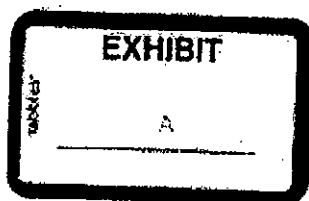
Tab number

42

Part of the Southwest Quarter of Section 32, Township 2 North, Range 7 West of the Third Principal Meridian, County of St. Clair, State of Illinois and being more particularly described as follows:

Beginning at a concrete monument that marks the southwest corner of said Southeast Quarter of Section 32; thence North 89 degrees 06 minutes 08 seconds West, on the south line of said Southwest Quarter of Section 32, a distance of 132.00 feet to the southeast corner of a tract of land described in Deed Book 2745 on page 689; thence North 00 degrees 03 minutes 27 seconds West, on the easterly line of said tract of land recorded in Deed Book 2745 on page 689, a distance of 342.80 feet to the southerly line of a tract of land described in Deed Book 1395 on page 54; thence South 89 degrees 06 minutes 08 seconds East, on said southerly line of a tract of land described in Deed Book 1395 on page 54, a distance of 132.00 feet to the east line of said Southwest Quarter of Section 32; thence South 00 degrees 03 minutes 27 seconds East, on said east line of the Southwest Quarter of Section 32, a distance of 342.80 feet to the Point of Beginning.

Said parcel contains 1.04 acres, more or less.



ATTACHMENT 2

42



PTAX-203

Illinois Real Estate Transfer Declaration

Please read the instructions before completing this form.
This form can be completed electronically at tax.illinois.gov/retd.

Step 1: Identify the property and sale information.

1 1508 OLD O'FALLON ROAD
Street address of property (or 911 address, if available)

SHILOH 62269
City or village ZIP

SHILOH VALLEY
Township

2 Write the total number of parcels to be transferred. 1

3 Write the parcel identifying numbers and lot sizes or acreage.

Parcel identifying number	Lot size or acreage
a <u>04-32-0-300-010</u>	<u>1.04 ACRES</u>
b _____	_____
c _____	_____
d _____	_____

Write additional parcel identifiers and lot sizes or acreage in Step 3.

4 Date of instrument: 0 5 / 2 0 0 8
Month Year

5 Type of instrument (Mark with an "X"):
 Quit claim deed Executor deed Trustee deed
 Warranty deed
 Beneficial interest Other (specify): _____

6 Yes No Will the property be the buyer's principal residence?

7 Yes No Was the property advertised for sale?
(i.e. media, sign, newspaper, radio)

Identify the property's current and intended primary use.
Current Intended (Mark only one item per column with an "X")

a _____	Land/lot only
b <u>X</u> <u>X</u>	Residence (single-family, condominium, townhome, or duplex)
c _____	Mobile home residence
d _____	Apartment building (5 units or less) No. of units: _____
e _____	Apartment building (over 5 units) No. of units: _____
f _____	Office
g _____	Retail establishment
h _____	Commercial building (specify) _____
i _____	Industrial building
j _____	Farm
k _____	Other (specify): _____

County: _____
Date: _____
Doc. No.: _____
Vol.: _____
Page: _____
Received by: _____

9 Identify any significant physical changes in the property since January 1 of the previous year and write the date of the change.
Date of significant change: _____ / _____ / _____
(Mark with an "X")
 Demolition/damage Additions Major remodeling
 New construction Other (specify): _____

10 Identify only the items that apply to this sale. (Mark with an "X")

a _____ Fulfillment of installment contract — year contract initiated: _____

b _____ Sale between related individuals or corporate affiliates

c _____ Transfer of less than 100 percent interest

d _____ Court-ordered sale

e _____ Sale in lieu of foreclosure

f _____ Condemnation

g _____ Auction sale

h _____ Seller/buyer is a relocation company

i _____ Seller/buyer is a financial institution or government agency

j _____ Buyer is a real estate investment trust

k _____ Buyer is a pension fund

l _____ Buyer is an adjacent property owner

m _____ Buyer is exercising an option to purchase

n _____ Trade of property (simultaneous)

o _____ Sale-leaseback

p _____ Other (specify): _____

q _____ Homestead exemptions on most recent tax bill:

1 General/Alternative	\$	0.00
2 Senior Citizens	\$	0.00
3 Senior Citizens Assessment Freeze	\$	0.00

Step 2: Calculate the amount of transfer tax due.

Note: Round Lines 11 through 18 to the next highest whole dollar. If the amount on Line 11 is over \$1 million and the property's current use on Line 8 above is marked "e," "f," "g," "h," "i," or "k," complete Form PTAX-203-A, Illinois Real Estate Transfer Declaration Supplemental Form A. If you are recording a beneficial interest transfer, do not complete this step. Complete Form PTAX-203-B, Illinois Real Estate Transfer Declaration Supplemental Form B.

11 Full actual consideration	11	\$	400,000.00
12a Amount of personal property included in the purchase	12a	\$	0.00
12b Was the value of a mobile home included on Line 12a?	12b	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
13 Subtract Line 12a from Line 11. This is the net consideration for real property.	13	\$	400,000.00
14 Amount for other real property transferred to the seller (in a simultaneous exchange) as part of the full actual consideration on Line 11	14	\$	0.00
15 Outstanding mortgage amount to which the transferred real property remains subject	15	\$	0.00
16 If this transfer is exempt, use an "X" to identify the provision.	16	b _____ k _____ m _____	
17 Subtract Lines 14 and 15 from Line 13. This is the net consideration subject to transfer tax.	17	\$	400,000.00
18 Divide Line 17 by 500. Round the result to the next highest whole number (e.g. 61,000 rounds to 62).	18		800.00
19 Illinois tax stamps — multiply Line 18 by 0.50.	19	\$	400.00
20 County tax stamps — multiply Line 18 by 0.25.	20	\$	200.00
21 Add Lines 19 and 20. This is the total amount of transfer tax due.	21	\$	600.00

This form is authorized in accordance with 35 ILCS 200/31-1, et seq. Disclosure of this information is REQUIRED. This form has been approved by the Forms Management Center. IL 482-0227

PTAX-203 (R-8/05)

ID: INT, Declaration Number: H120-W971-N806-7281

ATTACHMENT 2

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Step 3: Write the legal description from the deed. Write, type (minimum 10-point font required), or attach the legal description from the deed. If you prefer, submit an 8 1/2" x 11" copy of the extended legal description with this form. You may also use the space below to write additional parcel identifiers and lots sizes or acreage from Step 1, Line 3.

SEE LEGAL DESCRIPTION ATTACHED AS EXHIBIT "A".

Step 4: Complete the requested information.

The buyer and seller (or their agents) hereby verify that to the best of their knowledge and belief, the full actual consideration and facts stated in this declaration are true and correct. If this transaction involves any real estate located in Cook County, the buyer and seller (or their agents) hereby verify that to the best of their knowledge, the name of the buyer shown on the deed or assignment of beneficial interest in a land trust is either a natural person, an Illinois corporation or foreign corporation authorized to do business or acquire and hold title to real estate in Illinois, a partnership authorized to do business or acquire and hold title to real estate in Illinois, or other entity recognized as a person and authorized to do business or acquire and hold title to real estate under the laws of the State of Illinois. Any person who willfully makes or omits any information required in this declaration shall be guilty of a Class B misdemeanor for the first offense and a Class A misdemeanor for subsequent offenses. Any person who knowingly submits a false statement concerning the identity of a grantee shall be guilty of a Class C misdemeanor for the first offense and of a Class A misdemeanor for subsequent offenses.

Seller Information (Please print.)

TERRENCE AND DEBRA KORTE

Seller's or trustee's name

1508 OLD O'FALLON ROAD

Street address (after sale)

Terrence J. Korte

Seller's or agent's signature

Seller's trust number (if applicable - not an SSN or FEIN)

SHELTON IL 62269

City State ZIP

(618) 632-9677 Ext.

Seller's daytime phone

Buyer Information (Please print.)

REGIONS BANK, N.A., TRUSTEE

Buyer's or trustee's name

SOUTH CHURCH STREET

Street address (after sale)

Kurt S. Schroeder, its agent

Buyer's or agent's signature

01-90-H315-00

Buyer's trust number (if applicable - not an SSN or FEIN)

BELLEVILLE IL 62220

City State ZIP

(618) 236-4434 Ext.

Buyer's daytime phone

Mail tax bill to:

REGIONS BANK, N.A., TRUST 1 SOUTH CHURCH STREET

Name of company

Street address

BELLEVILLE IL 62220

City State ZIP

Preparer Information (Please print.)

KURT S. SCHROEDER

Preparer's and company's name

23 PUBLIC SQUARE, SUITE 300

Street address

Kurt S. Schroeder

Preparer's signature

Preparer's file number (if applicable)

BELLEVILLE IL 62220

City State ZIP

(618) 234-9800 Ext.

Preparer's daytime phone

kachroeder@myg.com

Preparer's e-mail address (if available)

Identify any required documents submitted with this form. (Mark with an "X")

Extended legal description Form PTAX-203-A

Itemized list of personal property Form PTAX-203-B

To be completed by the Chief County Assessment Officer

1	County	Township	Class	Coal-Mincr	Code 1	Code 2
2	Board of Review's final assessed value for the assessment year prior to the year of sale.					
	Land					
	Buildings					
	Total					

- 3 Year prior to sale _____
- 4 Does the sale involve a mobile home assessed as real estate? Yes ___ No ___
- 5 Comments

Illinois Department of Revenue Use

Tab number

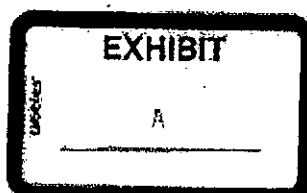
45

Part of the Southwest Quarter of Section 32, Township 2 North, Range 7 West of the Third Principal Meridian, County of St Clair, State of Illinois and being more particularly described as follows:

Commencing at a concrete monument that marks the southwest corner of said Southeast Quarter of Section 32; thence North 89 degrees 06 minutes 08 seconds West, on the south line of said Southwest Quarter of Section 32, a distance of 132.00 feet to the Point of Beginning.

From said Point of Beginning; thence continuing North 89 degrees 06 minutes 08 seconds West, on said south line of the Southwest Quarter of Section 32, a distance of 132.00 feet to the southeast corner of a tract of land recorded in Deed Book 1834 on page 314; thence North 00 degrees 03 minutes 27 seconds West, on the easterly line of said tract of land described in Deed Book 1834 on page 314 and the northerly extension thereof, a distance 342.80 feet to the southwest corner of a tract of land recorded in Deed Book 1395 on page 54; thence South 89 degrees 06 minutes 08 seconds East, on the southerly line of said tract of land described in Deed Book 1395 on page 54, a distance of 132.00 feet to the northeast corner of a tract of land described in Document Number A01771273; thence South 00 degrees 03 minutes 27 seconds East, on the westerly line of said tract of land described in Document Number A01771273, a distance of 342.80 feet to the Point of Beginning.

Said parcel contains 1.04 acres, more or less.



ATTACHMENT 2

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PTAX-203

Illinois Real Estate Transfer Declaration

Please read the instructions before completing this form. This form can be completed electronically at tax.illinois.gov/retd.

Step 1: Identify the property and sale information.

1 1412 CROSS STREET
 Street address of property (or 911 address, if available)

SHILOH 62269
 City or village

SHILOH VALLEY
 Township

2 Write the total number of parcels to be transferred. 1

3 Write the parcel identifying numbers and lot sizes or acreage.

Parcel identifying number	Lot size or acreage
a <u>04-32-0-300-025</u>	<u>4.59 ACRES</u>
b _____	_____
c _____	_____
d _____	_____

4 Date of instrument: 0 / 6 / 20 08
 Months Year

5 Type of instrument (mark with an "X"):

Quit claim deed _____ Executor deed _____ Trustee deed _____
 Beneficial interest _____ Other (specify): _____

6 Yes No Will the property be the buyer's principal residence?

7 Yes No Was the property advertised for sale?
 (i.e., media, sign, newspaper, realtor)

Identify the property's current and intended primary use.
 Current Intended (Mark only one item per column with an "X")

a _____	Land/lot only
b <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	Residence (single-family, condominium, townhome, or duplex)
c _____	Mobile home residence
d _____	Apartment building (8 units or less) No. of units: _____
e _____	Apartment building (over 8 units) No. of units: _____
f _____	Office
g _____	Retail establishment
h _____	Commercial building (specify): _____
i _____	Industrial building
j _____	Farm
k _____	Other (specify): _____

County: _____
 Date: _____
 Doc. No.: _____
 Vol.: _____
 Page: _____
 Received by: _____

9 Identify any significant physical changes in the property since January 1 of the previous year and write the date of the change.

Date of significant change: _____ / _____ / _____
 (Mark with an "X") Months Year

Demolition/damage _____ Additions _____ Major remodeling _____
 New construction _____ Other (specify): _____

10 Identify only the items that apply to this sale. (Mark with an "X")

a _____ Fulfillment of installment contract — year contract initiated: _____

b _____ Sale between related individuals or corporate affiliates

c _____ Transfer of less than 100 percent interest

d _____ Court-ordered sale

e _____ Sale in lieu of foreclosure

f _____ Condemnation

g _____ Auction sale

h _____ Seller/buyer is a relocation company

i _____ Seller/buyer is a financial institution or government agency

j _____ Buyer is a real estate investment trust

k _____ Buyer is a pension fund

l _____ Buyer is an adjacent property owner

m _____ Buyer is exercising an option to purchase

n _____ Trade of property (simultaneous)

o _____ Sale-leaseback

p _____ Other (specify): _____

q _____ Homestead exemptions on most recent tax bill:

1 General/Alternative	\$ <u>500</u> 0.00
2 Senior Citizens	\$ <u>350</u> 0.00
3 Senior Citizens Assessment Freeze	\$ _____ 0.00

Step 2: Calculate the amount of transfer tax due.

Note: Round Lines 11 through 18 to the next highest whole dollar. If the amount on Line 11 is over \$1 million and the property's current use on Line 8 above is marked "e," "f," "g," "h," "i," or "k," complete Form PTAX-203-A, Illinois Real Estate Transfer Declaration Supplemental Form A. If you are recording a beneficial interest transfer, do not complete this step. Complete Form PTAX-203-B, Illinois Real Estate Transfer Declaration Supplemental Form B.

11 Full actual consideration	\$ 930,000.00
12a Amount of personal property included in the purchase	\$ 0.00
12b Was the value of a mobile home included on Line 12a?	Yes _____ No <input checked="" type="checkbox"/>
13 Subtract Line 12a from Line 11. This is the net consideration for real property.	\$ 930,000.00
14 Amount for other real property transferred to the seller (in a simultaneous exchange) as part of the full actual consideration on Line 11	\$ 0.00
15 Outstanding mortgage amount to which the transferred real property remains subject if this transfer is exempt, use an "X" to identify the provision.	\$ 0.00
16 Subtract Lines 14 and 15 from Line 13. This is the net consideration subject to transfer tax. Divide Line 17 by 500. Round the result to the next highest whole number (e.g., 51.022 rounds to 52).	\$ 930,000.00
17 Illinois tax stamps — multiply Line 18 by 0.50.	1,860.00
18 County tax stamps — multiply Line 18 by 0.25.	\$ 930.00
19 Add Lines 17 and 18. This is the total amount of transfer tax due.	\$ 465.00
20	\$ 1,395.00
21	\$ 1,395.00

This form is authorized in accordance with 35 ILCS 200/1-1 et seq. Disclosure of this information is REQUIRED. This form has been approved by the Franchise Management Center. IL 432-0223

PTAX-203 (R-0/05)

ID:INT, Declaration Number: P121-0363-0115-4814

ATTACHMENT 2

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Step 3: Write the legal description from the deed. Write, type (minimum 10-point font required), or attach the legal description from the deed. If you prefer, submit an 8 1/2" x 11" copy of the extended legal description with this form. You may also use the space below to write additional parcel identifiers and lots sizes or acreage from Step 1, Line 3.

SEE LEGAL DESCRIPTION ATTACHED AS EXHIBIT A.

Step 4: Complete the requested information.

The buyer and seller (or their agents) hereby verify that to the best of their knowledge and belief, the full actual consideration and facts stated in this declaration are true and correct. If the deed or assignment of beneficial interest in a land trust is either a natural person, an Illinois corporation or foreign corporation authorized to do business or acquire and hold title to real estate in Illinois, a partnership authorized to do business or acquire and hold title to real estate in Illinois, or other entity recognized as a person and authorized to do business or acquire and hold title to real estate under the laws of the State of Illinois. Any person who willfully falsifies or omits any information required in this declaration shall be guilty of a Class C misdemeanor for the first offense and a Class A misdemeanor for subsequent offenses. Any person who knowingly submits a false statement concerning the identity of a grantee shall be guilty of a Class C misdemeanor for the first offense and of a Class A misdemeanor for subsequent offenses.

Seller Information (Please print.)

FLORINE AND CHARLES WHOBREY, TRUSTEES

Seller's or trustee's name

1412 CROSS STREET

Street address (after sale)

[Signature]

Seller's or agent's signature

Seller's trust number (if applicable - not an SSN or FEIN)

SHILOH IL 62269

City State ZIP

(618) 636-1057 Ext.

Seller's daytime phone

Buyer Information (Please print.)

REGIONS BANK, N.A., TRUSTEE

Buyer's or trustee's name

SOUTH CHURCH STREET

Street address (after sale)

[Signature] Kurt S. Schroeder, Attorney

Buyer's or agent's signature

01-90-H315-00

Buyer's trust number (if applicable - not an SSN or FEIN)

BELLEVILLE IL 62220

City State ZIP

(618) 236-4434 Ext.

Buyer's daytime phone

Mail tax bill to:

REGIONS BANK, N.A., TRUST 1 SOUTH CHURCH STREET

Name or company

Street address

BELLEVILLE IL 62220

City State ZIP

Preparer Information (Please print.)

KURT S. SCHROEDER

Preparer's and company's name

23 PUBLIC SQUARE, SUITE 300

Street address

[Signature] Kurt S. Schroeder, Attorney

Preparer's signature

kschroeder@marq.com

Preparer's e-mail address (if applicable)

Preparer's file number (if applicable)

BELLEVILLE IL 62220

City State ZIP

(618) 234-9800 Ext.

Preparer's daytime phone

Identify any required documents submitted with this form. (Mark with an 'X')

- Extended legal description Form PTAX-203-A
 Itemized list of personal property Form PTAX-203-B

To be completed by the Chief County Assessment Officer

1	County	Township	Class	Cook-Misr	Code 1	Code 2
2	Board of Review's final assessed value for the assessment year prior to the year of sale.					
	Land					
	Buildings					
	Total					

- 3 Year prior to sale _____
 4 Does the sale involve a mobile home assessed as real estate? Yes _____ No _____
 5 Comments _____

Illinois Department of Revenue Use

Tab number

4/8

Part of the Lot 7 of the Southwest Quarter of Section 32, Township 2 North, Range 7 West of the Third Principal Meridian, County of St. Clair, State of Illinois and being more particularly described as follows:

Commencing at a concrete monument that marks the southeast corner of said Southwest Quarter of Section 32; thence North 89 degrees 06 minutes 08 seconds West on the south line of said Southwest Quarter of Section 32, a distance of 576.74 feet to the centerline of County Highway 43 (A.K.A. Cross Street, S.A. Route No. 2, Shiloh-O'Fallon Road); reference being had to the plat thereof in the St. Clair County Recorder's Office in Plat Book 45 on pages 120 and 121; thence North 43 degrees 36 minutes 53 seconds West, on said centerline of County Highway 43, a distance of 1426.20 feet to the westerly extension of the southerly line of Parcel Three as described in Document Number A01969751, also being the westerly extension of the northerly line of a tract of land described in Deed Book 1395 on page 53; thence North 89 degrees 26 minutes 42 seconds East, on said westerly extension of the southerly line of Parcel Two as described in Document Number A01969751, a distance of 68.42 feet to the northeasterly right of way line of said County Highway 43 and the Point of Beginning.

From said Point of Beginning thence on said northeasterly right of way line of County Highway 43; thence North 43 degrees 36 minutes 53 seconds West, 21.65 feet to a bend in the northeasterly right of way line of County Highway 43; reference being had to the plat thereof, recorded in the St. Clair County Recorder's Office in Plat Book 64 on page 22; thence North 33 degrees 39 minutes 22 seconds West, on said northeasterly right of way line of County Highway 43; reference being had to the plat thereof, recorded in the St. Clair County Recorder's Office in Plat Book 64 on page 22, a distance of 754.21 feet to the intersection of the southerly right of way line of F.A.I. Route 64, reference being had to the plat thereof in the St. Clair County Recorder's Office in Plat Book 64 on page 22 and said northeasterly right of way line of County Highway 43, also being the most northerly corner of said Parcel Three as described in Document Number A01969751; thence South 68 degrees 19 minutes 47 seconds East, on the northeasterly line of said Parcel Three described in Document Number A01969751, a distance of 695.95 feet to the northeast corner of Parcel One as described in Document Number A01969751; thence South 03 degrees 51 minutes 06 seconds East, on the easterly line of said Parcel Two as described in Document Number A01969751, a distance of 385.02 feet to said southerly line of said Parcel Two as described in Document Number A01969751, also being the northerly line of a tract of land described in Deed Book 1395 on page 53; thence South 89 degrees 26 minutes 42 seconds West, on said southerly line southerly line of said Parcel Two as described in Document Number A01969751, a distance of 239.72 feet to the Point of Beginning.

Said parcel contains 4.59 acres, more or less.



ATTACHMENT 2

49



PTAX-203

Illinois Real Estate Transfer Declaration

Please read the instructions before completing this form. This form can be completed electronically at tax.illinois.gov/retd.

Step 1: Identify the property and sale information.

1 CROSS STREET
Street address of property (or 911 address, if available)

SHILOH 62269
City or village ZIP

SHILOH VALLEY
Township

2 Write the total number of parcels to be transferred. 2

3 Write the parcel identifying numbers and lot sizes or acreage.

Parcel identifying number	Lot size or acreage
<u>a 04-32-0-300-006</u>	<u>17.97</u>
<u>b 04-32-0-300-007</u>	<u>2.00</u>
<u>c</u>	
<u>d</u>	

Write additional parcel identifiers and lot sizes or acreage in Step 3.

4 Date of instrument: 04/2006
Month Year

5 Type of instrument (Mark with an "X"):
 Quit claim deed Executor deed Warranty deed
 Beneficial interest Other (specify): _____

6 Yes No Was the property be the buyer's principal residence?

7 Yes No Was the property advertised for sale?
(i.e., media, sign, newspaper, realtor)

Identify the property's current and intended primary use.
Current Intended (Mark only one item per column with an "X")

	Current	Intended
a <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> Land/lot only		
b <input type="checkbox"/> Residence (single-family, condominium, townhome, or duplex)		
c <input type="checkbox"/> Mobile home residence		
d <input type="checkbox"/> Apartment building (6 units or less) No. of units: _____		
e <input type="checkbox"/> Apartment building (over 6 units) No. of units: _____		
f <input type="checkbox"/> Office		
g <input type="checkbox"/> Retail establishment		
h <input type="checkbox"/> Commercial building (specify): _____		
i <input type="checkbox"/> Industrial building		
j <input type="checkbox"/> Farm		
k <input type="checkbox"/> Other (specify): _____		

Do not write in this area. County Recorder's Office Use.

County: _____
 Date: _____
 Doc. No.: _____
 Vol.: _____
 Page: _____
 Received by: _____

9 Identify any significant physical changes in the property since January 1 of the previous year and write the date of the change.

Date of significant change: _____ / _____ / _____
(Mark with an "X") Month Year

Demolition/damage Additions Major remodeling
 New construction Other (specify): _____

10 Identify only the items that apply to this sale. (Mark with an "X")

a Fulfillment of installment contract — year contract initiated: _____

b Sale between related individuals or corporate affiliates

c Transfer of less than 100 percent interest

d Court-ordered sale

e Sale in lieu of foreclosure

f Condemnation

g Auction sale

h Seller/buyer is a relocation company

i Seller/buyer is a financial institution or government agency

j Buyer is a real estate investment trust

k Buyer is a pension fund

l Buyer is an adjacent property owner

m Buyer is exercising an option to purchase

n Trade of property (simultaneous)

o Sale-leaseback

p Other (specify): _____

q Homestead exemptions on most recent tax bill:

1 General/Alternative	\$	0.00
2 Senior Citizens	\$	0.00
3 Senior Citizens Assessment Freeze	\$	0.00

Step 2: Calculate the amount of transfer tax due.

Note: Round Lines 11 through 18 to the next highest whole dollar. If the amount on Line 11 is over \$1 million and the property's current use on Line 8 above is marked "e," "f," "g," "h," "i," or "k," complete Form PTAX-203-A, Illinois Real Estate Transfer Declaration Supplemental Form A. If you are recording a beneficial interest transfer, do not complete this step. Complete Form PTAX-203-B, Illinois Real Estate Transfer Declaration Supplemental Form B.

11 Full actual consideration	11 \$	<u>1,830,000.00</u>
12a Amount of personal property included in the purchase	12a \$	<u>0.00</u>
12b Was the value of a mobile home included on Line 12a?	12b	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
13 Subtract Line 12a from Line 11. This is the net consideration for real property.	13 \$	<u>1,830,000.00</u>
14 Amount for other real property transferred to the seller (in a simultaneous exchange) as part of the full actual consideration on Line 11	14 \$	<u>2,155,000.00</u>
15 Outstanding mortgage amount to which the transferred real property remains subject	15 \$	<u>0.00</u>
16 If this transfer is exempt, use an "X" to identify the provision.	16	<u>b</u> <u>k</u> <u>m</u>
17 Subtract Lines 14 and 15 from Line 13. This is the net consideration subject to transfer tax.	17 \$	<u>675,000.00</u>
18 Divide Line 17 by 500. Round the result to the next highest whole number (e.g., 61.002 rounds to 62). Illinois tax stamps — multiply Line 18 by 0.50.	18	<u>1,350.00</u>
19 County tax stamps — multiply Line 18 by 0.25.	19 \$	<u>675.00</u>
20 Add Lines 18 and 19. This is the total amount of transfer tax due.	20 \$	<u>337.50</u>
21 Add Lines 19 and 20. This is the total amount of transfer tax due.	21 \$	<u>1,012.50</u>

This form is authorized in accordance with 35 ILCS 200/31.1 of said Disclosure of this transaction is REQUIRED. This form has been approved by the Forms Management Center IL-022-0427

PTAX-203 (R-000)

ID:INT. Declaration Number: P120-M951-W592-9031

ATTACHMENT 2 Page 1 of 4

50

Step 3: Write the legal description from the deed. Write, type (minimum 10-point font required), or attach the legal description from the deed. If you prefer, submit an 8 1/2" x 11" copy of the extended legal description with this form. You may also use the space below to write additional parcel identifiers and lots sizes or acreage from Step 1, Line 3.

SEE LEGAL DESCRIPTION ATTACHED HERETO AS EXHIBIT "A".

Step 4: Complete the requested information.

The buyer and seller (or their agents) hereby verify that to the best of their knowledge and belief, the full actual consideration and facts stated in this declaration are true and correct. If this transaction involves any real estate located in Cook County, the buyer and seller (or their agents) hereby verify that to the best of their knowledge, the name of the buyer shown on the deed or assignment of beneficial interest in a land trust is either a natural person, an Illinois corporation or foreign corporation authorized to do business or acquire and hold title to real estate in Illinois, a partnership authorized to do business or acquire and hold title to real estate in Illinois, or other entity recognized as a person and authorized to do business or acquire and hold title to real estate under the laws of the State of Illinois. Any person who willfully falsifies or omits any information required in this declaration shall be guilty of a Class B misdemeanor for the first offense and a Class A misdemeanor for subsequent offenses. Any person who knowingly submits a false statement concerning the identity of a grantee shall be guilty of a Class C misdemeanor for the first offense and of a Class A misdemeanor for subsequent offenses.

Seller Information (Please print.)

O'FALLON SPORTSMEN'S CLUB, INC.

Seller's or trustee's name

707 SOUTH AUGUSTA

Street address (show sale)

James C. Lopez
Seller's or agent's signature

Seller's trust number (if applicable - not an SSV or FETM)

O'FALLON IL 62269

City State ZIP

(618) 632-6090 Ext.

Seller's daytime phone

01-90-H315-00

Buyer's trust number (if applicable - not an SSV or FETM)

BELLEVILLE IL 62220

City State ZIP

(618) 236-4434 Ext.

Buyer's daytime phone

Buyer Information (Please print.)

REGIONS BANK, N.A., TRUSTEE

's or trustee's name

SOUTH CHURCH STREET

Street address (show sale)

Kurt S. Schroeder, its agent
Buyer's or agent's signature

Mail tax bill to:

REGIONS BANK, N.A., TRUST 1 SOUTH CHURCH STREET

Name or company

Street address

BELLEVILLE IL 62220

City State ZIP

Preparer Information (Please print.)

KURT S. SCHROEDER

Preparer's and company's name

23 PUBLIC SQUARE, SUITE 300

Street address

Kurt S. Schroeder
Preparer's signature

Preparer's fax number (if applicable)

BELLEVILLE IL 62220

City State ZIP

(618) 234-9800 Ext.

Preparer's daytime phone

kschroeder@smrg.com

Preparer's e-mail address (if available)

Identify any required documents submitted with this form. (Mark with an "X")
 Extended legal description Form PTAX-203-A
 Itemized list of personal property Form PTAX-203-B

To be completed by the Chief County Assessment Officer

1 _____
 County Township Class Cook-Minor Code 1 Code 2
 2 Board of Review's final assessed value for the assessment year
 prior to the year of sale.
 Land _____
 Buildings _____
 Total _____

3 Year prior to sale _____
 4 Does the sale involve a mobile home assessed as
 real estate? Yes _____ No _____
 5 Comments _____

Illinois Department of Revenue Use

Tab number

Part of the Southwest Quarter of Section 32, Township 2 North, Range 7 West of the Third Principal Meridian, County of St. Clair, State of Illinois and being more particularly described as follows:

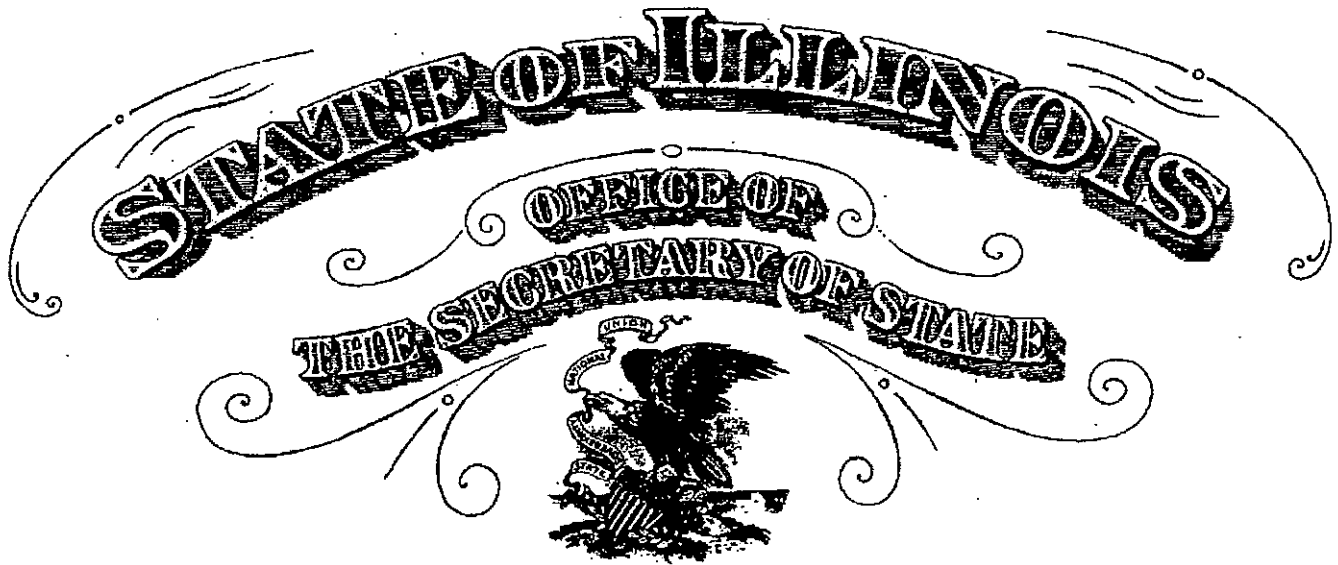
Commencing at a concrete monument that marks the southwest corner of said Southeast Quarter of Section 32; thence North 00 degrees 03 minutes 27 seconds West, on the east line of said Southwest Quarter of Section 32, a distance of 742.80 feet to the northeast corner of a tract of land described in Document Number A01771273 and the Point of Beginning.

From said Point of Beginning; thence North 89 degrees 06 minutes 08 seconds West, on the northerly lines of said tract of land described in Document Number A01771273 and a tract of land described in Deed Book 2745 on page 689, a distance of 264.00 feet to the northwest corner of said tract of land described in Deed Book 2745 on page 689; thence South 00 degrees 03 minutes 27 seconds East, on the westerly line of said tract of land described in Deed Book 2745 on page 689, a distance of 47.64 feet to the northeast corner of a tract of land described in Deed Book 1834 on page 314; thence North 89 degrees 06 minutes 08 seconds West, on the northerly line of said tract of land described in Deed Book 1834 on page 314, a distance of 295.16 feet to the northwest corner of said tract of land described in Deed Book 1834 on page 314; thence South 00 degrees 03 minutes 27 seconds East, on the westerly line of said tract of land described in Deed Book 1834 on page 314, a distance of 240.79 feet to the northeasterly right of way line of County Highway 43 (A.K.A. Cross Street, S.A. Route No. 2, Shiloh-O'Fallon Road), reference being had to the plat thereof in the St. Clair County Recorder's Office in Plat Book 45 on pages 120 and 121; thence North 43 degrees 36 minutes 53 seconds West, on said northeasterly right of way line of County Highway 43, a distance of 1352.41 feet to a northerly line of a tract of land described in Deed Book 1395 on page 53; thence North 89 degrees 26 minutes 42 seconds East, on said northerly line of a tract of land described in Deed Book 1395 on page 53, a distance of 1491.06 feet to said east line of the Southwest Quarter of Section 32; thence South 00 degrees 03 minutes 27 seconds East, on said east line of the Southwest Quarter of Section 32, a distance of 713.92 feet to the Point of Beginning.

Said parcel contains 19.97 acres, more or less.



ATTACHMENT 2



To all to whom these Presents Shall Come, Greeting:

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

METRO-EAST SERVICES, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON MARCH 17, 2011, 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.

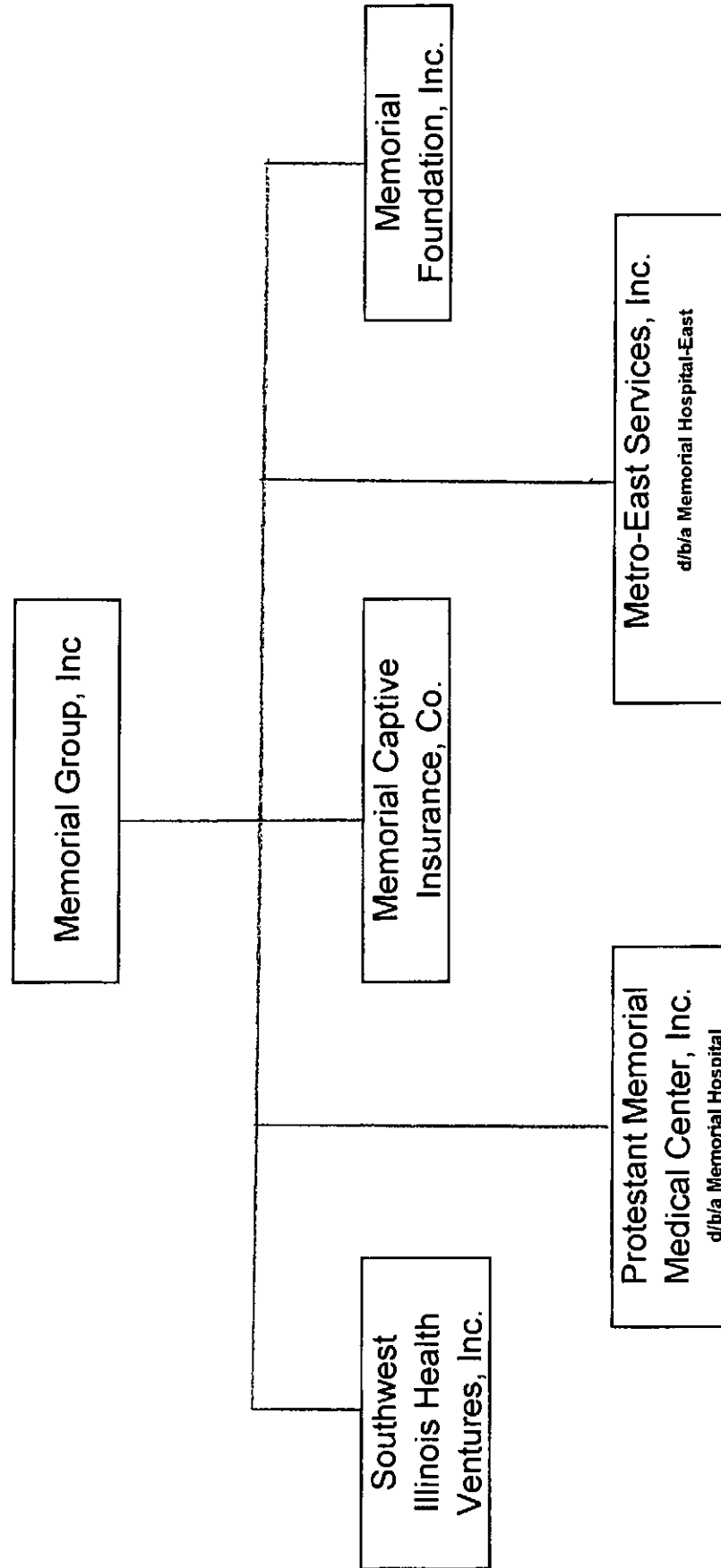
In Testimony Whereof, I hereto set
my hand and cause to be affixed the Great Seal of
the State of Illinois, this 17TH
day of MARCH A.D. 2011



Jesse White

SECRETARY OF STATE ATTACHMENT 3

Corporate Structure



MEMORIAL GROUP INC.



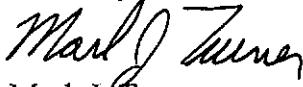
March 17, 2011

Illinois Health Facilities
and Services Review Board
Springfield, IL

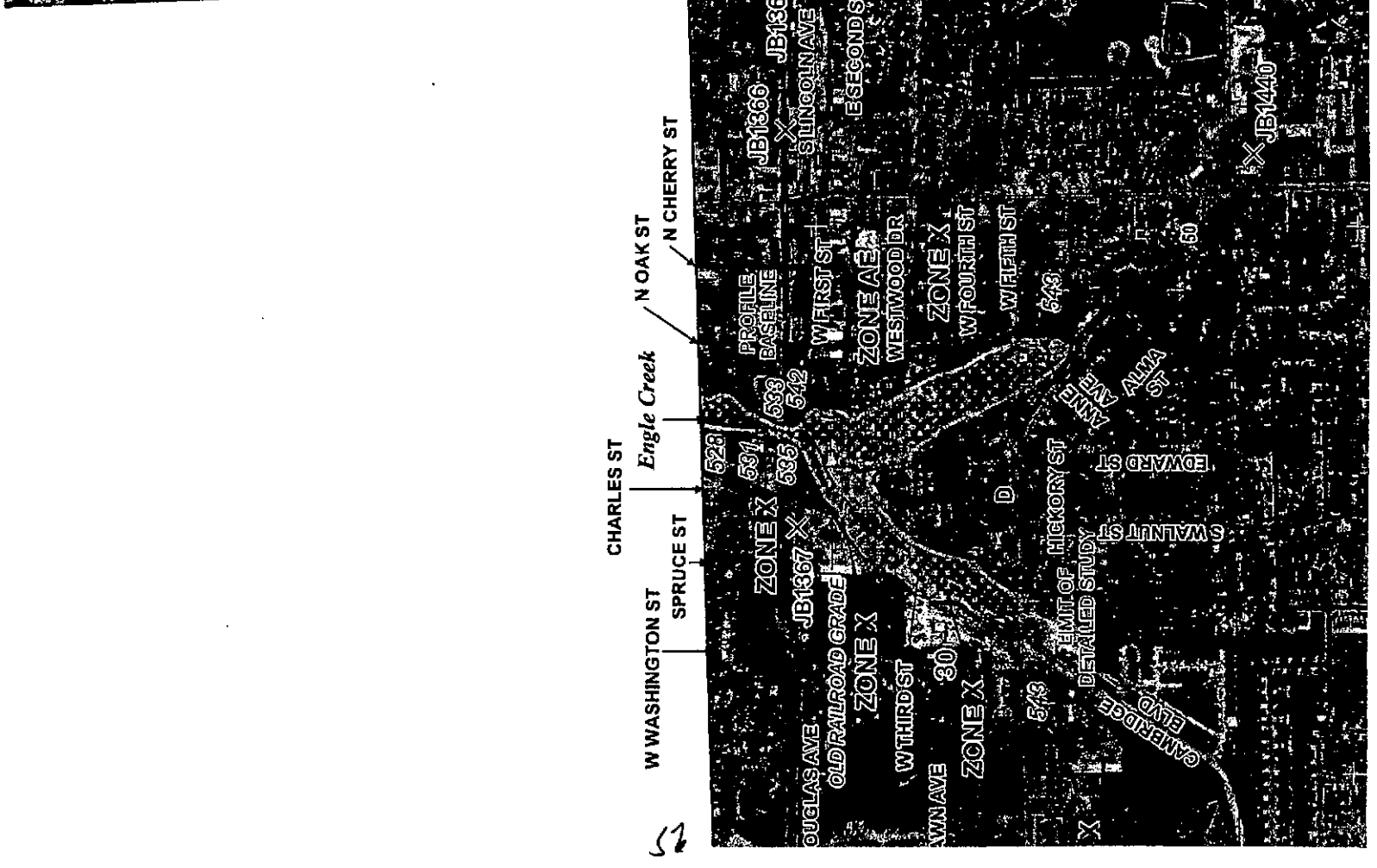
To Whom It May Concern:

I hereby certify that the proposed site for Memorial Hospital-East is not located in a special flood hazard area.

Sincerely,



Mark J. Turner
President & CEO





**Illinois Historic
Preservation Agency**

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

St. Clair County

PLEASE REFER TO: IHPA LOG #006050710

Shiloh

Cross Street, NW of N Main Street

CON - New Construction

May 11, 2010

Jacob Axel

Axel & Associates, Inc.

675 North Court, Suite 210

Palatine, IL 60067

Dear Mr. Axel:

The Illinois Historic Preservation Agency is required by the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420, as amended, 17 IAC 4180) to review all state funded, permitted or licensed undertakings for their effect on cultural resources. Pursuant to this, we have received information regarding the referenced project for our comment.

Our staff has reviewed the specifications under the state law and assessed the impact of the project as submitted by your office. We have determined, based on the available information, that no significant historic, architectural or archaeological resources are located within the proposed project area.

According to the information you have provided concerning your proposed project, apparently there is no federal involvement in your project. However, please note that the state law is less restrictive than the federal cultural resource laws concerning archaeology. If your project will use federal loans or grants, need federal agency permits, use federal property, or involve assistance from a federal agency, then your project must be reviewed under the National Historic Preservation Act of 1966, as amended. Please notify us immediately if such is the case.

This clearance remains in effect for two (2) years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the IL Human Skeletal Remains Protection Act (20 ILCS 3440).

Please retain this letter in your files as evidence of compliance with the Illinois State Agency Historic Resources Preservation Act.

Sincerely,

Anne E. Haaker

Deputy State Historic
Preservation Officer

AEH

ATTACHMENT 6

A teletypewriter for the speech/hearing impaired is available at 217-524-7128. It is not a voice or fax line.

ITEMIZATION OF PROJECT COSTS

Preplanning Costs (\$1,615,000)

Evaluation of alternatives and feasibility assessments.

Site Survey and Soil Investigation (\$50,000)

Surveying of site and evaluation of the ground's ability to support the proposed construction.

Site Preparation (\$3,690,000)

Site grading and earth movement, development of surface level parking, installation of exterior signage and lighting, and landscaping

Off Site Costs (\$6,000,000)

Costs associated with sewer and utility services, and roadway, driveway and walkway construction.

New Construction Contracts (\$69,835,354)

Construction, consistent with ATTACHMENT 76c.

Contingencies (\$5,757,450)

New construction-related contingencies, estimated at an average of \$24.72/sf.

Architectural and Engineering Fees (\$3,390,000)

Professional fees associated with the project design, preparation of all documents, and interface with IDPH and local authorities, through the project's completion.

Consulting and Other Fees (\$400,000)

CON-related consulting and review fees, IDPH and municipal review fees, environmental impact assessment, project management services, reimbursables, IT consulting services, site security, permits, insurance, materials testing, interior design consultant and miscellaneous costs.

Moveable and Other Equipment (\$23,556,000)

Furnishing, fixtures and all non-fixed clinical and non-clinical equipment, including IT.

Cost Space Requirements

Dept./Area	Cost	Gross Square Feet		Amount of proposed Total Square Feet			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
Reviewable							
Med/Surg/Peds	\$ 29,428,025		46,116	46,116			
ICU	\$ 3,321,625		4,014	4,014			
OB/Gyn	\$ 3,796,143		5,174	5,174			
LDRP	\$ 4,238,467		7,488	7,488			
C-Section Suite	\$ 1,542,183		1,808	1,808			
Level I Nursery	\$ 1,898,071		2,560	2,560			
Observ./Holding	\$ 1,898,071		2,704	2,704			
ED	\$ 5,456,955		7,096	7,096			
Cath	\$ 4,270,660		5,010	5,010			
Lab	\$ 1,660,812		2,205	2,205			
GI Lab	\$ 3,321,625		4,293	4,293			
Surgery/Recovery	\$ 11,761,017		16,328	16,328			
Imaging/Radiology	\$ 6,609,157		8,315	8,315			
Non-Invas. Cardiol	\$ 1,542,183		2,328	2,328			
Resp Ther/Pul Fx	\$ 711,777		1,008	1,008			
Pharmacy	\$ 830,406		1,204	1,204			
PT/OT	\$ 474,518		749	749			
Total	\$ 82,761,696		118,400	118,400			

Cost Space Requirements

Dept./Area	Cost	Gross Square Feet			Amount of proposed Total Square Feet			Vacated Space
		Existing	Proposed	New Const.	Modernized	As Is		
Non-Reviewable Admin	\$ 930,406		1,505	1,505				
Physicians' Offices	\$ 9,846,245		14,985	14,985				
Nursing Admin	\$ 118,629		252	252				
Medical Records	\$ 1,143,006		897	897				
Case Mgt/Soc Ser	\$ 237,259		392	392				
Medical Staff	\$ 355,888		665	665				
Human Resources	\$ 118,629		294	294				
Business Office	\$ 837,259		497	497				
Chapel/Past. Care	\$ 387,259		390	390				
Education	\$ 1,030,406		1,484	1,484				
Central Sterile	\$ 3,135,330		3,272	3,272				
Kitch/Food Prep,	\$ 4,381,199		4,836	4,836				
IT	\$ 818,629		252	252				
Public & Lobbies	\$ 1,686,295		1,740	1,740				
Admit/Outpt Reg	\$ 949,036		1,680	1,680				
Biomedical Eng.	\$ 518,629		288	288				
Materials Mgt.	\$ 1,449,036		1,992	1,992				
Mechanicals	\$ 6,263,808		9,800	9,800				
Environmental Serv.	\$ 355,888		702	702				
Plant Operations	\$ 1,304,924		2,712	2,712				
Total	\$ 35,867,762		48,635	48,635				
DGSF->BGSF			39,583	39,583				
PROJECT TOTAL	\$ 118,629,458		206,618	206,618				



State of Illinois 2009480
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
12/31/11	BGBD	0001461
FULL LICENSE		
GENERAL HOSPITAL		
EFFECTIVE: 01/01/11		

BUSINESS ADDRESS

MEMORIAL HOSPITAL
 4500 MEMORIAL DRIVE

BELLEVILLE IL 62226

The face of this license has a colored background. Printed by Authority of the State of Illinois • 2/97 •

← DISPLAY THIS PART IN A
 CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN
 IDENTIFICATION

State of Illinois 2009480
 Department of Public Health

MEMORIAL HOSPITAL

EXPIRATION DATE	CATEGORY	ID NUMBER
12/31/11	BGBD	0001461
FULL LICENSE		
GENERAL HOSPITAL		
EFFECTIVE: 01/01/11		

GENERAL HOSPITAL

EFFECTIVE: 01/01/11

11/06/10
 MEMORIAL HOSPITAL
 4500 MEMORIAL DRIVE
 BELLEVILLE IL 62223

FEE RECEIPT NO.

60

Healthcare Facilities Accreditation Program



grants this

CERTIFICATE OF ACCREDITATION

to

Memorial Hospital

Belleville, IL

This Facility has met the applicable HFAP accreditation requirements and is therefore fully accredited by the Healthcare Facilities Accreditation Program

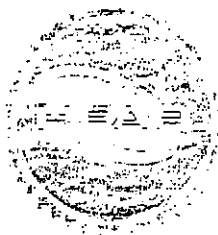
2010-2013

A handwritten signature in black ink, appearing to read "John B. Cross".

*Executive Director
American Osteopathic Association*

A handwritten signature in black ink, appearing to read "W. Wickless".

*President
American Osteopathic Association*



A handwritten signature in black ink, appearing to read "Lawrence A. Bergel".

*Chairman
Bureau Healthcare Facilities Accreditation*

MEMORIAL GROUP INC.

Illinois Health Facilities Planning Board
525 West Jefferson
Springfield, IL 62761

To Whom It May Concern:

In accordance with Review Criterion 1110.230.b, Background of the Applicant, we are submitting this letter assuring the Illinois Health Facilities Planning Board that:

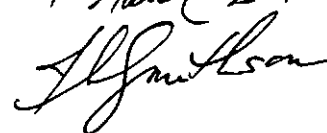
1. Neither Memorial Group, Inc. nor any of its subsidiary entities have had any adverse actions taken against it or any facility owned and operated by and co-applicant during the three (3) year period prior to the filing of this application, and
2. Memorial Group, Inc. authorizes the State Board and Agency access to information to verify documentation or information submitted in response to the requirements of Review Criterion 1110.230.b or to obtain any documentation or information which the State Board or Agency finds pertinent to this application.

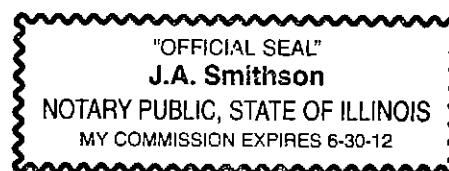
If we can in any way provide assistance to your staff regarding these assurances or any other issue relative to this application, please do not hesitate to call me.

Sincerely,



Mark J. Turner
President & CEO

NOTARIZED: 7 March 2011




PURPOSE

The purpose of this project is to provide a contemporary inpatient treatment setting for residents of Belleville and the surrounding communities that have traditionally received their inpatient care at Memorial Hospital. As a result, the bed need projections associated with this project do not assume any shift in market share from Illinois hospitals, other than Memorial Hospital-Belleville. Rather, utilization is based solely upon: 1) current utilization rates (patient days/1,000), 2) the impact of demographic changes to Memorial Hospital's traditional service area, and 3) an anticipated reduction in the out-migration of planning area residents to Missouri hospitals. The cornerstone of Memorial's decision to proceed with the project is the desire to locate all inpatients in private rooms.

In addition, and because of the nature of the project—the establishment of a satellite hospital, rather than a replacement facility—accessibility to health care services, including Emergency Department and trauma services, for service area residents in the communities to the north and northeast will be improved.

Because of the improved accessibility, the lower infection rates resulting from an all-private room setting, and because of the improved patient privacy and comfort

associated with private rooms, the applicants believe that the well being of the market area population to be served by the project will be improved as a result of the project.

Historically, Memorial Hospital has attracted approximately 86% of its patients from the 21 surrounding ZIP Code areas surrounding Belleville, and because it is anticipated that the patient population to be served will not substantially change with the establishment of the proposed hospital, no appreciable changes to that 21 ZIP Code area are anticipated. Those ZIP Code areas include the following:

62226 Belleville	62223 Belleville	62269 O'Fallon
62221 Belleville	62208 Fairview Heights	62206 E. St. Louis/Cahokia
62220 Belleville	62234 Collinsville	62232 Caseyville
62203 East St. Louis	62204 East St. Louis	62205 East St. Louis
62207 East St. Louis	62254 Lebanon	62258 Mascoutah
62260 Millstead	62243 Freeburg	62201 East St. Louis
62264 New Athens	62298 Waterloo	62040 Granite City

Memorial Hospital has historically been a primary provider of both Medicaid and charity care services within the region, and Memorial-East will operate under the same admissions and charity care policies currently in place at Memorial-Belleville. Based on IDPH data, as reported in its Hospital Profiles, during 2009 Memorial Hospital accounted for both the most Medicaid admissions (2,258) and the highest total charity care expense (\$3.27 million) of all the hospitals located in Planning Area F-01.

The three primary measurements of the project's success, all of which are anticipated to be measurable within three months of the project's completion are: 1) lower infection rates than currently experienced at Memorial Hospital (though the current

infection rates are not considered to be high), 2) shorter transport and travel times to a hospital, and 3) higher patient satisfaction reporting than is currently the case at Memorial Hospital.

ALTERNATIVES

The project presented in this application involves the establishment of a satellite hospital, providing 72 medical/surgical/pediatrics beds, 16 obstetrics beds, six ICU beds, and associated support space. The goal of the project is to locate all of Memorial Hospital's beds in a private room setting. Three alternatives were evaluated:

Alternative 1: Build a new bed tower on the Memorial Hospital Campus

In response to the goal of transforming Memorial Hospital into an all-private room facility, as has been the practice with many other Illinois hospitals in recent years, the construction of a new bed tower, to be coupled with the conversion of existing semi-private rooms into private rooms was evaluated during a 2008/2009 Master Site Planning process. The cost of constructing a bed tower (with minimal space devoted to other services) connected to Memorial Hospital was estimated to be in the \$179-184M range, with significant costs associated with the construction of a sizable building on a site with abandoned coal mines underneath, as is the case with the existing hospital site.

The cost associated with this alternative rendered it to be impractical.

Alternative 2: Build a Hospital Having 100 Medical/Surgical/Pediatrics Beds and 20 Obstetrics Beds

Consideration was given to constructing a larger hospital in order to be in compliance with Review Criterion 1110.530.f, which identifies the minimum number of Medical/Surgical beds and the minimum number of obstetrics beds for hospitals located in a Metropolitan Statistical Area (MSA) to be 100 and 20 beds, respectively. (Note: This criterion relates to new hospital, modernization and expansion projects.) This alternative was rejected for a variety of reasons:

First, with the primary purpose of the project being to locate all of Memorial's beds in private patient rooms, and with 164 medical/surgical and 15 obstetrics rooms being available for continued use on the Belleville campus, it made little sense to construct 100 medical/surgical and 20 obstetrics rooms at Memorial-East while leaving rooms at Memorial-Belleville unused, and for the sole purpose of complying with one of the many review criteria that proposed project would be reviewed against.

Second, the capital cost associated with this alternative exceeds that of the selected approach by over \$21M.

Third, the 20-bed and 100-bed minimums developed by the IHFSRB's predecessor agency are no longer consistent with the delivery of hospital services. As reported in the 2008 IDPH *Profiles*, there are currently 28 hospitals located in MSAs that provide fewer than 20 obstetrics beds. Similarly, the 100-bed minimum for Medical/Surgical beds has evolved from an earlier review criterion (1110.320.a), which

identified 100 as the minimum number of Medical/Surgical beds for newly established hospitals located in a MSA. That criterion has since been replaced by the criterion identifying 100 as the Medical/Surgical bed minimum for newly established as well as existing hospitals located in a MSA. Similar to the lack of consistency with the obstetrics criterion, excluding Long Term Acute Care Hospitals (LTACHs) and Critical Access Hospitals (CAHs), there are 22 general hospitals having fewer than 100 medical/surgical beds that are located in Illinois MSAs, including three of the eight hospitals located in this project's Health Planning Area, F-01.

The basis for the 100-bed minimum dates back to the infancy of Illinois' CON program, and is still referenced in the IHFSRB's rules:

"Planning areas for acute care categories of service of medical-surgical/pediatrics, obstetrics and intensive care must contain a minimum population of 40,000. This population base would be sufficient to support a 100 bed hospital based upon a facility target occupancy of 80% and an inpatient day use rate of 725 days per 1,000 population." (Section 1110.510.c.7)

The most basic understanding of the delivery of hospital services since the inception of Illinois' CON program in the late 1970s-early 1980s acknowledges dramatic changes in utilization since the initial rules were developed. 2009 utilization data contained in the recently published "Illinois Hospitals Data Summary" developed by IDPH staff identified 5,783,730 medical-surgical/pediatrics, obstetrics and intensive care patient days of care provided through Illinois hospitals (6,149,847 patient days if "observation" days are included). A simple extrapolation from 2005 and 2010 population projections developed by the Illinois Department of Commerce and economic Opportunity (IDCEO) identifies a state-wide population of 13,198,279. The resultant

experienced use rate is 438.22 days per 1,000 (465.90 if “observation” days are included), compared to the 725 days per 1,000 that provided the basis for the 100-bed minimum. Stated another way, the population that required 100 beds when the criterion was written, can now be served by 60-65 beds because of the lower utilization rate; and as a result, the cost associated with the construction of the additional beds simply to comply with the single review criterion cannot be justified.

Alternative 3: Eliminate the Planned Provision of Obstetrics Services from Either Memorial Hospital or Memorial-East

Memorial Hospital operated with an obstetrical average daily census of approximately 11.5 patients in 2009, and as a community hospital, obstetrics is viewed as a primary service. That historical census supports a “need” for 16 beds, based on the IHFSRB’s 75% occupancy target. The performance requirement noted in the discussion of Alternative 2—the 20-bed minimum, suggests that if Memorial elects to provide obstetrics services on both of its campuses, a minimum of 40 beds are to be provided. Because Memorial-East is envisioned as a classic satellite hospital having a focus on primary care services, obstetrics is absolutely consistent with that concept, and therefore should be provided at the hospital. Alternatively, Memorial Hospital is a community hospital that has provided obstetrics services since its founding, and the elimination of this primary service from a community hospital setting with such a long tradition of providing the service, is viewed as being inappropriate by the applicants. As a result, this alternative was rejected as being inconsistent with the applicant’s mission.

SUMMARY COMPARISON OF ALTERNATIVES TO PROPOSED PROJECT

	<u>Cost</u>	<u>Quality</u>	<u>Accessibility</u>	<u>Financial Benefits</u>
<u>Alternative 1</u> Build new bed tower	approx. \$60-65M more in capital costs	same as proposed project	minimally less access	same as proposed project
<u>Alternative 2</u> Increased bed complement in Satellite Hospital	approx. \$21.2M more in capital costs and approx \$1.24M/yr more in operating costs	same as proposed project	same as proposed project	same as proposed project
<u>Alternative 3</u> Elimination of OB Service	approx. \$22.6M less in capital costs and approx. \$3.5M/yr less in operating costs	same as proposed project	minimally less access	same as proposed project

SIZE OF PROJECT

The departmental/function-specific space allocations presented in ATTACHMENTS 9 and 42C are necessary and not excessive. The project involves 167,035 DGSF and 206,618 BGSF of new construction. 118,400 of the DGSF are assigned to "clinical" functions.

The table below identifies those areas included within the proposed project, for which the IHFSRB has adopted space standards. As can be noted from the table, each of the eleven areas is consistent with the IHFSRB standard.

DEPARTMENT/SERVICE	PROPOSED DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?
Medical/Surgical	46,116	47,520	(1,404)	yes
ICU	4,014	4,110	(96)	yes
Obstetrics beds	5,174	5,280	(106)	yes
LDRP	7,488	12,800	(5,312)	yes
C-Section	1,808	4,150	(2,342)	yes
Level 1 Nursery	2,560	2,560	-	yes
Emergency Dept.	7,096	7,200	(104)	yes
Card Cath/Special Proc	5,010	5,200	(190)	yes
GI Lab (inc. recovery)	4,293	4,960	(667)	yes
Surgery & Recovery	16,328	16,520	(192)	yes
Diagnostic Imaging*	8,315	10,000	(1,685)	yes

The space program proposed for the project was developed through a series of interactive meetings involving the project's architectural firm, HDR, and representatives of the hospital.

Included within the eleven functional areas identified in the table above are the following:

- two medical/surgical units, consisting of 36 private rooms, each
- a 6-bed ICU
- a women's center, consisting of 8 private post partum rooms, 8 LDRPs, a 2-room C-section suite, and a Level I nursery,
- an 8-station Emergency Department
- a cardiac catheterization/special procedures department, consisting of two procedure rooms and 4 Level II recovery stations
- a GI laboratory, consisting of 2 procedure rooms, 2 Level I and 6 Level II recovery stations
- a surgical suite, consisting of 4 Class C operating rooms and a post-surgical recovery function consisting of 4 Level I and 12 Level II stations
- a diagnostic imaging department, consisting of 2 general x-ray rooms, and one room each for fluoroscopy, CT, MRI, ultrasound and nuclear medicine.

PROJECT SERVICES UTILIZATION

The table below documents that it is anticipated that each of the services included in the proposed project, and for which the IHFSRB maintains utilization standards, will operate consistent with the applicable standard, by Memorial Hospital-East's second year of operation.

Dept./ Service	Historical Utilization (Patient Days) (TREATMENTS) ETC.	PROJECTED UTILIZATION		STATE STANDARD	MET STANDARD?
		YEAR 1	YEAR 2		
Medical/Surgical	n/a	65%	85%	85%	yes
ICU	n/a	46%	60%	60%	yes
Obstetrics	n/a	31%	41%	75%	no
Emergency Dept.	n/a	10,400	14,437	2000/staion	yes
Cardiac Cath.	n/a	204	282	200/year	yes
GI Lab.	n/a	1,750	2,273	1,500 hrs/rm	yes
Surgery	n/a	3,816	4,990	1,500 hrs/OR	yes
General R & F	n/a	21,185	27,703	8,000/unit	yes
MRI	n/a	1,533	2,005	2,500/unit	yes
CT	n/a	8,299	10,853	7,000/unit	yes
Ultrasound	n/a	8,076	10,561	3,100/unit	yes
Nuclear Medicine	n/a	2,141	2,800	2,000/unit	yes

The primary purpose of providing each of the clinical services addressed in this ATTACHMENT is to provide a necessary service to residents of the hospital's planning

area. In addition, and because the patient population traditionally looking to Memorial Hospital for its care served as the basis for utilization projections, no Illinois providers, other than Memorial Hospital, are anticipated to be impacted by this project. (Please see discussion below on out-migration to Missouri hospitals.) As a result, this project will not cause any other existing provider's utilization to fall below the IDPH's service-specific standard, nor will it cause any provider not operating at the IDPH's standard to realize a decrease in utilization.

The remainder of this ATTACHMENT will address the manner in which the utilization projections in the table above were developed, discussing both the patient population that has traditionally received care in the planning area's hospitals and those planning area residents that have out-migrated to Missouri for their care.

Medical/Surgical Beds

Memorial Hospital-East will provide care to pediatrics patients on the medical/surgical units, rather than provide a separate pediatrics unit. The applicants decided to forego the development of a pediatrics unit due to the low pediatrics census experienced by Memorial Hospital in recent years.

Projected utilization of the medical/surgical services was calculated for both of Memorial's facilities, together—Memorial Hospital-Belleville and Memorial Hospital-East— because the project essentially re-distributes Memorial's patients over the two campuses. In projecting utilization, the following assumptions were made:

- ZIP Code-specific utilization rates (patient days/1,000 population) would remain constant at their 2009 rates through 2014;
- Illinois hospitals' market share of patients now receiving care in Illinois would remain at the 2009 distribution; and
- that portion of the area's population electing to leave Illinois for their care would diminish;

As a result of the assumptions identified above, the only factors that will effect future utilization of the two hospitals are population increases or decreases within individual ZIP Code areas, the aging of the area's population and diminished out-migration to Missouri, which will be discussed separately.

a. Impact of Population Growth and Aging

Because of the significant disparity between the historical utilization rates of the two age groups used to project patient days (0-64 and 65+), all projections were made on an age-group basis. (The historical use rate of the 65+ age group is nearly 6 ½ times that of the younger age group). As noted above, this methodology assumes that no patients will be "taken from" any other Illinois hospital, with the exception of Memorial Hospital-Belleville patients moving to Memorial-East.

Two separate analyses were performed.

By applying 2009 age group and ZIP Code-specific utilization rates, as calculated from Illinois Hospital Association CompDATA reports, to comparable 2014 populations, as projected by GeoLytics, Inc. a proprietary demographics firm, a 7.28% increase in non-obstetrics (medical, surgical, pediatrics and ICU) utilization was projected. This

analysis would suggest 57,003 ($53,135 \times 1.0728$) patient days of care to be provided by Memorial in 2014.

A second, and more detailed analysis was performed, that being a 2009 day-by-day census analysis, which revealed that Memorial Hospital's medical/surgical/pediatrics census varied drastically over the year, from a low of 92 patients to a high of 215 patients, a 134% variance. It was also noted that the highest census days occurred during the first quarter of the year, where the daily census never fell below 136 patients. The day-by-day census for this period was identified and then increased by 7.28%, consistent with the demographic-driven increases to be anticipated, and as discussed above. That process suggested that the January-March, 2014 census will range from 146 to 241 patients, with an average daily census (ADC) of 186.5 patients, and a census of 200+ projected to be reached on eighteen days and a census of 222 or more on four days.

b. Impact of Anticipated Reduced Out-Migration to Missouri Hospitals

While some PSA residents have long-standing relationships with Missouri physicians, resulting in admission to Missouri hospitals, local understanding suggests that a significant number of the PSA residents that are "out-migrating" are doing so because Missouri hospitals are more accessible than the two hospitals in Belleville.

In 2010 McManis Consulting was commissioned by Memorial to perform a variety of planning-related analyses, including an analysis of the utilization of Missouri hospitals by residents of Memorial's service area.

McManis identified a primary service area (PSA) for Memorial Hospital, consisting of 24 ZIP Code areas (4 of which were non-residential) from which the hospital has traditionally attracted 80-82% of its medical/surgical patients. McManis also identified northern and southern secondary service areas (SSAs), which each have traditionally accounted for 5-6% of Memorial's medical/surgical patients.

For purposes of their analysis, McManis categorized medical and surgical DRGs as primary, secondary or tertiary care (as opposed to a simple specialty categorization) and assessed where Memorial Hospital's PSA residents received those three levels of care. Using 2009 Missouri Hospital Association HIDI data, McManis found that :

- 36.2% of the care provided in Missouri to residents of Memorial Hospital's PSA was categorized as "primary", 48.3% as "secondary" and 15.6% as "tertiary"
- when adjusted to remove obstetrics, neonates, physical rehabilitation, substance abuse and psychiatry patients from the analysis, Memorial's PSA saw 2,931 primary care patients and 4,337 secondary care patients seek care in Missouri.

The proposed site of Memorial Hospital-East will be much more accessible to many of the Illinois patients obtaining care in Missouri, and as a result, it is believed that out-migration will be reduced.

For planning purposes, Memorial Hospital is taking a very conservative approach in projecting Memorial Hospital-East's impact on out-migration, limiting its projections

to its PSA, only; and holding population (and more importantly, age distribution) constant. The result is that if Memorial-East would “capture” only 25% of the primary care admissions and 15% of the secondary care admissions (and no tertiary care admissions) now out-migrating to Missouri, there would be an additional 1,383 medical/surgical patients staying in Illinois. That number of incremental patients—patients that are now being admitted to Missouri hospitals-- would, using Memorial’s 2009 average length of stay, require 20 additional medical/surgical beds.

In addition, and as is the practice at many hospitals, non-traditional inpatients occupy inpatient beds for observation purposes or as “extended outpatients”, with those patients typically occupying the beds during the busiest time of the day, from 10AM to 4PM. Memorial estimates that on most weekdays, 6-9 beds are used for this purpose.

As a result of the need to assure beds are available for patients during the higher census periods—though not necessarily on the highest of projected census days—a total of 261 medical/surgical/pediatrics beds are proposed to be provided jointly on the two campuses: 200 beds to address the needs of “traditional” Memorial patients, adjusted for population growth and aging, 20 beds to address the need resulting from reduced out-migration of area residents to Missouri hospitals, and 6 beds to account for observation and “extended outpatients” occupying an inpatient bed. Seventy-two of the beds will be located at Memorial-East, and 189 will be located at Memorial Hospital-Belleville—a reduction of 78 medical/surgical/pediatrics beds at Memorial-Belleville. Assuming no un-anticipated utilization changes at Memorial-Belleville prior to the opening of

Memorial-East, the combined medical/surgical/pediatrics bed complement would be reduced by six beds (Memorial-Belleville is currently approved to operate 267 medical/surgical/pediatrics beds).

For planning purposes, and consistent with IHFSRB targets, the proposed beds at Memorial-East are projected to operate at 85% occupancy (22,338 patient days) during the second year following the hospital's opening, and at 65% (17,082 patient days) occupancy during the initial twelve months of the hospital's operation, as the result of an anticipated "ramp-up" period.

The calculations described above are provided in ATTACHMENT 20b3.

ICU Beds

ICU utilization at Memorial Hospital equaled 9.9% of medical/surgical/pediatrics utilization in 2009, and that ratio is projected to remain constant, when applied cumulatively to Memorial Hospital-Belleville and Memorial Hospital-East. The rate at Memorial-East alone, however, will be considerably lower because of an absence of an open heart surgery program and because more complicated medical and surgical cases, when the option is available, will be admitted to Memorial Hospital-Belleville. As a result, and for planning purposes, the 9.9% rate is being discounted by 50%, to 4.95% at Memorial-East. Accordingly, and based on the projected m/s/p patient days identified in the section above, 846 and 1,106 ICU patient days are projected during the first two years of operation, respectively.

Obstetrical Beds

Obstetrical bed utilization was projected on a combined hospital basis, using a methodology similar to that used to project medical/surgical bed utilization, and as discussed above (with 86.4% of the patients continuing to come from a 24 ZIP Code-area). All variables, including market share, ZIP Code-specific utilization rates, and average length of stay were held constant, with the only variable being allowed to change being ZIP Code-specific population within the 15-44 year old female cohort.

As discussed in ATTACHMENT 20b3, which provides the entire methodology, the applicants believe that by the second year of operation, and due primarily to the “newness” factor, two-thirds of Memorial’s obstetrics patient days will be provided at Memorial Hospital-East, or 2,973 patient days. Utilization during the first year of Memorial-East’s operation is anticipated to approximate 75% that of the second year, or approximately 2,230 patient days.

With the opening of the 16-bed obstetrics unit at Memorial-East, and based on utilization at Memorial-Belleville, it is anticipated that the Belleville unit will be reduced in size from 29 to 8 beds, resulting in a “net” reduction of five obstetrics beds.

Emergency Department

Memorial Hospital has experienced significant increases in its Emergency Department utilization, increasing from 47,255 visits in 2005 to 59,333 visits in 2009, an

increase of 25.6%, with the annual increases ranging from a low of 4.5% to a high of 8.6%. In order to be conservative, utilization is projected to increase at a rate below the lowest recently experienced rate, 4.5% a year. Emergency Department utilization is projected to increase at an annual rate of 4.0% for the next five years. As a result, 2013 utilization is projected to be 72,187 visits in the second year following the opening of Memorial-East.

Based on population distribution within the planning area and the planned clinical capabilities of Memorial, it is anticipated that 20% of the Emergency Department volume will be provided at Memorial-East, with the balance remaining at Memorial Hospital. Allowing for a “ramp-up” period during the hospital’s initial year of operation, 10,400 visits are anticipated during the first year, with 14,437 being projected for the second year of operation.

Surgery/Recovery

Surgical hours (including room turn-over) provided at Memorial Hospital increased by 7.7% between 2005 and 2009, an average of 1.9% a year. Two methodologies were used to identify, on a non-specialty-specific basis, the number of operating rooms required for Memorial Hospital and Memorial Hospital-East.

The first methodology assumed that surgical hours would continue to increase, but at a rate of only 1% per year, resulting in a projection of 18,580 hours during the

second year of Memorial Hospital-East's operation, and a need for 13 operating rooms, based on the IDPH standard of 1,500 hours per OR. The second methodology used Memorial Hospital's 2009 inpatient cases per m/s/p day, ratio of outpatient cases per inpatient case, and average hours of OR time used per case, to project 16,459 hours during the same year, and a need for 11 ORs at the two hospitals.

The results of both methodologies, however, need to be adjusted to provide for necessary "specialty" ORs, those being dedicated operating rooms to support Memorial Hospital's open heart surgery program (open heart surgery will not be provided at Memorial-East). With the exception of the open heart rooms, all of Memorial Hospital's operating rooms have historically been designated as "general" rooms, though specialty designations, including a cystoscopy room are used for internal purposes.

Memorial Hospital currently operates two open heart surgery and seventeen "general" rooms, a total of nineteen operating rooms. In 2009, 7.8% of the OR hours were provided in the open heart rooms. All of the operating rooms at Memorial-East will be designated as "general"; and using the methodologies identified above, the projected m/s/p patient days during the second year of operation would result in a projection of 7,4260 hours (22,338 patient days x .325 hours) of OR time at Memorial-East and a need for five operating rooms. Because of the ability to direct outpatients to Memorial Hospital, and as discussed above, the projected hours of OR time have been discounted by 33%, to 4,990 hours, resulting in a need to provide only four operating rooms at Memorial-East. Surgical utilization during the hospital's initial year will ramp-up in a

manner similar to that of medical/surgical utilization, and as a result, 3,816 hours of operating room time are projected.

Recovery stations will be provided at the rate of four recovery stations per operating room, with 25% of the stations being provided in a Phase I setting.

Imaging Department

Imaging department utilization has been projected using historical utilization ratios from Memorial Hospital, with outpatient procedures discounted by 33%, as discussed above. The department will consist of three radiographic/fluoroscopic rooms, one room each for CT, MRI, ultrasound, and nuclear medicine.

Projected utilization for each of the imaging modalities is presented in the table below.

Year 1 m/s/p & ICU days:	17,928		
Year 2 m/s/p & ICU days:	23,444		
		Year 1	Year 2
General R & F			
inpt proc per m/s/p & ICU day:	0.47		
inpatient procedures:		8,426	11,019
outpt procedures as % of inpt.*	151.42%	<u>12,759</u>	<u>16,684</u>
Total procedures:		21,185	27,703
Ultrasound			
inpt proc per m/s/p & ICU day:	0.289		
inpatient procedures:		5,181	6,775
outpt procedures as % of inpt.*	55.88%	<u>2,895</u>	<u>3,786</u>
Total procedures		8,076	10,561
CT			
inpt proc per m/s/p & ICU day:	0.18		
inpatient procedures:		3,227	4,220
outpt procedures as % of inpt.*	157.18%	<u>5,072</u>	<u>6,633</u>
Total procedures		8,299	10,853
MRI			
inpt proc per m/s/p & ICU day:	0.026		
inpatient procedures:		466	610
outpt procedures as % of inpt.*	228.87%	<u>1,067</u>	<u>1,395</u>
Total procedures		1,533	2,005
Nuclear Medicine			
inpt proc per m/s/p & ICU day:	0.072		
inpatient procedures:		1,291	1,688
outpt procedures as % of inpt.*	65.86%	<u>850</u>	<u>1,112</u>
Total procedures		2,141	2,800
*discounted by 33%			

GI Lab

A GI Lab has become a primary service offered at virtually all hospitals having gastroenterologists on their medical staff. For each of the last two years, 82% of the GI Lab cases at Memorial Hospital have been performed on an outpatient basis. Over the

last five years, utilization of Memorial Hospital's GI lab has increased at an average rate of 12.1% per year. Utilization is conservatively projected to increase at an average rate of 10.0% a year, for the next five years, through the second year of operation for Memorial-East. As a result, 11,367 hours of GI Lab time are projected, and 20% of those hours are anticipated to ultimately be provided at Memorial-East. Providing for a "ramp up" period during the hospital's initial year of operation, 1,750 hours of GI Lab time are anticipated to be used in the first year of operation, and 2,273 hours will be used in the second year. Two procedure rooms (and six Phase II recovery stations) will be provided, to allow for the efficient use of the gastroenterologist's time.

Cardiac Catheterization

A cardiac catheterization laboratory will be provided, consistent with contemporary practices. Historically, the ED at Memorial Hospital-Belleuve has generated approximately 17 cardiac catheterizations for every 1,000 patients seen. For planning purpose, the rate through the ED at Memorial Hospital-East is anticipated to be approximately the same as experienced at Memorial-Belleuve, 17 per 1,000 ED patients. Historically, approximately 5% of the diagnostic catheterizations performed at Memorial-Belleuve were performed on patients taken directly from the ED to the cath lab, with approximately 95% being performed on a "scheduled" basis. At Memorial-East, the "scheduled" rate is anticipated to be similar to that experienced at Memorial Hospital-Belleuve. As a result, and based primarily upon projected ED utilization, 186 and 258 cardiac catheterizations are anticipated to be performed at Memorial-East during its first two years of operation.

One procedure room dedicated to cardiac catheterization will be provided.

Staff in this area will also support the special procedures room.

Special Procedures

A single special procedures room will be provided adjacent to the diagnostic imaging department. The most common procedures to be performed in the special procedure room, based on the experience at Memorial Hospital will include: aortograms, peripheral angioplasty, stent insertion, fistulograms and venacavagrams. Using the ratios of one inpatient procedure per 115.2 m/s/p patient days, as experienced at Memorial Hospital and 81 outpatient procedures performed for every 100 inpatient procedures, a total of 194 inpatient and 157 outpatient procedures are anticipated to be performed at Memorial Hospital-East during the second year following the hospital's opening. Allowing for a ramp-up period, utilization of the special procedures room during the hospital's first year of operation is projected to approximate 50% of the second year's utilization, or 82 inpatient and 78 outpatient procedures.

As noted above, the cardiac catheterization lab and the special procedures rooms will share staff.

Respiratory Therapy/Pulmonary Function

Respiratory therapy and pulmonary function treatments, 91.8% of which are provided on an inpatient basis at Memorial Hospital, are anticipated to be performed at the rate of 1.91 treatments per m/s/p and ICU patient day, as is the experience at Memorial Hospital. Accordingly, the following respiratory therapy/pulmonary function volumes, in terms of treatments are anticipated:

	<u>Year 1</u>	<u>Year 2</u>
Inpatient	31,927	41,751
Outpatient	<u>2,852</u>	<u>3,730</u>
Total	34,779	45,481

Non-Invasive Cardiology

Non-Invasive Cardiology services are provided more frequently on an outpatient than an inpatient basis at Memorial Hospital, and that practice is anticipated to duplicate itself at Memorial Hospital-East. Consistent with the utilization at Memorial Hospital, non-invasive cardiology procedures are projected to be performed on an inpatient basis at the rate of one procedure per 3.6 m/s/p and ICU patient days, and 1.3 outpatient procedures are projected to be performed for each inpatient procedure. As a result, and based on projected patient days, the following utilization is anticipated:

	<u>Year 1</u>	<u>Year 2</u>
Inpatient	5,058	6,614
Outpatient	<u>6,575</u>	<u>8,599</u>
Total	11,633	15,213

PLANNING AREA NEED

St. Clair County is located in IHFSRB-designated Planning Area F-01. The January 18, 2011 *Update* of the IDPH's *Inventory* identifies excesses of 527 medical/surgical/pediatrics beds, 128 obstetrics beds, and 23 ICU beds within the area.

The proposed project and the subsequent reduction of beds at Memorial Hospital-Belleville will result in a net reduction of approximately 11* medical/surgical/pediatrics and obstetrics beds (please see table below). The medical/surgical/pediatrics and obstetrics beds will be removed from Memorial Hospital-Belleville upon the opening of Memorial Hospital-East. The 16 obstetrics beds are being provided consistent with Memorial Hospital-East's mission as a satellite community hospital located in an area with a significant demand for obstetrics services.

	Current (Belleville)	Proposed		Net Change
		Belleville	Shiloh	
M/S/P	267	189*	72	-6
OB	29	8*	16**	-5

* approximate, to be determined
 ** includes 8 LDRPs

The net increase of five ICU beds (6 to be provided at Memorial-East and one to be removed from Memorial Hospital) is consistent with the ICU bed need projection

provided in ATTACHMENT 20b3, and in response to Memorial Hospital's historical utilization rate, which has exceeded the IDPH's target level in each of the last five years.

SERVICE TO PLANNING AREA RESIDENTS

The proposed site is located in IDPH-designated Planning Area F-01, which consists of Madison and St. Clair Counties, Monroe County Precincts 2, 3, 4, 5, 7, 10, 11, 14, 16, 17, 18, 19, 21, and 22; and the Clinton County Townships of Sugar Creek, Looking Glass, Germantown, Breese, St. Rose, Wheatfield, Wade, Santa Fe, Lake, Irishtown, Carlyle, and Clement. Planning Area F-01 is the designated planning area for each bed category of service included in the proposed project (medical/surgical, obstetrical and ICU). Health Services Area XI serves as the IDPH-designated planning area for the only other category of service included in the proposed project, that being cardiac catheterization.

The primary purpose of the project in general, and of each of the four proposed categories of service, individually, is to serve the residents of the planning areas identified above.

The anticipated patient origin of medical, surgical, pediatrics, ICU and cardiac catheterization patients using Memorial Hospital-East (as well as patients using other non-obstetrics-related services) is anticipated to be similar to that currently being experienced by Memorial Hospital, and as depicted in the table below, with the exception

of admission of a portion of the planning area's patient population currently "out-migrating" to Missouri for care (please see discussion in ATTACHMENT 15).

**Origin of Medical/Surgical, Pediatrics, ICU
and Cardiac Catheterization Patients**

ZIP Code	Community	% of Adm	Cum % of Adm
62226	Belleville	13.4%	13.4%
62223	Belleville	8.9%	22.2%
62269	O'Fallon	7.7%	29.9%
62221	Bellevue	6.7%	36.7%
62208	Fairview Heights	6.5%	43.1%
62206	Cahokia	6.1%	49.3%
62220	Belleville	5.1%	54.4%
62234	Collinsville	3.9%	58.3%
62232	Caseyville	3.4%	61.7%
62203	E. St. Louis	3.3%	65.0%
62204	E. St. Louis	3.3%	68.3%
62205	E. St. Louis	2.9%	71.1%
62207	E. St. Louis	2.6%	73.7%
62254	Lebanon	2.2%	75.9%
62258	Mascoutah	2.0%	77.9%
62260	Millstead	1.9%	79.8%
62243	Freeburg	1.4%	81.2%
62201	E. St. Louis	1.3%	82.5%
62264	New Athens	1.2%	83.7%
62298	Waterloo	1.2%	84.9%
62040	Granite City	1.1%	86.0%
	< 1.0%	14.0%	100.0%

Similarly, the anticipated patient origin of the obstetrics patients using Memorial Hospital-East is anticipated to be very similar to that currently being experienced by Memorial Hospital, and as depicted in the table below.

Origin of Obstetrics Patients

ZIP Code	Community	% of Adm	Cum % of Adm
62226	Belleville	10.6%	10.6%
62221	Belleville	7.9%	18.4%
62269	O'Fallon	7.8%	26.3%
62220	Belleville	6.8%	33.1%
62206	Cahokia	6.7%	39.8%
62223	Belleville	6.0%	45.8%
62208	Fairview Heights	5.2%	51.0%
62234	Collinsville	3.7%	54.8%
62203	E. St. Louis	3.4%	58.2%
62207	E. St. Louis	3.2%	61.4%
62204	E. St. Louis	3.0%	64.4%
62205	E. St. Louis	2.8%	67.2%
62258	Mascoutah	2.1%	69.3%
62201	E. St. Louis	2.1%	71.4%
62243	Freeburg	2.0%	73.4%
62285	Smithton	2.0%	75.3%
62278	Red Bud	1.7%	77.1%
62298	Waterloo	1.6%	78.7%
62260	Millstadt	1.5%	80.2%
62264	New Athens	1.5%	81.6%
62232	Caseyville	1.3%	82.9%
62254	Lebanon	1.2%	84.1%
62257	Marissa	1.2%	85.3%
62040	Granite City	1.1%	86.4%
	< 1.0%	13.6%	100.0%

Consistent with the information provided in the tables above, a minimum of 50% of the patients anticipated to utilize each of the proposed categories of service at Memorial Hospital-East will be residents of the applicable IDPH-designated planning area, whether that be Planning Area F-01 or Health Systems Area XI.

SERVICE DEMAND
ESTABLISHMENT OF A NEW CATEGORY OF SERVICE

Memorial Hospital-East will provide four categories of service, each of which is currently (and will continue to be) provided at Memorial Hospital-Belleville: medical/surgical beds, ICU beds, obstetrics beds, and cardiac catheterization. In addition, and as discussed in other attachments to this application, Memorial-East is being established to enable Memorial Hospital to locate all of its beds in private rooms, and the bed "need" analyses used to identify the number of beds to be provided are based primarily on the current utilization of Memorial Hospital.

For these reasons a technical assistance conference, consistent with IHFSRB rules was held with State Agency Staff on May 14, 2010 to discuss the most appropriate way for the applicants to address Review Criterion 1110.530(b)(3). Consistent with that conference, documentation of two years of historical utilization at Memorial Hospital, and a certification that the information provided is true and correct are being provided in the form of a letter from Mark J. Turner, President and CEO of Memorial Hospital, to satisfy this Review Criterion.

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MARK J. TURNER, PRESIDENT

March 17, 2011



Illinois Health Facilities
and Services Review Board
Springfield, Illinois

RE: Review Criterion I110.530(b)(3)

To Whom It May Concern:

This letter is being provided to fulfill the requirements of the above-noted review criterion, and consistent with a Technical Assistance conference held with State Agency staff on May 14, 2010, and documented in accord with IHFSRB requirements.

The table below identifies Memorial Hospital's past two years' utilization of each "category of service" to be provided at Memorial Hospital-East. The data provided in the table is true and correct, to the best of my knowledge.

	2008			2009		
	Admissions	Patient Days	Procedures	Admissions	Patient Days	Procedures
medical/surgical beds*	12,386	53,536	n/a	12,414	53,135	n/a
ICU beds	1,718	5,284	n/a	1,730	5,330	n/a
obstetrics beds	2,079	4,988	n/a	2,050	2,050	n/a
cardiac cath	n/a	n/a	1,531	n/a	n/a	1,835

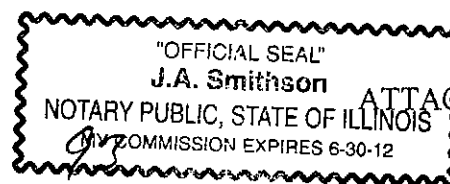
*includes pediatrics

Please do not hesitate to call me, should any additional documentation be required to satisfy the requirements of the review criterion.

Sincerely,

Mark J. Turner
President & CEO

Notarized: 7 March 2011



ATTACHMENT 20b3

PROJECT SERVICES UTILIZATION

1. Medical/Surgical Beds

Memorial Hospital-East will provide care to pediatrics patients on the medical/surgical units, rather than provide a separate pediatrics unit. The applicants decided to forego the development of a pediatrics unit due to the low pediatrics census experienced by Memorial Hospital in recent years.

Projected utilization of the medical/surgical services was calculated for both of Memorial's facilities—Memorial Hospital-Belleville and Memorial Hospital-East— together because the project essentially re-distributes Memorial's patients over the two campuses. In projecting utilization, the following assumptions were made:

- ZIP Code-specific utilization rates (patient days/1,000 population) would remain constant at their 2009 rates through 2014;
- Illinois hospitals' market share of patients now receiving care in Illinois would remain at the 2009 distribution; and
- that portion of the area's population electing to leave Illinois for their care would diminish;

As a result of the assumptions identified above, the only factors that will effect future utilization of the two hospitals are population increases or decreases within individual ZIP Code areas, the aging of the area's population and diminished out-migration to Missouri, which will be discussed separately.

a. Impact of Population Growth and Aging

Because of the significant disparity between the historical utilization rates of the two age groups used to project patient days (0-64 and 65+), all projections were made on an age-group basis. (The historical use rate of the 65+ age group is nearly 6 ½ times that of the younger age group). As noted above, this methodology assumes that no patients will be "taken from" any other Illinois hospital, with the exception of Memorial Hospital-Belleville patients moving to Memorial-East.

Two separate analyses were performed.

By applying 2009 age group and ZIP Code-specific utilization rates, as calculated from Illinois Hospital Association CompDATA reports, to comparable 2014 populations, as projected by GeoLytics, Inc. a proprietary demographics firm, a 7.28% increase in non-obstetrics (medical, surgical, pediatrics and ICU) utilization was projected. This analysis would suggest 57,003 (53,135 x 1.0728) patient days of care to be provided by Memorial in 2014.

The calculations described above are provided at the end of this ATTACHMENT.

A second, and more detailed analysis was performed, that being a 2009 day-by-day census analysis, which revealed that Memorial Hospital's medical/surgical/pediatrics census varied drastically over the year, from a low of 92 patients to a high of 215 patients, a 134% variance. It was also noted that the highest census days occurred during

the first quarter of the year, where the daily census never fell below 136 patients. The day-by-day census for this period was identified and then increased by 7.28%, consistent with the demographic-driven increases to be anticipated, and as discussed above. That process suggested that that January-March, 2014 census will range from 146 to 241 patients, with an average daily census (ADC) of 186.5 patients, and with a census of 200+ projected to be reached on eighteen days and a census of 222 or more on four days.

b. Impact of Anticipated Reduced Out-Migration to Missouri Hospitals

While some PSA residents have long-standing relationships with Missouri physicians, resulting in admission to Missouri hospitals, local understanding suggests that a significant number of the PSA residents that are “out-migrating” are doing so because Missouri hospitals are more accessible than the two hospitals in Belleville.

In 2010 McManis Consulting was commissioned by Memorial to perform a variety of planning-related analyses, including an analysis of the utilization of Missouri hospitals by residents of Memorial’s service area.

McManis identified a primary service area (PSA) for Memorial Hospital, consisting of 24 ZIP Code areas (4 of which were non-residential) from which the hospital has traditionally attracted 80-82% of its medical/surgical patients. McManis also identified northern and southern secondary service areas (SSAs), which each have traditionally accounted for 5-6% of Memorial’s medical/surgical patients.

For purposes of their analysis, McManis categorized medical and surgical DRGs as primary, secondary or tertiary care (as opposed to a simple specialty categorization), and assessed where Memorial Hospital's PSA residents received those three levels of care. Using 2009 Missouri Hospital Association HIDI data, McManis found that :

- 36.2% of the care provided in Missouri to residents of Memorial Hospital's PSA was categorized as "primary", 48.3% as "secondary" and 15.6% as "tertiary"
- when adjusted to remove obstetrics, neonates, physical rehabilitation, substance abuse and psychiatry patients from the analysis, Memorial's PSA saw 2,931 primary care patients and 4,337 secondary care patients seek care in Missouri.

The proposed site of Memorial Hospital-East will be much more accessible to many of the Illinois patients obtaining care in Missouri, and as a result, it is believed that out-migration will be reduced.

For planning purposes, Memorial is taking a very conservative approach in projecting Memorial Hospital-East's impact on out-migration, limiting its projections to its PSA, only; and holding population (and more importantly, age distribution) constant. The result is that if Memorial-East would "capture" only 25% of the primary care admissions and 15% of the secondary care admissions (no tertiary care admissions) now out-migrating to Missouri, the result would be an additional 1,383 medical/surgical patients staying in Illinois. That number of incremental patients—patients that are now being admitted to Missouri hospitals-- would, using Memorial's 2009 average length of stay, require 20 additional medical/surgical beds.

In addition, and as is the practice at many hospitals, non-traditional inpatients occupy inpatient beds for observation purposes or as “extended outpatients”, with those patients typically occupying the beds during the busiest time of the day, from 10AM to 4PM. Memorial estimates that on most weekdays, 6-9 beds are used for this purpose.

As a result of the need to assure beds are available for patients during the higher census periods—though not necessarily on the highest of projected census days—a total of 261 medical/surgical/pediatrics beds are proposed to be provided jointly on the two campuses: 200 beds to address the needs of “traditional” Memorial patients, adjusted for population growth and aging, 20 beds to address the need resulting from reduced out-migration of area residents to Missouri hospitals, and 6 beds to account for observation and “extended outpatients” occupying an inpatient bed. Seventy-two of the beds will be located at Memorial-East, and 189 will be located at Memorial Hospital-Belleville—a reduction of 78 medical/surgical/pediatrics beds at Memorial-Belleville. Assuming no un-anticipated utilization changes at Memorial-Belleville prior to the opening of Memorial-East, the combined medical/surgical/pediatrics bed complement would be reduced by six beds (Memorial-Belleville is currently approved to operate 267 medical/surgical/pediatrics beds).

For planning purposes, and consistent with IHFSRB targets, the proposed beds at Memorial-East are projected to operate at 85% occupancy (22,338 patient days) during the second year following the hospital’s opening, and at 65% (17,082 patient days)

occupancy during the initial twelve months of the hospital's operation, as the result of an anticipated "ramp-up" period.

2. ICU Beds

ICU utilization at Memorial Hospital equaled 9.9% of medical/surgical/pediatrics utilization in 2009, and that ratio is projected to remain constant, when applied cumulatively to Memorial Hospital-Belleville and Memorial Hospital-East. The rate at Memorial-East alone, however, will be considerably lower because of an absence of an open heart surgery program and because more complicated medical and surgical cases, when the option is available, will be admitted to Memorial Hospital. As a result, and for planning purposes, the 9.9% rate is being discounted by 50%, to 4.95% at Memorial-East. Accordingly, and based on the projected m/s/p patient days identified in the section above, 846 and 1,106 ICU patient days are projected during the first two years of operation, respectively, and six ICU beds are being provided.

3. Obstetrical Beds

Obstetrical bed utilization was projected on a combined hospital basis, using a methodology similar to that used to project medical/surgical bed utilization, and as discussed above. All variables, including market share, ZIP Code-specific utilization rates, and average length of stay were held constant, with the only variable being allowed to change being ZIP Code-specific population within the 15-44 year old female cohort. The methodology indicates that Memorial will provide 4,438 obstetrics patient days by the second year of Memorial-East's operation.

The applicants believe that by the second year of operation, and due primarily to the "newness" factor, two-thirds of Memorial's obstetrics patient days will be provided at Memorial Hospital-East, or 2,973 patient days. Utilization during the first year of Memorial-East's operation is anticipated to approximate 75% that of the second year, or approximately 2,230 patient days.

The calculations described above are provided at the end of this ATTACHMENT.

Medical/Surgical/Pediatrics Bed Need Projection								
Non-OB (ages 0-64)		2009	Total*		2009	MH		MH
ZIP		2009	Total*	Use rate	Pt Days	Use rate	2014	Projected
Code	Community	Pop	Pt Days	(days/1,000)	at MH	(days/1,000)	Pop	Pt. Days
62226	Belleville	23,892	6,933	290.181	2,910	121.798	24,233	2,952
62223	Belleville	13,161	4,330	329.002	1,914	145.430	13,125	1,909
62269	O'Fallon	22,996	4,912	213.602	2,119	92.146	23,512	2,167
62221	Belleville	22,598	4,840	214.178	1,845	81.644	24,022	1,961
62208	Fairview Heights	14,020	3,074	219.258	1,449	103.352	14,747	1,524
62206	E. St Lou./Cahokia	16,417	5,655	344.460	1,914	116.586	17,045	1,987
62220	Belleville	17,698	4,847	273.873	1,185	66.957	18,239	1,221
62234	Collinsville	28,020	5,250	187.366	1,017	36.296	28,286	1,027
62232	Caseyville	7,143	1,501	210.136	788	110.318	7,475	825
62203	E. St. Louis	9,303	2,522	271.095	1,004	107.922	9,260	999
62204	E. St. Louis	9,703	3,906	402.556	1,215	125.219	9,738	1,219
62205	E. St. Louis	8,032	3,497	435.383	805	100.224	7,949	797
62207	E. St. Louis	9,245	2,632	284.694	947	102.434	9,680	992
62254	Lebanon	4,431	877	197.924	382	86.211	4,331	373
62258	Mascoutah	5,394	1,627	301.631	613	113.645	5,219	593
62260	Millstead	5,646	821	145.413	362	64.116	5,773	370
62243	Freeburg	6,407	857	133.760	322	50.258	6,874	345
62201	E. St. Louis	8,572	2,139	249.533	425	49.580	9,267	459
62264	New Athens	4,266	509	119.316	235	55.087	4,596	253
62298	Waterloo	13,147	952	72.412	203	15.441	14,001	216
62040	Granite City	38,476	11,456	297.744	322	8.369	38,184	320
		288,567	73,137	253.44894	21,976	76.156	295,556	22,508
								2014
Non-OB (ages 65+)		2009	Total*		2009	MH		MH
ZIP		2009	Total*	Use rate	Pt Days	Use rate	2014	Projected
Code	Community	Pop	Pt Days	(days/1,000)	at MH	(days/1,000)	Pop	Pt. Days
62226	Belleville	4,042	6,933	1715.240	2,910	719.941	4,351	3,132
62223	Belleville	3,062	4,330	1414.108	1,914	625.082	3,219	2,012
62269	O'Fallon	2,950	4,912	1665.085	2,119	718.305	3,788	2,721
62221	Belleville	2,564	4,840	1887.676	1,845	719.579	3,228	2,323
62208	Fairview Heights	2,690	3,074	1142.751	1,449	538.662	3,035	1,635
62206	E. St Lou./Cahokia	1,887	5,655	2996.820	1,914	1014.308	2,069	2,099
62220	Belleville	2,674	4,847	1812.640	1,185	443.156	3,014	1,336
62234	Collinsville	4,745	5,250	110.643	1,017	214.331	5,294	1,135
62232	Caseyville	1,241	1,504	1211.926	788	634.972	1,418	900
62203	E. St. Louis	1,258	2,522	2004.769	1,004	798.092	1,375	1,097
62204	E. St. Louis	993	3,906	3933.535	1,215	1223.565	1,103	1,350
62205	E. St. Louis	1,561	3,479	2228.700	805	515.695	1,489	768
62207	E. St. Louis	1,211	2,632	2173.410	947	781.998	1,223	956
62254	Lebanon	670	877	1308.955	382	570.149	721	411
62258	Mascoutah	863	1,627	1885.284	613	710.313	905	643
62260	Millstead	1,112	821	738.309	362	325.540	1,254	408
62243	Freeburg	828	857	1035.024	322	388.889	1,011	393
62201	E. St. Louis	957	2,193	2291.536	495	517.241	1,005	520
62264	New Athens	730	509	697.260	235	321.918	868	279
62298	Waterloo	2,197	952	433.318	203	92.399	2,763	255
62040	Granite City	6,869	11,456	1667.783	322	46.877	7,380	346
		45,104	73,176	1622.384	22,046	488.781	50,513	24,720
	* in Illinois hospitals							
				patient days, all ages:				47,228
				adj for patients from other ZIPS @ 14%				54,916
				adj for ICU @ 92.2% = projected M/S/P pt days				50,633

		OB/Gyn Bed Need Projection								
OB only		2009	2009	Total*	2009	MH	2014	2014		
ZIP		F'male Pop	Total*	Use rate	Pt Days	Use rate	F'male Pop	MH	Projected	
Code	Community	15-44	Pt Days	(days/1,000)	at MH	(days/1,000)	15-44	Pt. Days		
62201	East St. Louis	2,070	388	187.44	97	46.86	2,298	108		
62203	East St. Louis	2,240	337	150.45	147	65.63	2,268	149		
62204	East St. Louis	2,394	465	194.24	154	64.33	2,455	158		
62205	East St. Louis	1,883	349	185.34	130	69.04	1,903	131		
62206	E. St. Louis/Cahokia	4,078	671	164.54	289	70.87	4,257	302		
62207	East St. Louis	2,231	421	188.70	161	72.16	2,402	173		
62208	Fairview Heights	3,212	428	133.25	220	68.49	3,366	231		
62220	Belleville	4,240	613	144.58	292	68.87	4,326	298		
62221	Belleville	5,537	812	146.65	334	60.32	5,653	341		
62223	Belleville	2,954	406	137.44	254	85.99	2,988	257		
62226	Belleville	5,622	827	147.10	477	84.85	5,646	479		
62232	Caseyville	1,681	215	127.90	50	29.74	1,750	52		
62234	Collinsville	6,619	1032	155.91	157	23.72	6,644	158		
62243	Freeberg	1,502	104	69.24	81	53.93	1,624	88		
62254	Lebanon	1,078	115	106.68	47	43.60	1,050	46		
62257	Marissa	743	104	139.97	45	60.57	888	54		
62258	Mascoutah	1,281	257	200.62	89	69.48	1,446	100		
62260	Millstadt	1,254	100	79.74	54	43.06	1,309	56		
62264	New Athens	989	101	102.12	57	57.63	1,073	62		
62269	O'Fallon	5,301	766	144.50	320	60.37	5,430	328		
62278	Red Bud	1,311	121	92.30	73	55.68	1,351	75		
62285	Smithton	663	115	173.45	79	119.16	719	86		
62298	Waterloo	3,057	106	34.67	60	19.63	3,290	65		
62040	Granite City	9,136	1244	136.16	40	4.38	9,064	40		
		71,076			3,707		73,200	3,835		
	* In Illinois hospitals					adj for other ZIPS @ 13.6%		4,436		

SERVICE ACCESSIBILITY

The proposed project is limited to the establishment of a satellite hospital, and as a result, it will improve accessibility to hospital services for residents of Shiloh, O'Fallon, Fairview Heights and the communities to the north and northeast of Belleville, through a broader distribution of beds within the planning area.

While, with the opening of Memorial Hospital-East the bed complement of Memorial Hospital-Belleville will be reduced significantly, accessibility to beds will not be compromised, as a result of the number of excess beds currently available in Planning Area F-01.

Because of the nature of the project—the establishment of a satellite hospital—the services proposed to be provided are those services found in virtually every hospital located in a metropolitan area, and as a result, the proposed project does not involve the establishment of any services not located in the planning area. In addition, and as is also the case in all metropolitan areas of the state, the area is not disadvantaged by limited admissions practices.

UNNECESSARY DUPLICATION OF SERVICES

The 30-minute driving area surrounding the proposed Memorial Hospital-East site extends generally to Leclaire on the north, approximately a mile southwest of Highland to the northeast, between New Baden and Bartelso to the east, to Johannsburg on the southeast, two miles past Smithson on the south, to Rodemich on the southwest and the Mississippi River on the west. The ZIP Codes included in that area, and the populations of each of those ZIP Code areas are provided in the table below.

30-Minute Drive Time Population

ZIP Code	2009 Population
62034	16,302
62040	45,345
62201	9,529
62202	10,561
62204	10,696
62205	9,593
62206	18,304
62207	10,456
62208	16,710
62216	1,538
62220	20,372
62221	25,162
62223	16,233
62226	27,934
62232	8,384
62234	32,765
62239	3,842
62243	7,235
62254	5,101
62258	6,257
62260	6,758
62265	6,022
62269	25,946
62275	3,956
62285	3,288
62289	77
62293	697
62294	<u>10,926</u>
	359,989

Source: GeoLytics, Inc.

Within the geographic area described above, there are four hospital providers of the IDPH-designated categories of service included in the proposed project. Those hospitals and the beds/cardiac cath labs provided by each are identified in the table below.

		Med/Sug Beds	Obstetrics Beds	ICU Beds	Cath Labs
Memorial Hospital	Belleville	253	29	20	4
St. Elizabeth's Hospital	Belleville	202	30	24	3
Touchette Regional Hosp.	E. St. Louis	66	33	8	0
Gateway Comm. Hosp.	Granite City	167	27	12	1

MAL-DISTRIBUTION

The proposed project will not cause or result in a mal-distribution of services.

As discussed in other attachments to this application, the planning focus of this project is the patient population that has traditionally utilized Memorial Hospital, and no market shift away from other Illinois hospitals has been incorporated into the bed need projections. Rather, a “de-centralizing” of services will occur, with a portion of Memorial Hospital-Belleville’s bed complement being re-located to the Memorial-East campus. By definition, a relocation of services away from the highest concentration of services in the planning area (Belleville) cannot cause or result in a mal-distribution of services.

The project will involve four IDPH-designated categories of service:

1. The number of medical/surgical and pediatrics beds provided at Memorial Hospital and Memorial Hospital-East combined will be reduced by approximately 6 beds from the number currently provided at Memorial Hospital, alone.
2. Approximately 8 of the 29 existing obstetrics beds will remain at Memorial-Belleville, and sixteen will be “re-located” to Memorial-East. Approximately five

beds will be “discontinued”. Eight of the sixteen beds at Memorial Hospital-East will be LDRPs.

3. A minimally-sized ICU, consisting of six beds will be located at Memorial Hospital-East, primarily to support the hospital’s Emergency Department, which will seek IDPH designation as a “comprehensive” Emergency Department. Memorial Hospital-Belleveille, which has historically experienced an ICU occupancy rate of near 80% (compared to the IDPH target of 60%) will reduce its ICU bed complement from 20 to 19, with the total number of beds, being justifiable based on projected ICU utilization.
4. A single cardiac catheterization procedure room will be provided at Memorial-East, consistent with contemporary hospital practices in a metropolitan area.

The table below compares the ratio of beds:population in Planning area F-1, compared to that of Illinois, as a whole.

	Beds per 1,000	
	Planning Area F-01	Illinois
med/surg/peds	2.22	1.80
obstetrics*	1.67	1.03
ICU	0.19	0.25

*2015 population data used, women, ages 15-44, only

The data in the table above confirms that the proposed project will not result in a “maldistribution” of beds pursuant to the “maldistribution” definition contained in Section 1110.1530.c. As noted from the data above, the ratio of medical/surgical/pediatrics beds as well as obstetrics beds in Planning Area F-01 exceeds those of Illinois as a whole. As discussed in ATTACHMENT 20b3, the number of

medical/surgical/pediatrics beds at the two hospitals combined will be fewer than the number of approved beds currently at Memorial Hospital-Belleville, and as a result the Planning Area's Bed:population ratio will actually diminish.

The project involves no net increase in obstetrics beds. Rather, sixteen obstetrics beds will be re-located from Memorial Hospital to Memorial-East, and approximately 5 will be "discontinued". The Planning Area's obstetrics bed:population ratio already surpasses the definition of maldistribution, and therefore, the project cannot result in a maldistribution of obstetrics beds.

Last, the ICU bed: population ratio in Planning Area F-01 is 24% below that of the State as a whole, and with the proposed project, the Planning Area's ratio will continue to be below that of the State.

In conclusion, because the proposed project will result in a net decrease in the number of acute care beds provided in the Planning Area, the project cannot result in a "maldistribution" of beds; but rather, the distribution of beds and accessibility will be improved by the dispersion of beds within the Planning Area.

IMPACT OF PROJECT ON OTHER AREA PROVIDERS

By design, the proposed establishment of Memorial Hospital-East will have a significant impact upon the utilization of its sister hospital, Memorial Hospital-Belleville, but will not have an impact on other Illinois providers. The impact on Memorial Hospital-Belleville is a direct result of the applicants' goal of transforming Memorial Hospital-Belleville into an all-private room hospital, and in doing so, the hospital's bed complement will be significantly reduced with the establishment of Memorial Hospital-East. More significant, many of the patients who have traditionally come to Memorial Hospital-Belleville for their care will "re-locate" to Memorial-East.

The medical/surgical utilization projections and resultant bed need calculations assume no shift in market share among the Illinois hospitals—with the exception of the planned Memorial Hospital-Belleville to Memorial-East shift—and the methodology itself incorporates no changes to Memorial's market share penetrations into any of the 21 ZIP Code areas that have traditionally accounted for approximately 86% of Memorial Hospital's medical, surgical and pediatrics patient days, or any other ZIP Code areas.

As a result, it is not anticipated that the project will lower the utilization of any other area hospital below the IDPH-specified occupancy standards, nor will it further

lower the utilization of any area hospital not currently operating at the IDPH-specified occupancy standards.

The proposed project, however, is anticipated to reduce the out-migration of Illinois residents to Missouri hospitals, with that impact projected to be in the 1,300-1,400 annual admission range. Please refer to ATTACHMENT 15 for a discussion of anticipated reductions in out-migration.

STAFFING AVAILABILITY

Clinical and professional staffing needs were considered by the applicants during the planning of this project, and the applicants are confident that all licensure and accreditation-related staffing requirements will be met or surpassed, and that no unusual difficulties will be experienced in the recruitment of qualified staff.

Memorial Hospital enjoys a reputation of being an exceptional place to work, has received Magnet designation by the American Nurses Credentialing Center, and is the only Illinois hospital south of Springfield to receive this recognition.

As discussed in other parts of this application, many patients traditionally served by Memorial Hospital will be using Memorial Hospital-East, as a significant portion of Memorial Hospital's capacity is re-located to Memorial-East. It is fully anticipated that a significant portion of the staff required to operate Memorial-East, particularly in the clinical areas, will be transferred from Memorial Hospital. In addition to the "transfer" of staff from Memorial to Memorial-East, normal recruitment avenues, such as newspaper advertisements and professional publications will be used to recruit staff. Memorial currently has in excess of 2,200 full- and part-time employees, and is among the largest employers in Belleville.

To the extent possible, administrative and support functions will be combined for the two hospitals, with Memorial-East operating as a "satellite" hospital, and with the goal being to minimize duplicative staffing. In addition, and particularly in selected clinical areas such as imaging, ED, and surgery, it is anticipated that designated employees will "float" between the two hospitals on a shift-by-shift or week-by-week basis, depending on a variety of factors including patient census, in-service training requirements, and vacation scheduling.

Staff recruitment will begin in earnest 2-3 months prior to the opening of Memorial-East, with much of the orientation process being provided at Memorial Hospital. Staff that is "re-located" from Memorial-Belleveille, will retain all seniority and accrued benefits.

PERFORMANCE REQUIREMENTS

The proposed project is consistent with the performance requirement for ICU beds, that being a minimum of four beds for hospitals located in a Metropolitan Statistical Area (MSA). The project is proposing 72 medical/surgical and 16 obstetrics beds, compared to the performance requirements of 100 and 20 beds, respectively for hospitals located in a MSA.

Consideration, and as discussed as an alternative in ATTACHMENT 13, was given to constructing a larger hospital in order to be in compliance with Review Criterion 1110.530.f, which addresses the 100 and 20 bed minimums, but the alternative was dismissed. (Note: This criterion relates to new hospital, modernization and expansion projects.) This alternative, and compliance with the associated two performance requirements was rejected for a variety of reasons:

First, with the primary purpose of the project being to locate all of Memorial's beds in private patient rooms, and with 164 medical/surgical and 15 obstetrics rooms being available for continued use on the Belleville campus, it made little sense to construct 100 medical/surgical and 20 obstetrics rooms at Memorial-East while leaving rooms at Memorial-Belleville unused, and for the sole purpose of complying with one of the many review criteria that proposed project would be reviewed against.

Second, the capital cost associated with building the additional patient rooms and associated support space in order to conform with the performance requirement review criterion for medical/surgical and obstetrics beds would unnecessarily add \$21 million to the project cost, without adding any value to the project.

Third, the 20-bed and 100-bed minimums developed by the IHFSRB's predecessor agency are no longer consistent with the delivery of hospital services. As reported in the 2008 IDPH *Profiles*, there are currently 28 hospitals located in MSAs, and providing fewer than 20 obstetrics beds. Similarly, the 100-bed minimum for Medical/Surgical beds has evolved from an earlier review criterion (1110.320.a), which identified 100 as the minimum number of Medical/Surgical beds for newly established hospitals located in a MSA. That criterion has since been replaced by the criterion identifying 100 as the Medical/Surgical bed minimum for newly established as well as existing hospitals located in a MSA. Similar to the lack of consistency with the obstetrics criterion, excluding Long Term Acute Care Hospitals (LTACHs) and Critical Access Hospitals (CAHs), there are 22 general hospitals having fewer than 100 medical/surgical beds, that are located in Illinois MSAs, including three of the eight hospitals located in this project's Health Planning Area, F-01.

The basis for the 100-bed minimum dates back to the infancy of Illinois' CON program, and is still referenced in the IHFSRB's rules:

"Planning areas for acute care categories of service of medical-surgical/pediatrics, obstetrics and intensive care must contain a minimum population of 40,000. This

population base would be sufficient to support a 100 bed hospital based upon a facility target occupancy of 80% and an inpatient day use rate of 725 days per 1,000 population.” (Section 1110.510.c.7)

The most basic understanding of the delivery of hospital services since the inception of Illinois’ CON program in the late 1970s-early 1980s acknowledges dramatic changes in utilization since the initial rules were developed. 2009 utilization data contained in the recently published “Illinois Hospitals Data Summary” developed by IDPH staff identified 5,783,730 medical-surgical/pediatrics, obstetrics and intensive care patient days of care provided through Illinois hospitals (6,149,847 patient days if “observation” days are included). A simple extrapolation from 2005 and 2010 population projections developed by the Illinois Department of Commerce and economic Opportunity (IDCEO) identifies a state-wide population of 13,198,279. The resultant experienced use rate is 438.22 days per 1,000 (465.90 if “observation” days are included), compared to the 725 days per 1,000 that provided the basis for the 100-bed minimum. Stated another way, the population that required 100 beds when the criterion was written, can now be served by 60-65 beds because of the lower utilization rate; and as a result, the cost associated with the construction of the additional beds simply to comply with the single review criterion cannot be justified.

In conclusion, while the co-applicants acknowledge that the proposed project is not consistent with Review Criterion 1110.530.f for the medical/surgical and obstetrics beds components of the project, the leaving of patient rooms at Memorial-Belleuve vacant, the cost associated with compliance, and the out-dated nature of the review criterion render compliance, as related to this project, to be imprudent.



ASSURANCES

Illinois Health Facilities
and Services Review Board
Springfield, IL

To Whom It May Concern:

Please be advised that it is the anticipation of the applicants that each IDPH-designated category of service to be provided at Memorial Hospital-East will operate at or above the IHFSRB's target occupancy/utilization rate by the second year of operation, following the opening of Memorial Hospital-East.

Sincerely,

A handwritten signature in cursive script that reads "Mark J. Turner".

Mark J. Turner
President and CEO

PEER REVIEW

As noted elsewhere in this application, Memorial Hospital-East will operate under the same policies and procedures used at Memorial Hospital in Belleville. A copy of the policy currently in use at the Belleville hospital is attached.



Type: Cardiac Catheterization Lab
Policy No.: CCL 160
Effective Date: 6/8/10
Supersedes:
Revised:
Reviewed:
Administrator: Ruth Holmes

CARDIAC CATHETERIZATION LAB

CARDIOVASCULAR PEER REVIEW

Purpose: Ensure that the hospital, through the activities of the Medical Staff Quality Improvement Committee, assesses the performance of individuals and departments granted clinical privileges and uses the results of such assessments to improve the quality of care.

The Goals of Peer Review are:

- Improve the quality of care provided by practitioners and staff,
- Monitor the performance of practitioners and staff who have privileges,
- Identify opportunities for performance improvement,
- Monitor significant trends by analyzing aggregate data, and
- Assure that the process for peer review is clearly defined, fair, defensible, timely and useful.

Policy:

1. All peer review information is privileged and confidential in accordance with medical staff and hospital bylaws, state and federal laws, and regulations pertaining to confidentiality and non-discoverability.
2. The involved practitioner, department or staff will receive specific feedback on a routine basis.
3. The Cardiovascular Department will use the peer review results as appropriate, in its performance improvement activities.
4. The hospital will keep peer review and other quality information in a secure, locked file or secure access database. Provider-specific peer review information consists of information related to:
 - Performance data for all dimensions of performance measured
 - Sentinel events, significant incidents or near misses.
 - Risk assessment, comments regarding performance, plan of action to improve process, or corrective action.

5. Peer review information is available only to authorized individuals who have a legitimate need to know this information based upon their responsibilities as practitioner's, hospital employee or EMS who work with ACS/ chest pain patients. However, they shall have access to the information only to the extent necessary to carry out their assigned responsibilities. Only the following individuals shall have access to Cardiovascular peer review information and only for purposes of quality improvement:
 - Cardiovascular Department Managers
 - STEMI Committee
 - Chest Pain Committee
 - Medical Director
 - Medical staff services and quality management professionals to the extent access to this information is necessary for collecting data or to improve process or quality of care.
 - Individuals with a legitimate purpose for access as determined by the medical staff, legal counsel, President of the Hospital, and/or Board of Trustees.

6. No copies of peer review documents will be created and distributed unless authorized by the Cardiovascular Department and /or hospital policy.

Definitions:

1. **Peer Review** – "Peer review" is the evaluation of EMS, Memorial Hospital staff or practitioner's professional performance and includes the identification of opportunities to improve a process or performance.

Peer review is conducted using multiple sources of information including:

- The review of individual cases,
- The review of aggregate data for compliance with general rules of the CMS, Chest Pain Society, ACC/NCDR and Action registry or medical staff and clinical standards,
- The use of rates in comparison with established benchmarks or norms

The evaluation is based on generally recognized standards of care. Through this process, staff and practitioners receive feedback for personal improvement or confirmation of personal achievement related to the effectiveness of their professional, technical, and interpersonal skills in providing patient care.

2. **Peer** - A "peer" is an individual practicing in the same profession and who has expertise in the appropriate subject matter. The level of subject matter expertise required to provide meaningful evaluation of a staff or practitioner's performance will determine what "practicing in the same profession" means on a case-by-case basis. For example, for quality issues related to general medical care, a physician (MD or DO) may review the care of another physician. For specialty-specific clinical issues, such as evaluating the technique of a specialized surgical procedure, a peer is an individual who is competent in that surgical specialty.

3. **Peer Review Body** – The "medical staff quality improvement committee" designated to perform the initial review or its designee will determine the degree of subject matter expertise required for a provider to be considered a peer for all peer reviews performed by or on behalf of the hospital. The ACS /chest pain peer review body will be the Chest

Pain or STEMI Committee unless otherwise designated for specific circumstances by the Medical Staff Executive Committee.

4. **Practitioner** – A practitioner is used to refer to any physician (MD, DO, dentist or podiatrist) or allied health professional covered by the Allied Health Professional Manual with staff privileges.
5. **Peer Review Quality Indicators** – The Quality Indicators will be categorized as a Rule, Rate or Review indicator. The Cardiovascular Department and STEMI or Chest Pain Committee will review and approve all the active quality indicators. A current list of all active indicators will be maintained in the Quality Improvement Department.

Department and practitioner related clinical quality of care issues that do not readily meet the current criteria for a quality indicator will be reviewed by the Department Manager(s) before being referred to the Quality Management.

- A. **Review Indicators** – Review Indicators represent an event of such magnitude or complexity that medical record review and analysis is required to determine cause, effect and severity.
- B. **Rule Indicators** – Rule Indicators represent the recognized professional standards of professional conduct expected of EMS, Memorial Hospital staff and practitioners.
- C. **Rate Indicators** – Rate Indicators are occurrences that can be effectively counted and reported as either a percentage or average. Rate indicators do not require individual chart review rather the data is compared to an established target or benchmark.

Quality Management:

In accordance with Memorial Hospital's Peer review policy, may submit a special report to the Medical Staff Executive Committee in circumstances of immediate concern such as the following:

- A trend strongly suggestive of a repetitive problem or poor patient outcomes.
- Suspected risk to patient safety.
- Demeanor or conduct that is contrary to the Medical Staff Bylaws and Rules and Regulation or below the applicable professional standards.

Indicators:

1. Case Referrals

- A. Case referrals can be received from any referral source. The Quality Management Department will review the referral, screen the medical record, and triage the case according to the issues identified. Only those referrals that have issues related to the clinical quality of care related to ACS/chest pain will be addressed through the STEMI Peer Review process.
- B. This case assignment will occur within six (6) weeks of discharge.

- C. Concerns raised through monitoring will be referred to the appropriate Department Chair for any necessary plan of action to be reported back to the appropriate committee at the next meeting.

2. Deficiency of Care Determination

If the Cardiovascular Department determines there was a deficiency of care, they will prepare a case summary.

- A. and schedule a discussion for the earliest appropriate meeting.
- B. Input from the involved EMS, Memorial Hospital staff or practitioner(s) will be sought on the key issues of a case before a final deficiency of care determination is made. This input can be accomplished prior to Committee discussion. The committee Chair will review the case, agree with the issues, and concur with the questions posed to those involved before a case is presented for discussion.
- C. A risk assessment will be completed and a plan of action is to be submitted by the department(s) involved and reported back to the appropriate committee.

Reporting:

1. The Cardiovascular Department will submit quarterly reports to the Medical Staff Quality Improvement Committee outlining the following:

- Quality issues identified by rule or rate indicators, and any recommendations
- Quality concerns involving system issues.

In addition, the Cardiovascular Department may submit a special report to Quality Management for review in circumstances of immediate concern such as the following:

- A trend strongly suggestive of a repetitive problem or poor patient outcomes,
- Suspected risk to patient safety, or
- Demeanor or conduct that is contrary to the Medical Staff Bylaws and Rules and Regulations or below the applicable professional standards.

ESTABLISHMENT OR EXPANSION OF
CARDIAC CATHETERIZATION SERVICE

There are currently six cardiac catheterization services in operation in HSA XI. Those services, their location, and their 2009 utilization are provided in the table below.

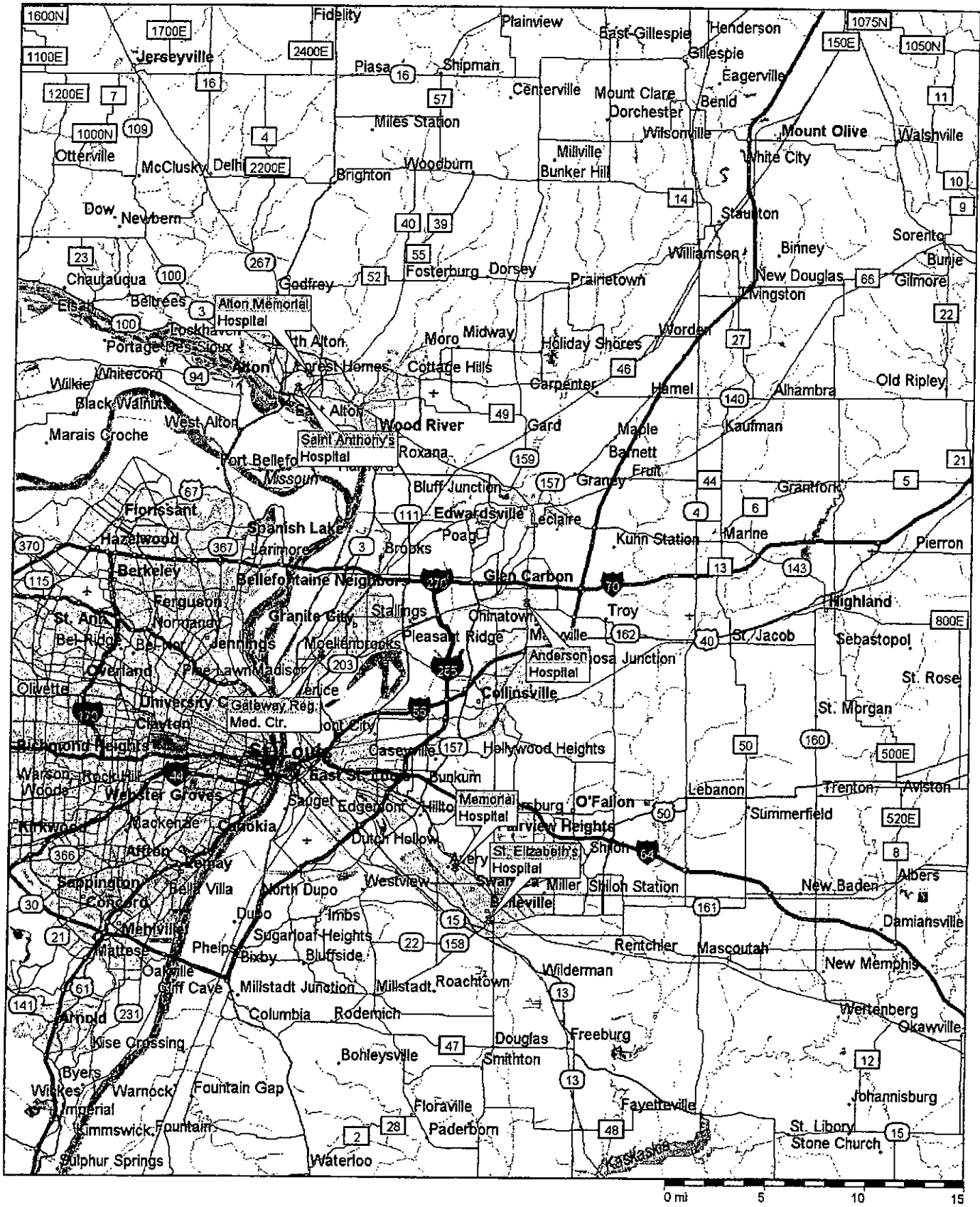
**2009 Cardiac Catheterizations
in HSA XI**

<u>Hospital</u>	<u>Location</u>	<u>Procedures</u>
Alton Memorial Hospital	Alton	967
Anderson Hospital	Maryville	554
Gateway Regional Medical Center	Granite City	477
Memorial Hospital	Belleville	2,015
St. Anthony's Hospital	Alton	494
St. Elizabeth's Hospital	Belleville	4,090

A map, identifying the location of each of the hospitals in the table above is provided in the following page.

Because the proposed project involves the establishment of a new hospital, documentation related to patients transferred for the purposes of receiving a catheterization is not applicable.

CARDIAC CATH PROGRAMS IN HSA XI



UNNECESSARY DUPLICATION OF SERVICES

During 2009 2,015 procedures were performed in Memorial Hospital-Belleville's cardiac catheterization lab. As discussed in ATTACHMENT 15, the proposed project is anticipated to have minimal impact on the utilization of any area hospital, other than Memorial-Belleville. As a result of the historical utilization of Memorial-Belleville's cardiac catheterization lab, and the expectation that the cardiac catheterization lab at Memorial Hospital-East will primarily support that hospital's Emergency Department, it is not anticipated that the establishment of the proposed lab will cause any existing program's utilization to be reduced to fewer than 200 procedures a year.

SUPPORT SERVICES

Memorial Hospital-East will have each of the support services identified in Section 1110.1330.e available either "in house" or "on call" 24 hours a day, 365 days a year.

STAFFING

The cardiac catheterization programs at Memorial Hospital-Belleville and Memorial Hospital-East will have a common cardiac catheterization laboratory team, developed through the expanding of the team currently in place at Memorial Hospital-Belleville. That team includes all of the clinical specialties identified in Section 1110.1330.g. The staff will be expanded 2-4 months prior to the opening of Memorial Hospital-East, and it is anticipated that many of the staff members will "rotate" between the two facilities. Training for the new employees will be conducted at Memorial Hospital-Belleville.

Additional required staff will be recruited through the hospital's normal means: word of mouth, advertisements in local publications and advertisements in national specialty publications and journals.

TRANSFER AGREEMENT

THIS TRANSFER AGREEMENT ("Agreement") is made and entered into as of the later of 20th day of March, 2011, or the execution of the Agreement by both parties (the "Effective Date") between Metro-East Services, Inc., an Illinois not-for-profit hospital d/b/a Memorial Hospital East and Protestant Memorial Medical Center, Inc., an Illinois not-for-profit corporation d/b/a Memorial Hospital and are sometimes individually referred to herein as "facility" and collectively as "facilities."

R E C I T A L S:

A. The parties hereto desire to enter into this Agreement governing the transfer of patients between the two facilities located in the State of Illinois.

B. The parties hereto desire to enter into this Agreement in order to specify the rights and duties of each of the parties and to specify the procedure for ensuring the timely transfer of patients between the facilities.

NOW, THEREFORE, to facilitate the continuity of care and the timely transfer of patients and records between the facilities, the parties hereto agree as follows:

1. **TRANSFER OF PATIENTS.** In the event any patient of either facility is deemed by that facility ("Transferring Facility") as requiring the services of the other facility ("Receiving Facility") and the transfer is deemed medically appropriate, a member of the nursing staff of the Transferring Facility or the patient's attending physician will contact the admitting office or Emergency Department of the Receiving Facility to arrange for appropriate treatment as contemplated herein. All transfers between the facilities shall be made in accordance with applicable federal and state laws and regulations, the standards of The Joint Commission ("JCO"), Health Facilities Accreditation Program ("HFAP"), and any other applicable accrediting bodies, and reasonable policies and procedures of the facilities. Neither the decision to transfer a patient nor the decision to not accept a request to transfer a patient shall be predicated upon arbitrary, capricious, or unlawful discrimination. The Receiving Facility's responsibility for the patient's care shall begin when the patient is admitted to the Receiving Facility.

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2. **RESPONSIBILITIES OF THE TRANSFERRING FACILITY.** The Transferring Facility shall be responsible for performing or ensuring performance of the following:
- a. Provide, within its capabilities, for the medical screening and stabilizing treatment of the patient prior to transfer.
 - b. Arrange for appropriate and safe transportation and care of the patient during transfer, in accordance with applicable federal and state laws and regulations.
 - c. Designate a person who has authority to represent the Transferring Facility and coordinate the transfer of the patient from the facility.
 - d. Notify the Receiving Facility's designated representative prior to transfer to receive confirmation as to availability of appropriate facilities, services, and staff necessary to provide care to the patient.
 - e. Prior to patient transfer, the transferring physician shall contact and secure a receiving physician at the Receiving Facility who shall attend to the medical needs of the patient and who will accept responsibility for the patient's medical treatment and hospital care.
 - f. Provide, within its capabilities, appropriate personnel, equipment, and services to assist the transferring physician with the coordination and transfer of the patient.
 - g. Provide, within its capabilities, personnel, equipment, and life support measures determined appropriate for the transfer of the patient by the transferring physician.
 - h. Forward to the receiving physician and the Receiving Facility a copy of those portions of the patient's medical record that are available and relevant to the transfer and continued care of the patient, including records related to the patient's condition, observations of signs or symptoms, preliminary diagnosis, treatment provided, results of any tests, and, with respect to a patient with an emergency medical condition that has not been stabilized, a copy of the patient's informed consent to the transfer or physician certification that the medical benefits of the transfer outweigh the risk of transfer. If all necessary and relevant medical records are not available at the time the patient is transferred, then the records will be forwarded by the Transferring Facility as soon as possible.
 - i. Transfer the patient's personal effects, including, without limitation, money and valuables, and information related to those items.
 - j. Provide the Receiving Facility any information that is available concerning the patient's coverage or eligibility under a third party coverage plan, Medicare or Medicaid, or a health care assistance program established by a county, public hospital, or hospital district.

- k. Notify the Receiving Facility of the estimated time of arrival of the patient.
 - l. Provide for the completion of a certification statement, summarizing the risk and benefits of the transfer of a patient with an emergency condition that has not been stabilized, by the transferring physician or other qualified personnel, if the physician is not physically present at the facility at the time of transfer.
 - m. Acknowledge any contractual obligations and comply with any statutory or regulatory obligations that might exist between a patient and a designated provider.
 - n. Recognize the right of a patient to request to transfer into the care of a physician and hospital of the patient's choosing.
 - o. Recognize the right of a patient to refuse consent to treatment or transfer.
 - p. Complete, execute, and forward an authorization for patient transfer and physician's certificate of medical necessity form to the Receiving Facility for every patient who is transferred.
 - q. Establish a policy and/or protocols (i) for maintaining the confidentiality of the patient's medical records in accordance with applicable state and federal law and (ii) for the inventory and safekeeping of any patient valuables sent with the patient to the Receiving Facility.
3. **RESPONSIBILITIES OF THE RECEIVING FACILITY.** The Receiving Facility shall be responsible for performing or ensuring performance of the following:
- a. Provide, as promptly as possible, confirmation to the Transferring Facility regarding the availability of bed(s), appropriate facilities, services, and staff necessary to treat the patient and confirmation that the Receiving Facility has agreed to accept transfer of the patient. The Receiving Facility shall respond to the Transferring Facility within thirty (30) minutes for Level One trauma cases and within sixty (60) minutes for all other cases after receipt of the request to transfer a patient with an emergency medical condition or in active labor.
 - b. Provide, within its capabilities, appropriate personnel, equipment, and services to assist the receiving physician with the receipt and treatment of the patient transferred, maintain a call roster of physicians at the Receiving Facility and provide, on request, the names of on-call physicians to the Transferring Facility.
 - c. Reserve beds, facilities, and services as appropriate for patients being transferred from the Transferring Facility who have been accepted by the Receiving Facility and a receiving physician, if deemed necessary by a transferring physician unless

such are needed by the Receiving Facility for an emergency.

- d. Designate a person who has authority to represent and coordinate the transfer and receipt of patients into the facility.
 - e. When appropriate and within its capabilities, assist with the transportation of the patient as determined appropriate by the transferring or receiving physician.
 - f. Provide the Transferring Facility with a copy of the medical records of the patient that were generated at the Receiving Facility, if the patient is returned to the Transferring Facility by the Receiving Facility.
 - g. Maintain the confidentiality of the patient's medical records in accordance with applicable state and federal law.
 - h. Establish a policy and/or protocols (i) for maintaining the confidentiality of the patient's medical records in accordance with applicable state and federal law, (ii) for the receipt of the patient into the facility, and (iii) for the acknowledgment and inventory of any patient valuables transported with the patient.
 - i. Provide for the return transfer of patients to the Transferring Facility when requested by the patient or the Transferring Facility and ordered by the patient's attending/transferring physician, if the Transferring Facility has a statutory or regulatory obligation to provide health care assistance to the patient, and if transferred back to the Transferring Facility, provide the items and services specified in Section 2 of this Agreement.
 - j. Upon request, provide current information concerning its eligibility standards and payment practices to the Transferring Facility and patient.
 - k. Acknowledge any contractual obligations and comply with any statutory or regulatory obligations that might exist between a patient and a designated provider.
 - l. Complete, execute, and return the memorandum of transfer form to the Transferring Facility.
4. **BILLING.** All charges incurred with respect to any services performed by either facility for patients received from the other facility pursuant to this Agreement shall be billed and collected by the facility providing such services directly from the patient, third party coverage, Medicare or Medicaid, or other sources normally billed by that facility. Notwithstanding the foregoing, the move of a stable patient from one facility to the other facility is not considered to be a transfer under this Agreement if it is the understanding and intent of both facilities that the patient is going to the second facility for tests, the patient will not remain overnight at the second facility, and the patient will return to the

first facility. In this event, the second facility shall bill the first facility for services provided by the second facility. In addition, it is understood that professional fees will be billed by the physicians or other professional providers that may participate in the care and treatment of the patient at usual and customary charges. Each facility agrees to provide information in its possession to the other facility and such physicians/providers sufficient to enable them to bill the patient, responsible party, or appropriate third party payor.

5. **RETRANSFER; DISCHARGE.** At such time as the patient is ready for transfer back to the Transferring Facility or another health care facility or discharge from the Receiving Facility, in accordance with the direction from the Transferring Facility and with the proper notification of the patient's family or guardian, the patient will be transferred to the agreed upon location. If the patient is to be transferred back to the Transferring Facility, the Receiving Facility will be responsible for the care of the patient up until the time the patient is re-admitted to the Transferring Facility.

6. **COMPLIANCE WITH LAW.** Both facilities shall comply with all applicable federal and state laws, rules and regulations, including, without limitation, those laws and regulations governing the maintenance of medical records and confidentiality of patient information as well as with all standards promulgated by any relevant accrediting agency. Both facilities agree to comply with the applicable provisions of the Administrative Simplification section of the Health Insurance Portability and Accountability Act of 1996, as codified at 42 U.S.C. § 1320 through d-8 ("HIPAA"), and the requirements of any regulations promulgated thereunder including, without limitation, the federal privacy regulations as contained in 45 CFR Part 164, and the federal security standards as contained in 45 CFR Part 142 (collectively, the "Regulations"). Both facilities shall not use or further disclose any protected health information, as defined in 45 CFR 164.504, or individually identifiable health information, as defined in 42 U.S.C. § 1320d (collectively, the "Protected Health Information"), other than as permitted by this Agreement and the requirements of HIPAA or the Regulations. Both facilities will implement appropriate safeguards to prevent the use or disclosure of Protected Health Information other than as contemplated by this Agreement. Each facility will promptly report to the other facility any use or disclosures, of which either facility becomes aware, of Protected Health Information in violation of HIPAA or the Regulations. In the event a facility contracts with any agents to whom such facility provides Protected Health Information, such facility shall include provisions in such agreements pursuant to which the receiving facility and such agents agree to the same restrictions and conditions that apply to the receiving facility with respect to Protected Health Information. Both facilities will make their respective internal practices, books, and records relating to the use and disclosure of Protected Health Information available to the Secretary of Health and Human Services to the extent required for determining compliance with HIPAA and the Regulations. No attorney-client, accountant-client, or other legal or equitable privilege shall be deemed to have been waived by either facility by virtue of this Section.

7. **RESPONSIBILITY; INSURANCE.** The facilities shall each be responsible for their own acts

and omissions in the performance of their duties hereunder, and the acts and omissions of their own employees and agents. In addition, each party shall maintain, throughout the term of this Agreement, comprehensive general and professional liability insurance and property damage insurance coverage in amounts reasonably acceptable to the other party, and shall provide evidence of such coverage upon request.

8. **TERM.** The term of this Agreement ("Term"), shall be **Three (3)** year(s) commencing on the Effective Date. At the end of the Term and any Term Extension (as defined herein), the Term shall be automatically extended for additional terms of one (1) year each (a "Term Extension"), unless either party provides the other with written notice of termination as provided herein. As used herein, "Term" shall mean the period of time beginning on the Effective Date and ending on the last day of either the Term or the last Term Extension, as applicable.
9. **TERMINATION.** Either party may terminate this Agreement without cause upon 30 days' written notice to the other party. Either party may terminate this Agreement upon breach by the other party of any material provision of this Agreement, provided such breach continues for five days after receipt by the breaching party of written notice of such breach from the non-breaching party. This Agreement may be terminated immediately upon the occurrence of any of the following events: (i) either facility closes or discontinues operation to such an extent that patient care cannot be carried out adequately.; (ii) either facility loses its license, is convicted of a criminal offense related to health care, or is listed by a federal agency as being debarred, excluded or otherwise ineligible for federal program participation.
10. **ARBITRATION.** Any dispute or controversy arising under, out of or in connection with, or in relation to this Agreement, or any amendment hereof, or the breach hereof shall be determined and settled by final and binding arbitration in the county in which the Facilities are located in accordance with the Commercial Rules of Arbitration ("Rules") of the Judicial Arbitration and Mediation Services ("JAMS") before one arbitrator applying the laws of the State. The parties shall attempt to mutually select the arbitrator. In the event they are unable to mutually agree, the arbitrator shall be selected by the procedures prescribed by the JAMS Rules. Any award rendered by the arbitrator shall be final and binding upon each of the parties, and judgment thereof may be entered in any court having jurisdiction thereof. The costs shall be borne equally by both parties. The provisions set forth herein shall survive expiration or other termination of this Agreement, regardless of the cause of such termination.
11. **ENTIRE AGREEMENT; MODIFICATION; GOVERNING LAW, COUNTERPARTS; NOTICES, WAIVER; BINDING EFFECT.** This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and supersedes all prior agreements, oral or written, and all other communications between the parties relating to such subject matter. This Agreement may not be amended or modified except by mutual written agreement. This Agreement shall be construed in accordance with the laws of the State and shall survive the expiration or other termination of this Agreement. This Agreement

may be executed in one or more counterparts, all of which together shall constitute only one Agreement. All notices hereunder shall be in writing, delivered personally, by certified or registered mail, return receipt requested, or by overnight courier, and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, postage prepaid, or deposited with the overnight courier, addressed at the place identified on the signature page below. A waiver by either party of a breach or failure to perform hereunder shall not constitute a waiver of any subsequent breach or failure. Facilities shall not assign or transfer, in whole or in part, this Agreement or any of the facilities rights, duties or obligations under this Agreement without the prior written consent of Hospital, and any assignment or transfer by any facility without such consent shall be null and void. This Agreement is assignable by Hospital without consent or notice.

12. **REFERRALS.** The parties acknowledge that none of the benefits granted to each other hereunder are conditioned on any requirement that any party make referrals to, be in a position to make or influence referrals to, or otherwise generate business for the other party or its affiliates.
13. **Compliance.** The parties have received, read, understood, and shall abide by Memorial's Standards of Conduct. The parties to this Agreement shall comply with Memorial's Regulatory Compliance Program and its policies and procedures related to the Deficit Reduction Act of 2005, Anti-Kickback Statute, False Claims Act and the Stark Law.
14. **EXCLUSION LISTS SCREENING.** The facilities shall screen all of its current and prospective owners, legal entities, officers, directors, employees, contractors, and agents ("Screened Persons") against (a) the United States Department of Health and Human Services/Office of Inspector General List of Excluded Individuals/Entities (available through the Internet at <http://www.oig.hhs.gov>), and (b) the General Services Administration's List of Parties Excluded from Federal Programs (available through the Internet at <http://www.epls.gov>) (collectively, the "Exclusion Lists") to ensure that none of the Screened Persons are currently excluded, debarred, suspended, or otherwise ineligible to participate in Federal healthcare programs or in Federal procurement or non-procurement programs, or have been convicted of a criminal offense that falls within the ambit of 42 U.S.C. § 1320a-7(a), but have not yet been excluded, debarred, suspended, or otherwise declared ineligible (each, an "Ineligible Person"). If, at any time during the term of this Agreement any Screened Person becomes an Ineligible Person or proposed to be an Ineligible Person, facilities shall immediately notify Hospital of the same. Screened Persons shall not include any employee, contractor or agent who is not providing services under this Agreement.

**Metro-East Services, Inc.
d/b/a Memorial Hospital East**

By: Mark J. Turner
Mark J. Turner, President

**Protestant Memorial Medical Center, Inc.
d/b/a Memorial Hospital**

By: Mark J. Turner
Mark J. Turner, President

CLINICAL SERVICE AREAS OTHER
THAN CATEGORIES OF SERVICE

Memorial Hospital-East will provide a number of clinical services that have not been designated as "categories of service" by the IDPH, and those services are identified in the table below.

Service	# Proposed Key Rooms
Surgery	
Class C	4
Class B	0
Recovery	
Phase I	4
Phase II	12
LDRP	8
C-Section	2
Level I Nursery	n/a
Observation/Holding	6
Emergency Dept.	8
Imaging	
General R & F	3
Ultrasound	1
CT	1
MRI	1
Nuclear Medicine	1
Cardiac Cath/Specials	2
Lab	n/a
Morgue	n/a
GI lab	2
Non-Invasive Cardiol.	n/a
Resp. Ther./Pul. Fx.	n/a
PT/OT	n/a
Pharmacy	n/a
Central Sterile Supply	n/a

Utilization projections were developed in most instances using historical procedure:patient day ratios experienced by Memorial Hospital in 2009. In some instances, outpatient utilization projections for Memorial-East are less than the utilization rates of Memorial Hospital-Belleville. Memorial Hospital-Belleville and Memorial-East are anticipated to operate a common outpatient scheduling function, and rather than unnecessarily duplicate existing capacity at Memorial-Belleville, a disproportional share of the selective outpatient diagnostic and treatment services, such as the imaging modalities and surgery, will be scheduled at Memorial Hospital-Belleville. The outpatient procedure rates at Memorial Hospital were discounted by 25-33% for each of the following services, in projecting the utilization of the service at Memorial Hospital-East: surgery, general imaging, ultrasound, CT, MRI, and nuclear medicine.

The remainder of the ATTACHMENT addresses Memorial Hospital-East's clinical services that are not IDPH-designated "categories of service". As appropriate and available, five years of historical utilization data is used in the development of the 5-year projections, to the second year of Memorial-East's operations.

Emergency Department

Memorial Hospital has experienced significant increases in its Emergency Department utilization, increasing from 47,255 visits in 2005 to 59,333 visits in 2009, an increase of 25.6%, with the annual increases ranging from a low of 4.5% to a high of 8.6%. In order to be conservative, utilization is projected to increase at a rate below the lowest recently-experienced rate, 4.5% a year. Emergency Department utilization is

projected to increase at an annual rate of 4.0% for the next five years. As a result, 2013 utilization is projected to be 72,187 visits in the second year following the opening of Memorial-East. Memorial Hospital-Bellville's Emergency Department will reach its function capacity by 2012/2013, necessitating expansion, if the proposed capacity at Memorial-East is not available.

Based on population distribution within the planning area and the planned clinical capabilities of Memorial-Belleville and Memorial-East, it is anticipated that 20% of the Emergency Department volume will be provided at Memorial-East, with the balance remaining at Memorial Hospital-Belleville. Allowing for a "ramp-up" period during the hospital's initial year of operation, 10,400 visits are anticipated during the first year, with 14,437 being projected for the second year of operation.

Eight treatment stations will be provided.

Surgery/Recovery

Surgical hours (including room turn-over) provided at Memorial Hospital increased by 7.7% between 2005 and 2009, an average of 1.9% a year. Two methodologies were used to identify, on a non-specialty-specific basis, the number of operating rooms required for Memorial Hospital and Memorial Hospital-East.

The first methodology assumed that surgical hours would continue to increase, but at a rate of only 1% per year, resulting in a projection of 18,580 hours during the

second year of Memorial Hospital-East's operation, and a need for 13 operating rooms, based on the IDPH standard of 1,500 hours per OR. The second methodology used Memorial Hospital's 2009 inpatient cases per m/s/p day, ratio of outpatient cases per inpatient case, and average hours of OR time used per case, to project 16,459 hours during the same year, and a need for 11 ORs at the two hospitals.

The results of both methodologies, however, need to be adjusted to provide for necessary "specialty" ORs, those being dedicated operating rooms to support Memorial Hospital's open heart surgery program (open heart surgery will not be provided at Memorial-East). With the exception of the open heart rooms, all of Memorial Hospital's operating rooms have historically been designated as "general" rooms, though specialty designations, including a cystoscopy room are used for internal purposes.

Memorial Hospital currently operates two open heart surgery and seventeen "general" rooms, a total of nineteen operating rooms. In 2009, 7.8% of Memorial Hospital's OR hours were provided in the open heart rooms. All of the operating rooms at Memorial-East will be designated as "general"; and using the methodologies identified above, the projected m/s/p patient days during the second year of operation would result in a projection of 7,260 hours of OR time at Memorial-East and a need for five operating rooms. Because of the ability to direct outpatients to Memorial Hospital, and as discussed above, the projected hours of OR time have been discounted by 33%, to 4,862 hours, resulting in a need to provide only four operating rooms at Memorial-East. Surgical utilization during the hospital's initial year will ramp-up in a manner similar to

that of medical/surgical utilization, and as a result, 3,718 hours of operating room time are projected.

The surgery/recovery area will consist of 4 Class C operating rooms, 4 Level I recovery stations, 12 Level II recovery stations and required support space.

Imaging Department

Imaging department utilization has been projected using historical utilization ratios from Memorial Hospital, with outpatient procedures discounted by 33%, as discussed above. The department will consist of three radiographic/fluoroscopic rooms, and one room each for CT, MRI, ultrasound, and nuclear medicine.

Projected utilization for each of the imaging modalities is presented in the table on the following page.

Year 1 m/s/p & ICU days:	17,928		
Year 2 m/s/p & ICU days:	23,444		
		Year 1	Year 2
General R & F			
inpt proc per m/s/p & ICU day:	0.47		
inpatient procedures:		8,426	11,019
outpt procedures as % of inpt.*	151.42%	<u>12,759</u>	<u>16,684</u>
Total procedures		21,185	27,703
Ultrasound			
inpt proc per m/s/p & ICU day:	0.289		
inpatient procedures:		5,181	6,775
outpt procedures as % of inpt.*	55.88%	<u>2,895</u>	<u>3,786</u>
Total procedures		8,076	10,561
CT			
inpt proc per m/s/p & ICU day:	0.18		
inpatient procedures:		3,227	4,220
outpt procedures as % of inpt.*	157.18%	<u>5,072</u>	<u>6,633</u>
Total procedures		8,299	10,853
MRI			
inpt proc per m/s/p & ICU day:	0.026		
inpatient procedures:		466	610
outpt procedures as % of inpt.*	228.87%	<u>1,067</u>	<u>1,395</u>
Total procedures		1,533	2,005
Nuclear Medicine			
inpt proc per m/s/p & ICU day:	0.072		
inpatient procedures:		1,291	1,688
outpt procedures as % of inpt.*	65.86%	<u>850</u>	<u>1,112</u>
Total procedures		2,141	2,800
*discounted by 33%			

GI Lab

A GI Lab has become a primary service offered at virtually all hospitals having gastroenterologists on their medical staff. For each of the last two years, 82% of the GI Lab cases at Memorial Hospital have been performed on an outpatient basis. Over the last five years, utilization of Memorial Hospital's GI lab has increased at an average rate of 12.1% per year. Utilization is conservatively projected to increase at an average rate of 10.0% a year, for the next five years, through the second year of operation for Memorial-East. As a result, 11,367 hours of GI Lab time are projected, and 20% of those hours are anticipated to ultimately be provided at Memorial-East. Providing for a "ramp up" period during the hospital's initial year of operation, 1,750 hours of GI Lab time are anticipated to be used in the first year of operation, and 2,273 hours will be used in the second year. Two procedure rooms two Level I and six Level II recovery stations will be provided, to allow for the efficient use of the gastroenterologist's time.

Cardiac Catheterization

A cardiac catheterization laboratory will be provided, consistent with contemporary practices for hospitals in metropolitan areas. Historically, the ED at Memorial Hospital-Belleville has generated approximately 17 cardiac catheterizations for every 1,000 patients seen. For planning purpose, the rate through the ED at Memorial Hospital-East is anticipated to be approximately the same as experienced at Memorial Hospital-Belleville, 17 per 1,000 ED patients. Historically, approximately 5% of the diagnostic catheterizations performed at Memorial Hospital-Belleville were performed on patients taken directly from the ED to the cath lab, with approximately 95% being performed on a "scheduled" basis. At Memorial-East, the "scheduled" rate is anticipated

to be similar to that experienced at Memorial-Belleville. As a result, and based primarily upon projected ED utilization, 186 and 258 cardiac catheterizations are anticipated to be performed at Memorial-East during its first two years of operation. One procedure room will be provided.

Staff in this area will also support the special procedures room.

A second procedure room will be provided in the cardiac cath lab for interventional radiology procedures ("special procedures"). It is not anticipated that a second room will be used for cardiac catheterization. The combining of these two clinical functions, however, will allow for the sharing of staff, thereby improving efficiency. The most common procedures to be performed in the special procedure room, based on the experience at Memorial Hospital will include: aortograms, peripheral angioplasty, stent insertion, fistulograms and venacavagrams. Using the ratios of one inpatient procedure per 115.2 m/s/p patient days, as experienced at Memorial Hospital and 81 outpatient procedures performed for every 100 inpatient procedures, a total of 194 inpatient and 157 outpatient procedures are anticipated to be performed at Memorial Hospital-East during the second year following the hospital's opening. Allowing for a ramp-up period, utilization of the special procedures room during the hospital's first year of operation is projected to approximate 50% of the second year's utilization, or 82 inpatient and 78 outpatient procedures.

In addition to the two procedure rooms discussed above, four Level II recovery stations and support space will be provided.

Respiratory Therapy/Pulmonary Function

Respiratory therapy and pulmonary function treatments, 91.8% of which are provided on an inpatient basis at Memorial Hospital, are anticipated to be performed at the rate of 1.91 treatments per m/s/p and ICU patient day, as is the experience at Memorial Hospital. Accordingly, the following respiratory therapy/pulmonary function volumes, in terms of treatments are anticipated:

	<u>Year 1</u>	<u>Year 2</u>
Inpatient	31,927	41,751
Outpatient	<u>2,852</u>	<u>3,730</u>
Total	34,779	45,481

Non-Invasive Cardiology

Non-Invasive Cardiology services are provided in significant volume on an outpatient basis as well as on an inpatient basis at Memorial Hospital, and that practice is anticipated to duplicate itself at Memorial Hospital-East. Consistent with the utilization at Memorial Hospital, non-invasive cardiology procedures are projected to be performed on an inpatient basis at the rate of one procedure per 3.6 m/s/p and ICU patient days, and 1.3 outpatient procedures are projected to be performed for each inpatient procedure. As a result, and based on projected patient days, the following utilization is anticipated:

	<u>Year 1</u>	<u>Year 2</u>
Inpatient	5,058	6,614
Outpatient	<u>6,575</u>	<u>8,599</u>
Total	11,633	15,213

The primary purpose of providing each of the clinical services addressed in this ATTACHMENT is to provide a necessary service to residents of the hospital's planning area. In addition, and because the patient population traditionally looking to Memorial Hospital for its care served as the basis for utilization projections, no providers, other than Memorial Hospital, are anticipated to be impacted by this project. As a result, this project will not cause any other existing provider's utilization to fall below the IDPH's service-specific standard, nor will it cause any provider not operating at the IDPH's standard to realize a decrease in utilization.



March 18, 2011

Mr. Joe Lanius
Chief Financial Officer
Memorial Hospital
4500 Memorial Drive
Belleville, IL 62226

Re: Financial Feasibility for Certificate of Need Application

Dear Mr. Lanius:

For purposes of completing its Certificate of Need application, this letter will serve as confirmation that based upon Regions Bank review of Memorial Hospital's current financial condition, we believe an application for credit support would likely be approved pending completion of a formal due diligence process and satisfaction of lending requirements to fund the hospital's Shiloh medical campus project in an amount up to \$115,000,000. Currently, Regions Bank is discussing various financing structures that would satisfy the hospital's request. The final terms, conditions, and security for the financing will be negotiated between the hospital and bond investors and/or credit provider, as applicable. Once this has been accomplished, a formal commitment letter would be issued to the hospital addressing the entire structure of the financing proposal.

For decision-making purposes, the interest rate would be based on one-month LIBOR "London Interbank Offered Rate" plus a spread of 275 to 450 basis points with an interest rate floor of 4.00%. These rate parameters are on conventional financing for a construction loan on the above mentioned project. However, the final determination of the rate will be based upon the overall relationship that the hospital has with Regions Bank as well as the risk profile of the hospital.

Should you or the Illinois Health Facilities Planning Board have any questions regarding the financing of your project, please call me at 314-615-3551.

Sincerely,

A handwritten signature in cursive script that reads "John F. Strasser".

John F. Strasser
Vice President

cc: Keith Cook

Memorial Group, Inc. and Affiliates

Accountants' Report and Consolidated Financial Statements

December 31, 2009 and 2008

Memorial Group, Inc. and Affiliates
December 31, 2009 and 2008

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Independent Accountants' Report

Board of Directors
Memorial Group, Inc. and Affiliates
Belleville, Illinois

We have audited the accompanying consolidated balance sheets of Memorial Group, Inc. and Affiliates as of December 31, 2009 and 2008, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 financial position of Memorial Group, Inc. and Affiliates as of December 31, 2009 and 2008, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BKD, LLP

April 14, 2010

Memorial Group, Inc. and Affiliates
Consolidated Balance Sheets
December 31, 2009 and 2008

Assets

	<u>2009</u>	<u>2008</u>
Current Assets		
Cash	\$ 11,756,490	\$ 7,150,313
Patient accounts and other receivables, net of allowance for uncollectible receivables of \$12,353,156 in 2009 and \$10,576,094 in 2008	24,726,854	24,348,079
Balance due from Hospital Medicaid Assessment Program	-	4,461,519
Supplies	1,504,299	1,361,102
Prepaid expenses	2,322,270	2,863,678
Estimated balance due from third-party payers	<u>112,513</u>	<u>-</u>
Total current assets	40,422,426	40,184,691
Assets Limited As To Use	130,529,255	126,725,126
Property and Equipment, Net of Accumulated Depreciation	104,764,292	103,276,385
Other	<u>7,153,651</u>	<u>6,382,409</u>
Total assets	<u>\$ 282,869,624</u>	<u>\$ 276,568,611</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable and accrued expenses	\$ 11,490,083	\$ 12,700,792
Accrued wages and related payroll taxes	9,705,564	8,646,148
Estimated balance due to third-party payers	-	3,749,805
Estimated self-insurance costs, current	<u>3,151,000</u>	<u>3,231,000</u>
Total current liabilities	24,346,647	28,327,745
Estimated Self-Insurance Costs, Net of Current Portion	<u>24,898,337</u>	<u>21,770,175</u>
Total liabilities	49,244,984	50,097,920
Net Assets – Unrestricted	<u>233,624,640</u>	<u>226,470,691</u>
Total liabilities and net assets	<u>\$ 282,869,624</u>	<u>\$ 276,568,611</u>

Memorial Group, Inc. and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Unrestricted Revenues and Other Support		
Net patient service revenue	\$ 246,387,400	\$ 233,396,341
Other	<u>7,268,210</u>	<u>6,645,268</u>
	<u>253,655,610</u>	<u>240,041,609</u>
Expenses		
Salaries and wages	94,432,940	90,988,226
Employee benefits	36,370,187	31,416,533
Specialists' fees	11,599,752	10,864,159
Medical and other supplies	42,284,740	39,036,934
Utilities	2,499,855	3,568,872
Repairs and maintenance	5,937,285	5,280,438
Insurance	6,989,082	4,348,884
Other expense	34,579,733	35,697,050
Provision for uncollectible accounts	14,928,192	16,018,322
Depreciation	<u>13,180,189</u>	<u>12,712,821</u>
	<u>262,801,955</u>	<u>249,932,239</u>
Operating Loss	<u>(9,146,345)</u>	<u>(9,890,630)</u>
Other Income		
Investment return	16,870,042	(1,241,294)
Donations	<u>601,653</u>	<u>516,302</u>
	<u>17,471,695</u>	<u>(724,992)</u>
Excess (Deficiency) of Revenues Over Expenses	8,325,350	(10,615,622)
Investment Return – Change in Unrealized Gains and Losses on Assets Limited as to Use	<u>(1,171,401)</u>	<u>(30,086,529)</u>
Increase (Decrease) in Unrestricted Net Assets	7,153,949	(40,702,151)
Unrestricted Net Assets, Beginning of Year	<u>226,470,691</u>	<u>267,172,842</u>
Unrestricted Net Assets, End of Year	<u>\$ 233,624,640</u>	<u>\$ 226,470,691</u>

Memorial Group, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating Activities		
Change in unrestricted net assets	\$ 7,153,949	\$ (40,702,151)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities		
Depreciation	13,180,189	12,712,821
Net income of investee partnerships	(771,242)	(358,573)
Change in unrealized losses on assets limited as to use	1,171,401	30,086,529
Realized losses for other-than-temporary impairment on assets limited as to use	-	5,691,320
Changes in assets and liabilities		
Patient accounts and other receivables, net	(378,775)	(1,532,229)
Estimated balance due from/due to third-party payers	599,201	1,406,629
Supplies	(143,197)	(58,092)
Prepaid expenses	541,408	(1,275,256)
Accounts payable and accrued expenses	(979,066)	(1,646,604)
Accrued wages and related payroll taxes	1,059,416	1,126,553
Estimated self-insurance costs	<u>3,048,162</u>	<u>(5,858,560)</u>
Net cash provided by (used in) operating activities	<u>24,481,446</u>	<u>(407,613)</u>
Investing Activities		
Change in assets limited as to use	(4,975,530)	27,597,033
Purchase of property and equipment	<u>(14,899,739)</u>	<u>(25,252,968)</u>
Net cash provided by (used in) investing activities	<u>(19,875,269)</u>	<u>2,344,065</u>
Net Increase in Cash	4,606,177	1,936,452
Cash, Beginning of Year	<u>7,150,313</u>	<u>5,213,861</u>
Cash, End of Year	<u>\$ 11,756,490</u>	<u>\$ 7,150,313</u>

Memorial Group, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The consolidated financial statements are prepared on the accrual basis of accounting and include the accounts of Memorial Group, Inc. ("MGI") and the affiliated entities (the "Related Affiliates"), Protestant Memorial Medical Center, Inc., Memorial Foundation, Inc., Southwest Illinois Health Ventures, Inc. and Memorial Captive Insurance Company. All corporations, except Memorial Captive Insurance Company, are located in Belleville, Illinois. Memorial Captive Insurance Company is domiciled in Phoenix, Arizona.

MGI is the parent corporation of the Related Affiliates. MGI is the sole corporate member of Protestant Memorial Medical Center, Inc., Memorial Foundation, Inc. and Southwest Illinois Health Ventures, Inc. Memorial Captive Insurance Company is a wholly-owned subsidiary of MGI.

Protestant Memorial Medical Center, Inc. (the "Medical Center") includes the accounts of its two operating units, Memorial Hospital and Memorial Care Center, which provide health care services to residents of southwestern Illinois.

Memorial Foundation, Inc. ("MFI") is organized to support the health care services of the Medical Center through financial and fundraising assistance.

Southwest Illinois Health Ventures, Inc. ("SIHVI") owns and operates medical office buildings, is a partner in a partnership organized to operate a cancer treatment center and is a partner in a partnership organized to operate a YMCA fitness facility.

Memorial Captive Insurance Company ("MCIC") is a captive insurance company that insures a portion of the Medical Center's professional liability and re-insures the professional liability for participating physicians who are on the medical staff of the Medical Center.

Several members of the Board of Directors of MGI and the Related Affiliates serve in this capacity for more than one of these corporations.

All significant interaffiliate accounts and transactions have been eliminated in the consolidation.

Patient Accounts Receivable

The Medical Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Medical Center provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the Medical Center bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

Memorial Group, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 1: Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Supplies

Supply inventories are stated at the lower of cost using the first-in, first-out method or market.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed by the straight-line method over estimated useful lives.

Net Patient Service Revenue

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Investments and Investment Return

Investments include marketable equity and debt securities which are carried at fair value. Total investment return includes dividend, interest and other investment income and realized and unrealized gains and losses on investments. Net changes in unrealized gains and losses are recorded as increases or decreases in unrestricted net assets.

In 2009, MGI and the Related Affiliates changed the accounting classification of its investments in equity and debt securities from non-trading to trading. This change in classification required MGI and the Related Affiliates to recognize unrealized gains and losses on its investments in equity and debt securities as net investment return in the statement of operations and changes in unrestricted net assets. In previous years, changes in fair values of these investment securities were recorded as other changes in unrestricted net assets. The net unrealized gains included in investment return for 2009 were approximately \$10,996,000. The change in classification increased reported net investment return in 2009 by approximately \$1,171,000.

Prior to the classification change in 2009, MGI and the Related Affiliates evaluated investments for conditions that indicate an other than temporary decline in fair value has occurred. In conducting this review, numerous factors were considered which, individually or in combination, may indicate that a decline is other than temporary. Based on this evaluation, other than temporary losses of approximately \$5,691,000 were recorded in 2008.

Memorial Group, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 1: Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Income Taxes

MGI and the Related Affiliates, except MCIC, have been recognized as qualified not-for-profit, tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Medical Center is subject to federal income on any unrelated business taxable income. MCIC is a taxable corporation.

MGI and the Related Affiliates file tax returns in the U.S. federal and state jurisdictions and are no longer subject to U.S. federal and state examinations by tax authorities for years before 2006 except for MCIC. All tax years from 2004 and forward for MCIC are open and subject to examination.

Bank Deposits

The financial institutions holding the MGI and the Related Affiliates' cash accounts are participating in the FDIC's Transaction Account Guarantee Program. Under that program, through June 30, 2010, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

Effective October 3, 2008, the FDIC's insurance limits increased to \$250,000. The increase in federally insured limits is currently set to expire December 31, 2013. At December 31, 2009, the MGI and the Related Affiliates interest-bearing cash accounts did not exceed federally insured limits.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through April 14, 2010, which is the date the financial statements were available to be issued.

Memorial Group, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 2: Charity Care

In support of its mission, the Medical Center provides care to patients who lack financial resources and are determined to be medically indigent. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. During 2009, the Medical Center implemented a discount for patients without insurance coverage. In addition, the Medical Center provides services to other medically indigent patients under the state Medicaid program. The program pays providers amounts that are substantially less than the established charges for the services provided to the recipients.

The following is a summary of uncompensated charges related to these services:

	<u>2009</u>	<u>2008</u>
Medicaid allowances	\$ 67,581,539	\$ 56,079,589
Charity care allowances	7,737,847	8,300,053
Uninsured discount	<u>15,250,232</u>	<u>-</u>
	<u>\$ 90,569,618</u>	<u>\$ 64,379,642</u>

Medicaid allowances above exclude the activity of the Illinois Hospital Medicaid Assessment Program (see Note 3).

Note 3: Net Patient Service Revenue

Under the Medicare Program's Prospective Payment Systems, the Medical Center is reimbursed on a fixed price per case for hospital inpatients and a fixed price per test or procedure for outpatients.

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a fixed price per case for hospital inpatients and a fixed price per test or procedure for outpatients.

Approximately 38% and 39% of net patient service revenues are from participation in the Medicare and Medicaid programs for the years ended December 31, 2009 and 2008.

The Medical Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes discounts from established charges and prospectively determined fixed prices.

Illinois Hospital Medicaid Assessment Program

The state of Illinois implemented a three-year hospital assessment program beginning July 1, 2005, that qualified for federal matching funds through the Illinois Medicaid program. Under the program, each hospital was assessed taxes based on that hospital's adjusted gross hospital revenue. The assessments in part funded additional Medicaid payments.

Memorial Group, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 3: Net Patient Service Revenue (Continued)

In December 2008 a new five-year hospital assessment program beginning July 1, 2008 was approved. Payments related to the new program began in March 2009. Under the provisions of the new program, the Medical Center anticipates annual net patient service revenue of approximately \$8,900,000, and annual assessment payments by the Medical Center of approximately \$7,200,000.

The effects of these programs in the statements of operations and changes in net assets for the years ended December 31 are as follows:

	<u>2009</u>	<u>2008</u>
Additional Medicaid payments included in net patient service revenue	\$ <u>8,923,038</u>	\$ <u>9,390,315</u>
Taxes assessed and included in other expense	\$ <u>7,236,950</u>	\$ <u>6,168,577</u>

The hospital assessment program contains a sunset provision effective June 30, 2013, and there is no assurance that the program will not be discontinued or materially modified.

Note 4: Assets Limited as to Use

Board-Designated Assets

Board-designated assets represent funds set aside for the acquisition of depreciable assets and other capital-related purposes.

Self-Insurance Fund and Memorial Captive Insurance Company

The Medical Center and MCIC maintain trust funds for the purpose of funding professional and general liability losses. Funding of the claims is based upon actuarial estimates of the potential liability and the lag time in the payment of claims. Investment income is retained by the trusts and reinvested.

Auxiliary Fund

The Auxiliary Fund provides educational assistance to students pursuing health-related careers and is administered by the Auxiliary.

Memorial Group, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 4: Assets Limited as to Use (Continued)

Assets Limited as to Use Include:

	<u>2009</u>	<u>2008</u>
Board-Designated Assets		
Money market accounts	\$ 4,619,023	\$ 17,320,403
U.S. government and federal agency	4,555,592	9,045,180
U.S. government sponsored enterprises	22,074,959	17,595,129
Corporate obligations	13,883,145	12,569,576
Equity securities	60,081,047	46,054,216
Other assets	112,067	112,067
Amortized premium/discount and accrued income receivable	68,935	189,248
	<u>105,394,768</u>	<u>102,885,819</u>
Self-Insurance Fund		
Money market accounts	116,701	141,663
U.S. government and federal agency	733,107	753,998
Equity securities	1,452,324	1,553,280
	<u>2,302,132</u>	<u>2,448,941</u>
Memorial Captive Insurance Company		
Money market accounts	1,528,346	6,798,384
U.S. government and federal agency	3,857,671	2,625,180
U.S. government sponsored enterprises	7,317,016	6,167,484
Equity securities	8,597,733	4,298,681
Amortized premium/discount and accrued income receivable	57,282	11,945
	<u>21,358,048</u>	<u>19,901,674</u>
Auxiliary Fund		
Money market accounts	249,866	235,291
Certificates of deposit	1,057,294	1,044,000
Other assets	167,147	209,401
	<u>1,474,307</u>	<u>1,488,692</u>
	<u>\$ 130,529,255</u>	<u>\$ 126,725,126</u>

Memorial Group, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 4: Assets Limited as to Use (Continued)

Total investment return is comprised of the following:

	<u>2009</u>	<u>2008</u>
Interest and dividend income	\$ 3,419,442	\$ 6,330,911
Realized gains and losses on sales of securities	1,283,258	(1,880,885)
Realized losses for other-than-temporary impairments	<u>-</u>	<u>(5,691,320)</u>
Realized investment return	4,702,700	(1,241,294)
Net change in unrealized gains and losses	<u>10,995,941</u>	<u>(30,086,529)</u>
Total investment return	<u>\$ 15,698,641</u>	<u>\$ (31,327,823)</u>

Total investment return is reflected in the statement of operations and changes in unrestricted net assets as follows:

	<u>2009</u>	<u>2008</u>
Other non-operating income	\$ 16,870,042	\$ (1,241,294)
Change in net unrealized gains and losses	<u>(1,171,401)</u>	<u>(30,086,529)</u>
Total investment return	<u>\$ 15,698,641</u>	<u>\$ (31,327,823)</u>

Note 5: Disclosures About Fair Value of Assets and Liabilities

ASC Topic 820, *Fair Value Measurements*, 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. Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** 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 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Memorial Group, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 5: Disclosures About Fair Value of Assets and Liabilities (Continued)

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy.

Assets Limited as to Use

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market accounts, equities and U.S. government securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include corporate and U.S. government sponsored enterprises bonds and notes. Level 3 securities include certificates of deposit.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2009 and 2008, less accrued interest, bank deposits, other investments and other assets of the auxiliary:

	2009 Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market accounts	\$ 6,513,936	\$ 6,513,936	\$ -	\$ -
U.S. government and federal agency	\$ 9,146,370	\$ 9,146,370	\$ -	\$ -
U.S. government sponsored enterprises	\$ 29,391,975	\$ 7,993,954	\$ 21,398,021	\$ -
Corporate obligations	\$ 13,883,145	\$ -	\$ 13,883,145	\$ -
Equity securities	\$ 70,131,104	\$ 70,131,104	\$ -	\$ -
Certificates of deposit	\$ 1,057,294	\$ -	\$ -	\$ 1,057,294

Memorial Group, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 5: Disclosures About Fair Value of Assets and Liabilities (Continued)

	Fair Value	2008 Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market accounts	\$ 24,495,741	\$ 24,495,741	\$ -	\$ -
U.S. government and federal agency	\$ 12,424,358	\$ 12,424,358	\$ -	\$ -
U.S. government sponsored enterprises	\$ 23,762,613	\$ 10,507,022	\$ 13,255,591	\$ -
Corporate obligations	\$ 12,569,576	\$ -	\$ 12,569,576	\$ -
Equity securities	\$ 51,906,177	\$ 51,906,177	\$ -	\$ -
Certificates of deposit	\$ 1,044,000	\$ -	\$ -	\$ 1,044,000

Note 6: Property and Equipment

	<u>2009</u>	<u>2008</u>
Land	\$ 10,278,850	\$ 10,278,850
Land improvements	5,282,152	4,369,478
Buildings	79,050,011	77,870,735
Fixed equipment	57,317,440	54,828,256
Movable equipment	92,993,562	91,745,417
Alterations and projects in progress	4,123,685	2,126,161
	<u>249,045,700</u>	<u>241,218,897</u>
Less accumulated depreciation	<u>144,281,408</u>	<u>137,942,512</u>
	<u>\$ 104,764,292</u>	<u>\$ 103,276,385</u>

Note 7: Pension Plan

The Medical Center has a pension plan covering full and part time employees who have completed one year of service, attained age 21 and have at least 1,000 hours of service within one year. The plan is a defined-contribution money-purchase plan. The total pension expense was \$3,816,247 and \$3,593,173 for the years ended December 31, 2009 and 2008, respectively. It is the policy to fund total pension expense incurred. Upon two years of credited service, the employee obtains a

Memorial Group, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 7: Pension Plan (Continued)

20% vested interest; in each of the succeeding four years of credited service, the employee obtains an additional 20% vested interest.

Note 8: Professional and General Liability

The Medical Center maintains a self-insurance program to provide for losses related to professional and general liability claims. MCIC insures a portion of the Medical Center's professional liability and re-insures professional liability for participating physicians who are on the medical staff of the Medical Center. A provision for expected losses is recorded based upon the Medical Center's and MCIC's estimate of the potential liability for asserted and unasserted claims and unreported incidents. During 2009 and 2008, MGI and the Related Affiliates charged \$5,729,000 and \$2,726,000 to operations, respectively, as the Medical Center's estimated loss for all asserted and unasserted claims and unreported incidents. Additionally, during 2009 and 2008, MCIC charged \$961,840 and \$1,325,000 to operations, respectively, as the participating physicians' estimated loss for all asserted and unasserted claims and unreported incidents. The ultimate resolution of these matters may result in amounts that differ materially from those recorded at December 31, 2009.

Note 9: Functional Expenses

MGI and the Related Affiliates' expenses as presented in the federal tax Form 990 are as follows:

	<u>2009</u>	<u>2008</u>
Program services	\$ 237,021,948	\$ 223,547,784
Management and general	25,645,983	26,257,294
Fundraising	<u>134,024</u>	<u>127,161</u>
	<u>\$ 262,801,955</u>	<u>\$ 249,932,239</u>

Supplementary Information

Independent Accountants' Report on Supplementary Information

Board of Directors
Memorial Group, Inc. and Affiliates
Belleville, Illinois

Our 2009 audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary consolidating information is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position and results of operations of the individual entities, and is not a required part of the basic consolidated financial statements. The consolidating information has been subjected to the procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

BKD, LLP

St. Louis, Missouri
April 14, 2010

Memorial Group, Inc. and Affiliates

Consolidated Balance Sheet – With Consolidating Information

December 31, 2009

		Memorial Group, Inc.	Protestant Memorial Medical Center, Inc.	Memorial Foundation, Inc.	Southwest Illinois Health Ventures, Inc.	Memorial Captive Insurance Company	Eliminations	Consolidated
Current Assets								
Cash	\$	30,056	11,002,442	73,689	324,785	325,518	-	\$ 11,756,490
Patient accounts and other receivables, net		-	24,258,239	-	-	468,615	-	24,726,854
Supplies		-	1,504,299	-	-	-	-	1,504,299
Prepaid expenses		3,000	1,788,746	1,875	15,408	513,241	-	2,322,270
Balance due from third-party payers		-	112,513	-	-	-	-	112,513
Due from affiliates		-	319,909	-	-	-	(319,909)	-
Total current assets		33,056	38,986,148	75,564	340,193	1,307,374	(319,909)	40,422,426
Assets Limited As To Use		50,756,244	49,656,561	8,758,402	-	21,358,048	-	130,529,255
Interest in the Net Assets of Memorial Foundation, Inc.		-	8,808,805	-	-	-	(8,808,805)	-
Property and Equipment, Net		8,338,441	66,526,817	-	29,899,034	-	-	104,764,292
Other		-	-	-	7,153,651	-	-	7,153,651
Total assets	\$	59,127,741	163,978,331	8,833,966	37,392,878	22,665,422	(9,128,714)	\$ 282,869,624

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	Memorial Group, Inc.	Protestant Memorial Medical Center, Inc.	Memorial Foundation, Inc.	Southwest Illinois Health Ventures, Inc.	Memorial Captive Insurance Company	Eliminations	Consolidated
Liabilities and Net Assets							
Current Liabilities							
Accounts payable and accrued expenses	\$ 791,220	\$ 10,132,419	\$ 6,488	\$ 475,548	\$ 84,408	\$ -	\$ 11,490,083
Accrued wages and related payroll taxes	22,340	9,666,144	5,664	11,416	-	-	9,705,564
Estimated self-insurance costs, current	-	3,151,000	-	-	-	-	3,151,000
Due to affiliates	275,809	-	13,009	30,767	324	(319,909)	-
Total current liabilities	1,089,369	22,949,563	25,161	517,731	84,732	(319,909)	24,346,647
Estimated Self-Insurance Costs, Net of Current Portion	-	8,316,572	-	-	16,581,765	-	24,898,337
Total liabilities	1,089,369	31,266,135	25,161	517,731	16,666,497	(319,909)	49,244,984
Net Assets							
Unrestricted	58,038,372	123,903,391	8,808,805	36,875,147	5,998,925	-	233,624,640
Temporarily restricted	-	8,808,805	-	-	-	(8,808,805)	-
Total net assets	58,038,372	132,712,196	8,808,805	36,875,147	5,998,925	(8,808,805)	233,624,640
Total liabilities and net assets	\$ 59,127,741	\$ 163,978,331	\$ 8,833,966	\$ 37,392,878	\$ 22,665,422	\$ (9,128,714)	\$ 282,869,624

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Memorial Group, Inc. and Affiliates

Consolidated Statement of Operations and Changes in Net Assets - With Consolidating Information Year Ended December 31, 2009

		Memorial Group, Inc.	Protestant Memorial Medical Center, Inc.	Memorial Foundation, Inc.	Southwest Illinois Health Ventures, Inc.	Memorial Captive Insurance Company	Eliminations	Consolidated
Unrestricted Revenue and Other Support	\$							
Net patient service revenue	\$	-	246,387,400	-	-	-	-	\$ 246,387,400
Other		-	<u>2,482,596</u>	-	<u>4,110,617</u>	<u>2,787,672</u>	<u>(2,112,675)</u>	<u>7,268,210</u>
		-	<u>248,869,996</u>	-	<u>4,110,617</u>	<u>2,787,672</u>	<u>(2,112,675)</u>	<u>253,655,610</u>
Expenses								
Salaries and wages		543,193	93,012,285	98,704	355,389	-	423,369	94,432,940
Employee benefits		115,622	36,012,603	21,600	73,875	-	146,487	36,370,187
Specialists' fees		-	11,599,752	-	-	-	-	11,599,752
Medical and other supplies		-	42,284,740	-	-	-	-	42,284,740
Utilities		-	1,879,835	-	620,020	-	-	2,499,855
Repairs and maintenance		-	5,772,888	-	164,397	-	-	5,937,285
Insurance		2,875	5,204,719	1,750	38,898	2,740,840	(1,000,000)	6,989,082
Other expense		15,184,782	19,726,966	476,846	618,784	690,791	(2,118,436)	34,579,733
Provision for uncollectible accounts		-	14,928,192	-	-	-	-	14,928,192
Depreciation		-	11,231,155	-	1,949,034	-	-	13,180,189
		<u>15,846,472</u>	<u>241,653,135</u>	<u>598,900</u>	<u>3,820,397</u>	<u>3,431,631</u>	<u>(2,548,580)</u>	<u>262,801,955</u>
Operating Income (Loss)	\$	\$ (15,846,472)	\$ 7,216,861	\$ (598,900)	\$ 290,220	\$ (643,959)	\$ 435,905	\$ (9,146,345)

	Memorial Group, Inc.	Protestant Memorial Medical Center, Inc.	Memorial Foundation, Inc.	Southwest Illinois Health Ventures, Inc.	Memorial Captive Insurance Company	Eliminations	Consolidated
Other Income							
Investment return	\$ 9,122,339	\$ 5,755,789	\$ 1,462,608	\$ -	\$ 572,062	\$ (42,756)	\$ 16,870,042
Donations	-	381,901	612,901	-	-	(393,149)	601,653
	<u>9,122,339</u>	<u>6,137,690</u>	<u>2,075,509</u>	<u>-</u>	<u>572,062</u>	<u>(435,905)</u>	<u>17,471,695</u>
Excess (Deficiency) of Revenues Over Expenses	(6,724,133)	13,354,551	1,476,609	290,220	(71,897)	-	8,325,350
Investment return-change in unrealized gains and losses on assets limited as to use	(3,222,906)	1,147,909	(507,751)	-	1,411,347	-	(1,171,401)
Transfers from (to) affiliates	<u>7,056,153</u>	<u>(7,486,153)</u>	<u>-</u>	<u>430,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Unrestricted Net Assets	(2,890,886)	7,016,307	968,858	720,220	1,339,450	-	7,153,949
Temporarily Restricted Net Assets - Change in Interest in Net Assets of Memorial Foundation, Inc.	-	968,858	-	-	-	(968,858)	-
Change in Total Net Assets	(2,890,886)	7,985,165	968,858	720,220	1,339,450	(968,858)	7,153,949
Net Assets, Beginning of Year	<u>60,929,258</u>	<u>124,727,031</u>	<u>7,839,947</u>	<u>36,154,927</u>	<u>4,659,475</u>	<u>(7,839,947)</u>	<u>226,470,691</u>
Net Assets, End of Year	<u>\$ 58,038,372</u>	<u>\$ 132,712,196</u>	<u>\$ 8,808,805</u>	<u>\$ 36,875,147</u>	<u>\$ 5,998,925</u>	<u>\$ (8,808,805)</u>	<u>\$ 233,624,640</u>

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ATTACHMENT 9

Memorial Group, Inc. and Affiliates

Accountants' Report and Consolidated Financial Statements

December 31, 2008 and 2007

Memorial Group, Inc. and Affiliates
December 31, 2008 and 2007

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Independent Accountants' Report

Board of Directors
Memorial Group, Inc. and Affiliates
Belleville, Illinois

We have audited the accompanying consolidated balance sheets of Memorial Group, Inc. and Affiliates as of December 31, 2008 and 2007, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 financial position of Memorial Group, Inc. and Affiliates as of December 31, 2008 and 2007, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 5, in 2008, the Group changed its method of accounting for fair value measurements in accordance with Statement of Financial Accounting Standards No. 157.

BKD, LLP

April 16, 2009

Memorial Group, Inc. and Affiliates

Consolidated Balance Sheets

December 31, 2008 and 2007

Assets

	<u>2008</u>	<u>2007</u>
Current Assets		
Cash	\$ 7,150,313	\$ 5,213,861
Patient accounts and other receivables, net of allowance for uncollectible receivables of \$10,576,094 in 2008 and \$10,351,615 in 2007	24,348,079	22,815,850
Balance due from Hospital Medicaid Assessment Program	4,461,519	4,928,791
Supplies	1,361,102	1,303,010
Prepaid expenses	<u>2,863,678</u>	<u>1,588,422</u>
Total current assets	40,184,691	35,849,934
Assets Limited As To Use	126,725,126	190,100,008
Property and Equipment, Net of Accumulated Depreciation	103,276,385	90,596,390
Other	<u>6,382,409</u>	<u>6,023,836</u>
Total assets	<u>\$ 276,568,611</u>	<u>\$ 322,570,168</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable and accrued expenses	\$ 12,700,792	\$ 14,207,548
Accrued wages and related payroll taxes	8,646,148	7,519,595
Estimated balance due to third-party payers	3,749,805	2,810,448
Estimated self-insurance costs, current	<u>3,231,000</u>	<u>2,821,000</u>
Total current liabilities	28,327,745	27,358,591
Estimated Self-Insurance Costs, Net of Current Portion	<u>21,770,175</u>	<u>28,038,735</u>
Total liabilities	50,097,920	55,397,326
Net Assets – Unrestricted	<u>226,470,691</u>	<u>267,172,842</u>
Total liabilities and net assets	<u>\$ 276,568,611</u>	<u>\$ 322,570,168</u>

Memorial Group, Inc. and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Unrestricted Revenues and Other Support		
Net patient service revenue	\$ 233,396,341	\$ 217,559,508
Other	<u>6,645,268</u>	<u>5,860,678</u>
	<u>240,041,609</u>	<u>223,420,186</u>
Expenses		
Salaries and wages	90,988,226	84,531,697
Employee benefits	31,416,533	28,987,701
Specialists' fees	10,864,159	9,552,908
Medical and other supplies	39,036,934	36,081,981
Utilities	3,568,872	3,255,589
Repairs and maintenance	5,280,438	4,731,470
Insurance	4,348,884	3,595,967
Other expense	35,697,050	29,886,883
Provision for uncollectible accounts	16,018,322	13,109,413
Depreciation	<u>12,712,821</u>	<u>12,391,213</u>
	<u>249,932,239</u>	<u>226,124,822</u>
Operating Loss	<u>(9,890,630)</u>	<u>(2,704,636)</u>
Other Income		
Investment return	(1,241,294)	12,135,932
Donations	<u>516,302</u>	<u>1,418,008</u>
	<u>(724,992)</u>	<u>13,553,940</u>
Excess (Deficiency) of Revenues Over Expenses	(10,615,622)	10,849,304
Investment Return – Change in Unrealized Gains and Losses on Assets Limited as to Use	<u>(30,086,529)</u>	<u>2,219,464</u>
Increase (Decrease) in Unrestricted Net Assets	(40,702,151)	13,068,768
Unrestricted Net Assets, Beginning of Year	<u>267,172,842</u>	<u>254,104,074</u>
Unrestricted Net Assets, End of Year	<u>\$ 226,470,691</u>	<u>\$ 267,172,842</u>

Memorial Group, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Activities		
Change in unrestricted net assets	\$ (40,702,151)	\$ 13,068,768
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities		
Depreciation	12,712,821	12,391,213
Net loss (income) of investee partnerships	(358,573)	582,472
Change in unrealized gains and losses on assets limited as to use	30,086,529	(2,219,464)
Realized losses for other than temporary impairment on assets limited as to use	5,691,320	—
Changes in assets and liabilities		
Patient accounts and other receivables, net	(1,532,229)	(1,566,240)
Estimated balance due from/due to third-party payers	1,406,629	4,362,582
Supplies	(58,092)	(79,903)
Prepaid expenses	(1,275,256)	(172,903)
Accounts payable and accrued expenses	(1,646,604)	1,238,442
Accrued wages and related payroll taxes	1,126,553	(1,107,913)
Estimated self-insurance costs	<u>(5,858,560)</u>	<u>609,863</u>
Net cash provided by (used in) operating activities	<u>(407,613)</u>	<u>27,106,917</u>
Investing Activities		
Change in assets limited as to use	27,597,033	(11,485,200)
Purchase of property and equipment	<u>(25,252,968)</u>	<u>(14,644,955)</u>
Net cash provided by (used in) investing activities	<u>2,344,065</u>	<u>(26,130,155)</u>
Net Increase in Cash	1,936,452	976,762
Cash, Beginning of Year	<u>5,213,861</u>	<u>4,237,099</u>
Cash, End of Year	<u>\$ 7,150,313</u>	<u>\$ 5,213,861</u>

Memorial Group, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2008 and 2007

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The consolidated financial statements are prepared on the accrual basis of accounting and include the accounts of Memorial Group, Inc. ("MGI") and the affiliated entities (the "Related Affiliates"), Protestant Memorial Medical Center, Inc., Memorial Foundation, Inc., Southwest Illinois Health Ventures, Inc. and Memorial Captive Insurance Company. All corporations, except Memorial Captive Insurance Company, have been recognized as qualified tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and are located in Belleville, Illinois. Memorial Captive Insurance Company is a taxable corporation domiciled in Phoenix, Arizona.

MGI is the parent corporation of the Related Affiliates. MGI is the sole corporate member of Protestant Memorial Medical Center, Inc., Memorial Foundation, Inc. and Southwest Illinois Health Ventures, Inc. Memorial Captive Insurance Company is a wholly-owned subsidiary of MGI.

Protestant Memorial Medical Center, Inc. (the "Medical Center") includes the accounts of its two operating units, Memorial Hospital and Memorial Care Center, which provide health care services to residents of southwestern Illinois.

Memorial Foundation, Inc. ("MFI") is organized to support the health care services of the Medical Center through financial and fundraising assistance.

Southwest Illinois Health Ventures, Inc. ("SIHVI") owns and operates medical office buildings, is a partner in a partnership organized to operate a cancer treatment center and is a partner in a partnership organized to operate a YMCA fitness facility.

Memorial Captive Insurance Company ("MCIC") is a captive insurance company that insures a portion of the Medical Center's professional liability and re-insures the professional liability for participating physicians who are on the medical staff of the Medical Center.

Several members of the Board of Directors of MGI and the Related Affiliates serve in this capacity for more than one of these corporations.

All significant interaffiliate accounts and transactions have been eliminated in the consolidation.

Memorial Group, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2008 and 2007

Note 1: Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Patient Accounts Receivable

The Medical Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Medical Center provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the Medical Center bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

Supplies

Supply inventories are stated at the lower of cost using the first-in, first-out method or market.

Investments and Investment Return

Investments include marketable equity and debt securities which are carried at fair value. Total investment return includes dividend, interest and other investment income and realized and unrealized gains and losses on investments. Net changes in unrealized gains and losses are recorded as increases or decreases in unrestricted net assets.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed by the straight-line method over estimated useful lives.

Net Patient Service Revenue

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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Memorial Group, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2008 and 2007

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Bank Deposits

The financial institutions holding the MGI and the Related Affiliates' cash accounts are participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2009, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

Effective October 3, 2008, the FDIC's insurance limits increased to \$250,000. The increase in federally insured limits is currently set to expire December 31, 2009. At December 31, 2008, the MGI and the Related Affiliates interest-bearing cash accounts exceeded federally insured limits by approximately \$257,504.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: Charity Care

In support of its mission, the Medical Center provides care to patients who lack financial resources and are determined to be medically indigent. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. In addition, the Medical Center provides services to other medically indigent patients under the state Medicaid program. The program pays providers amounts that are substantially less than the established charges for the services provided to the recipients.

The following is a summary of uncompensated charges related to these services:

	<u>2008</u>	<u>2007</u>
Medicaid allowances	\$ 56,079,589	\$ 49,103,236
Charity care allowances	<u>8,300,053</u>	<u>6,395,215</u>
	<u>\$ 64,379,642</u>	<u>\$ 55,498,451</u>

Medicaid allowances above exclude the activity of the Illinois Hospital Medicaid Assessment Program (see Note 3).

Memorial Group, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2008 and 2007

Note 3: Net Patient Service Revenue

Under the Medicare Program's Prospective Payment Systems, the Medical Center is reimbursed on a fixed price per case for hospital inpatients and a fixed price per test or procedure for outpatients.

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a fixed price per case for hospital inpatients and a fixed price per test or procedure for outpatients.

Approximately 39% and 42% of net patient service revenues are from participation in the Medicare and Medicaid programs for the years ended December 31, 2008 and 2007.

The Medical Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes discounts from established charges and prospectively determined fixed prices.

Illinois Hospital Medicaid Assessment Program

The state of Illinois implemented a three-year hospital assessment program beginning July 1, 2005 that qualified for federal matching funds through the Illinois Medicaid program. Under the program, each hospital was assessed taxes based on that hospital's adjusted gross hospital revenue. The assessments in part funded additional Medicaid payments.

In December 2008 a new five-year hospital assessment program beginning July 1, 2008 was approved. Payments related to the new program began in March 2009. Under the provisions of the new program, the Medical Center anticipates annual net patient service revenue of approximately \$8,900,000, and annual assessment payments by the Medical Center of approximately \$7,200,000.

The effects of these programs in the statements of operations and changes in net assets for the year ended December 31 are as follows:

	<u>2008</u>	<u>2007</u>
Additional Medicaid payments included in net patient service revenue	\$ <u>9,390,315</u>	\$ <u>9,857,592</u>
Taxes assessed and included in other expense	\$ <u>6,168,577</u>	\$ <u>5,192,520</u>

Memorial Group, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2008 and 2007

Note 4: Assets Limited as to Use

Board-Designated Assets

Board-designated assets represent funds set aside for the acquisition of depreciable assets and other capital-related purposes.

Self-Insurance Fund and Memorial Captive Insurance Company

The Medical Center and MCIC maintain trust funds for the purpose of funding professional and general liability losses. Funding of the claims is based upon actuarial estimates of the potential liability and the lag time in the payment of claims. Investment income is retained by the trusts and reinvested.

Auxiliary Fund

The Auxiliary Fund provides educational assistance to students pursuing health-related careers and is administered by the Auxiliary.

Assets Limited as to Use Include:

	<u>2008</u>	<u>2007</u>
Board-Designated Assets		
Money market accounts	\$ 17,320,403	\$ 14,527,972
U.S. Treasury bills and notes	9,045,180	12,529,503
U.S. government agency obligations	17,595,129	21,491,244
Corporate obligations	12,569,576	13,281,624
Equity securities	46,054,216	99,982,737
Other assets	112,067	488,317
Amortized premium/discount and accrued income receivable	<u>189,248</u>	<u>183,963</u>
	<u>102,885,819</u>	<u>162,485,360</u>
Self-Insurance Fund		
Money market accounts	141,663	305,577
U.S. Treasury bills and notes	753,998	829,286
U.S. government agency obligations	—	702,059
Corporate obligations	—	100,927
Equity securities	1,553,280	3,716,439
Amortized premium/discount and accrued income receivable	<u>—</u>	<u>(37,743)</u>
	<u>2,448,941</u>	<u>5,616,545</u>

Memorial Group, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2008 and 2007

Note 4: Assets Limited as to Use (Continued)

	<u>2008</u>	<u>2007</u>
Memorial Captive Insurance Company		
Money market accounts	\$ 6,798,384	\$ 9,335,883
U.S. Treasury bills and notes	2,625,180	990,216
U.S. government agency obligations	6,167,484	2,049,485
Equity securities	4,298,681	7,965,684
Other assets	—	101,623
Amortized premium/discount and accrued income receivable	<u>11,945</u>	<u>62,341</u>
	<u>19,901,674</u>	<u>20,505,232</u>
 Auxiliary Fund		
Money market accounts	235,291	243,213
Certificates of deposit	1,044,000	1,030,000
Other assets	<u>209,401</u>	<u>219,658</u>
	<u>1,488,692</u>	<u>1,492,871</u>
	<u>\$ 126,725,126</u>	<u>\$ 190,100,008</u>

Investment return is reflected in the statements of operations and changes in net assets as other non-operating income. The net change in unrealized gains and losses is recorded as an increase or decrease in unrestricted net assets. Total investment return is comprised of the following:

	<u>2008</u>	<u>2007</u>
Interest and dividend income	\$ 6,330,911	\$ 6,203,210
Realized gains and losses on sales of securities	(1,880,885)	5,932,722
Realized losses for other than temporary impairments	<u>(5,691,320)</u>	<u>—</u>
Realized investment return	(1,241,294)	12,135,932
Net change in unrealized gains and losses	<u>(30,086,529)</u>	<u>2,219,464</u>
Total investment return	<u>\$ (31,327,823)</u>	<u>\$ 14,355,396</u>

Memorial Group, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2008 and 2007

Note 4: Assets Limited as to Use (Continued)

Certain investments in debt and marketable equity securities are reported in the financial statements at an amount less than their historical cost. Total fair value of these investments at December 31, 2008, was \$41,183,375 which is approximately 33% of MGI's investment portfolio. These declines primarily resulted from recent increases in market interest rates and failure of certain investments to maintain consistent credit quality ratings or meet projected earnings targets.

Based on evaluation of available evidence, including recent changes in market interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these securities are temporary. Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in the excess (deficiency) of revenues over expenses.

The following table summarizes investment gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

Description of Securities	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2008						
Debt securities	\$ 5,748,591	\$ (495,239)	\$ 3,361,560	\$ (1,076,528)	\$ 9,110,151	\$ (1,571,767)
Equity securities	<u>30,532,013</u>	<u>(6,698,959)</u>	<u>1,541,211</u>	<u>(555,133)</u>	<u>32,073,224</u>	<u>(7,254,092)</u>
Total temporarily impaired securities	<u>\$ 36,280,604</u>	<u>\$ (7,194,198)</u>	<u>\$ 4,902,771</u>	<u>\$ (1,631,661)</u>	<u>\$ 41,183,375</u>	<u>\$ (8,825,859)</u>
As of March 31, 2009, approximately \$4,900,000 of impairment was identified on investments which were not considered to be other-than-temporarily impaired at December 31, 2008.						
December 31, 2007						
Debt securities	\$ 10,483,575	\$ (628,801)	\$ 6,805,436	\$ (449,296)	\$ 17,289,011	\$ (1,078,097)
Equity securities	<u>8,570,836</u>	<u>(1,750,244)</u>	<u>1,634,559</u>	<u>(108,757)</u>	<u>10,205,395</u>	<u>(1,859,001)</u>
Total temporarily impaired securities	<u>\$ 19,054,411</u>	<u>\$ (2,379,045)</u>	<u>\$ 8,439,995</u>	<u>\$ (558,053)</u>	<u>\$ 27,494,406</u>	<u>\$ (2,937,098)</u>

Memorial Group, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2008 and 2007

Note 5: Disclosures About Fair Value of Assets and Liabilities

Effective January 1, 2008, MGI and the Related Affiliates adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 has been applied prospectively as of the beginning of the year.

FAS 157 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. FAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** 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 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Assets Limited as to Use

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include equities and treasury securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include corporate and government agency bonds and notes.

The following table presents the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the FAS 157 fair value hierarchy in which the fair value measurements fall at December 31, 2008, less accrued interest, bank deposits, other investments and net assets of the auxiliary:

Memorial Group, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2008 and 2007

Note 5: Disclosures About Fair Value of Assets and Liabilities (Continued)

	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets limited as to use	\$113,870,382	\$89,369,198	\$24,501,184	\$ —

Note 6: Property and Equipment

	<u>2008</u>	<u>2007</u>
Land	\$ 10,278,850	\$ 3,095,409
Land improvements	4,369,478	4,346,612
Buildings	77,870,735	77,836,963
Fixed equipment	54,828,256	48,981,401
Movable equipment	91,745,417	86,783,258
Alterations and projects in progress	<u>2,126,161</u>	<u>4,164,110</u>
	241,218,897	225,207,753
Less accumulated depreciation	<u>137,942,512</u>	<u>134,611,363</u>
	<u>\$ 103,276,385</u>	<u>\$ 90,596,390</u>

Note 7: Pension Plan

The Medical Center has a pension plan covering full and part time employees who have completed one year of service, attained age 21 and have at least 1,000 hours of service within one year. The plan is a defined-contribution money-purchase plan. The total pension expense was \$3,593,173 and \$3,086,063 for the years ended December 31, 2008 and 2007, respectively. It is the policy to fund total pension expense incurred. Upon three years of credited service, the employee obtains a 20% vested interest; in each of the succeeding four years of credited service, the employee obtains an additional 20% vested interest.

Memorial Group, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2008 and 2007

Note 8: Professional and General Liability

The Medical Center maintains a self-insurance program to provide for losses related to professional and general liability claims. MCIC insures a portion of the Medical Center's professional liability and re-insures professional liability for participating physicians who are on the medical staff of the Medical Center. A provision for expected losses is recorded based upon the Medical Center's and MCIC's estimate of the potential liability for asserted and unasserted claims and unreported incidents. During 2008 and 2007, MGI and the Related Affiliates charged \$2,726,000 and \$3,041,000 to operations, respectively, as the Medical Center's estimated loss for all asserted and unasserted claims and unreported incidents. Additionally, during 2008 and 2007, MCIC charged \$1,325,000 and \$231,151 to operations, respectively, as the participating physicians' estimated loss for all asserted and unasserted claims and unreported incidents. The ultimate resolution of these matters may result in amounts that differ materially from those recorded at December 31, 2008.

Note 9: Functional Expenses

MGI and the Related Affiliates' expenses as presented in the federal tax Form 990 are as follows:

	<u>2008</u>	<u>2007</u>
Program services	\$ 223,547,784	\$ 201,459,810
Management and general	26,257,294	24,545,494
Fundraising	<u>127,161</u>	<u>119,518</u>
	<u>\$ 249,932,239</u>	<u>\$ 226,124,822</u>

Supplementary Information

Memorial Group, Inc. and Affiliates

Consolidated Balance Sheet – With Consolidating Information

December 31, 2008

	Memorial Group, Inc.	Protestant Memorial Medical Center, Inc.	Memorial Foundation, Inc.	Southwest Illinois Health Ventures, Inc.	Memorial Captive Insurance Company, Inc.	Eliminations	Consolidated
Assets							
Current Assets							
Cash	\$ 33,545	\$ 6,335,150	\$ 56,974	\$ 355,870	\$ 368,774	\$ —	\$ 7,150,313
Patient accounts and other receivables, net	—	23,556,230	—	—	791,849	—	24,348,079
Supplies	—	1,361,102	—	—	—	—	1,361,102
Prepaid expenses	1,875	1,802,119	1,125	13,210	1,045,349	—	2,863,678
Balance due from Hospital Medicaid Assessment Program	—	4,461,519	—	—	—	—	4,461,519
Due from affiliates	—	327,169	—	—	—	(327,169)	—
Total current assets	35,420	37,843,289	58,099	369,080	2,205,972	(327,169)	40,184,691
Assets Limited As To Use	54,258,761	44,754,791	7,809,900	—	19,901,674	—	126,725,126
Interest in the Net Assets of Memorial Foundation, Inc.	—	7,839,947	—	—	—	(7,839,947)	—
Property and Equipment, Net	8,338,441	65,018,991	—	29,918,953	—	—	103,276,385
Other	—	—	—	6,382,409	—	—	6,382,409
Total assets	<u>\$ 62,632,622</u>	<u>\$ 155,457,018</u>	<u>\$ 7,867,999</u>	<u>\$ 36,670,442</u>	<u>\$ 22,107,646</u>	<u>\$ (8,167,116)</u>	<u>\$ 276,568,611</u>

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Independent Accountants' Report on Supplementary Information

Board of Directors
Memorial Group, Inc. and Affiliates
Belleville, Illinois

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entities, and is not a required part of the basic consolidated financial statements. The consolidating information has been subjected to the procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

BKD, LLP

St. Louis, Missouri
April 16, 2009

	Memorial Group, Inc.	Protestant Memorial Medical Center, Inc.	Memorial Foundation, Inc.	Southwest Illinois Health Ventures, Inc.	Memorial Captive Insurance Company, Inc.	Eliminations	Consolidated
Liabilities and Net Assets							
Current Liabilities							
Accounts payable and accrued expenses	\$ 1,624,154	\$ 9,865,664	\$ 5,573	\$ 471,155	\$ 734,246	\$ —	\$ 12,700,792
Accrued wages and related payroll taxes	22,759	8,599,728	6,743	16,918	—	—	8,646,148
Estimated balance due from third-party payers	—	3,231,000	—	—	—	—	3,231,000
Estimated self-insurance costs, current	—	3,749,805	—	—	—	—	3,749,805
Due to affiliates	56,451	—	15,736	27,442	227,540	(327,169)	—
Total current liabilities	1,703,364	25,446,197	28,052	515,515	961,786	(327,169)	28,327,745
Estimated Self-Insurance Costs, Net of Current Portion							
	—	5,283,790	—	—	16,486,385	—	21,770,175
Total liabilities	1,703,364	30,729,987	28,052	515,515	17,448,171	(327,169)	50,097,920
Net Assets							
Unrestricted	60,929,258	116,887,084	7,839,947	36,154,927	4,659,475	—	226,470,691
Temporarily restricted	—	7,839,947	—	—	—	(7,839,947)	—
Total net assets	60,929,258	124,727,031	7,839,947	36,154,927	4,659,475	(7,839,947)	226,470,691
Total liabilities and net assets	\$ 62,632,622	\$ 155,457,018	\$ 7,867,999	\$ 36,670,442	\$ 22,107,646	\$ (8,167,116)	\$ 276,568,611

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Memorial Group, Inc. and Affiliates
Consolidated Statement of Operations and Changes in Net Assets - With Consolidating Information
December 31, 2008

	Memorial Group, Inc.	Protestant Memorial Medical Center, Inc.	Memorial Foundation, Inc.	Southwest Illinois Health Ventures, Inc.	Memorial Captive Insurance Company, Inc.	Eliminations	Consolidated
Unrestricted Revenue and Other Support							
Net patient service revenue	\$ —	\$ 233,396,341	\$ —	\$ —	\$ —	\$ —	\$ 233,396,341
Other	—	<u>2,452,604</u>	—	<u>3,456,003</u>	<u>4,105,689</u>	<u>(3,369,028)</u>	<u>6,645,268</u>
		<u>235,848,945</u>	—	<u>3,456,003</u>	<u>4,105,689</u>	<u>(3,369,028)</u>	<u>240,041,609</u>
Expenses							
Salaries and wages	393,796	89,822,713	92,859	340,383	—	338,475	90,988,226
Employee benefits	99,595	31,110,886	19,284	67,935	—	118,833	31,416,533
Specialists' fees	—	10,864,159	—	—	—	—	10,864,159
Medical and other supplies	—	39,036,934	—	—	—	—	39,036,934
Utilities	—	2,975,696	—	593,176	—	—	3,568,872
Repairs and maintenance	—	5,125,645	—	154,793	—	—	5,280,438
Insurance	3,420	3,152,883	1,500	40,081	3,451,000	(2,300,000)	4,348,884
Other expense	17,768,408	18,001,627	1,447,337	601,470	769,631	(2,891,423)	35,697,050
Provision for uncollectible accounts	—	16,018,322	—	—	—	—	16,018,322
Depreciation	—	<u>10,756,109</u>	—	<u>1,956,712</u>	—	—	<u>12,712,821</u>
	<u>18,265,219</u>	<u>226,864,974</u>	<u>1,560,980</u>	<u>3,754,550</u>	<u>4,220,631</u>	<u>(4,734,115)</u>	<u>249,932,239</u>
Operating Income (Loss)	<u>(18,265,219)</u>	<u>8,983,971</u>	<u>(1,560,980)</u>	<u>(298,547)</u>	<u>(114,942)</u>	<u>1,365,087</u>	<u>(9,890,630)</u>

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	Memorial Group, Inc.	Protestant Memorial Medical Center, Inc.	Memorial Foundation, Inc.	Southwest Illinois Health Ventures, Inc.	Memorial Captive Insurance Company, Inc.	Eliminations	Consolidated
Other Income							
Investment return	\$ (1,655,289)	\$ 425,254	\$ (531,752)	\$ 16,439	\$ 504,054	\$ —	\$ (1,241,294)
Donations	—	1,360,568	520,821	—	—	(1,365,087)	516,302
Excess (Deficiency) of Revenues Over Expenses	(1,655,289)	1,785,822	(10,931)	16,439	504,054	(1,365,087)	(724,992)
Investment return-change in unrealized gains and losses on assets limited as to use	(13,980,775)	10,769,793	(1,571,911)	(282,108)	389,112	—	(10,615,622)
Transfers from (to) affiliates	19,638,846	(19,638,846)	—	—	—	—	—
Decrease in Unrestricted Net Assets	(14,262,437)	(21,030,349)	(3,536,618)	(282,108)	(1,590,639)	—	(40,702,151)
Temporarily Restricted Net Assets - Change in Interest in Net Assets of Memorial Foundation, Inc.	—	(3,536,618)	—	—	—	3,536,618	—
Change in Total Net Assets	(14,262,437)	(24,566,967)	(3,536,618)	(282,108)	(1,590,639)	3,536,618	(40,702,151)
Net Assets, Beginning of Year	75,191,695	149,293,998	11,376,565	36,437,035	6,250,114	(11,376,565)	267,172,842
Net Assets, End of Year	\$ 60,929,258	\$ 124,727,031	\$ 7,839,947	\$ 36,154,927	\$ 4,659,475	\$ (7,839,947)	\$ 226,470,691

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Statement of Income

Memorial Group**Year 2**

Total Net Revenue	\$293,001,006
<u>Other Operating Revenue</u>	<u>6,210,008</u>
Total Operating Revenue	299,211,014
Operating Expense	275,395,013
Depreciation	20,438,158
<u>Interest</u>	<u>7,650,509</u>
Total Operating Expenses	303,483,679
Net Operating Income	-4,272,665
Non Operating Revenue	5,750,500
Net Income (Loss)	<u>\$1,477,835</u>

Balance Sheet

Memorial Group**Year 2**

Cash & Accounts Receivable	\$47,712,684
Other Current Assets	<u>9,772,477</u>
Total Current Assets	57,485,161
Other Assets	404,042,592
Total Assets	<u>\$461,527,753</u>
Current Liabilities	33,465,819
Current Portion -LT Debt	<u>4,454,315</u>
Total Current Liabilities	37,920,134
Long Term Debt	123,054,161
Other Liabilities	<u>20,476,872</u>
	143,531,033
Total Liabilities	\$181,451,167
Net Assets	\$280,076,586
Total Liabilities and Net Assets	<u>\$461,527,753</u>

Statement of Income

Memorial Group

2016

Total Net Revenue	\$293,001,006
<u>Other Operating Revenue</u>	<u>6,210,008</u>
Total Operating Revenue	299,211,014
Operating Expense	275,395,013
Depreciation	20,438,158
<u>Interest</u>	<u>7,650,509</u>
Total Operating Expenses	303,483,679
Net Operating Income	-4,272,665
Non Operating Revenue	5,750,500
Net Income (Loss)	<u>\$1,477,835</u>

Balance Sheet

Memorial Group

2016

Cash & Accounts Receivable	\$47,712,684
Other Current Assets	<u>9,772,477</u>
Total Current Assets	57,485,161
Other Assets	404,042,592
Total Assets	<u>\$461,527,753</u>
Current Liabilities	33,465,819
Current Portion -LT Debt	<u>4,454,315</u>
Total Current Liabilities	37,920,134
Long Term Debt	123,054,161
Other Liabilities	<u>20,476,872</u>
	143,531,033
Total Liabilities	\$181,451,167
Net Assets	\$280,076,586
Total Liabilities and Net Assets	<u>\$461,527,753</u>

Memorial Group, Inc. and Affiliates					
Belleville, Illinois					
Consolidated Financial Statements					
Criterion 1120.210(a) Financial Viability					
		2007	2008	2009	Yr 2/2018
		Actual	Actual	Actual	Projected
CURRENT RATIO		1.31	1.42	1.66	1.52
Current Assets		<u>35,849,934</u>	<u>40,184,691</u>	<u>40,422,426</u>	<u>57,485,161</u>
Current Liabilities		27,358,591	28,327,745	24,346,647	37,920,134
NET MARGIN PERCENTAGE		4.86%	-4.42%	3.28%	0.49%
Net Income (Loss)		<u>10,849,304</u>	<u>-10,615,622</u>	<u>8,325,350</u>	<u>1,477,835</u>
Net Operating Revenue		223,420,186	240,041,609	253,655,610	299,211,014
PERCENT DEBT TO					
TOTAL CAPITALIZATION		No L-T-D	No L-T-D	No L-T-D	31.3%
Long Term Debt (LTD)		0	0	0	<u>127,508,476</u>
LTD + Unrestricted Net Assets		267,172,842	226,470,691	233,624,640	407,858,044
DEBT SERVICE COVERAGE		No L-T-D	No L-T-D	No L-T-D	1.96
Net Income + Deprec Exp + Interest Exp		<u>23,240,517</u>	<u>2,097,199</u>	<u>21,505,539</u>	<u>24,201,506</u>
Max Annual Debt Service		0	0	0	12,372,083
DAYS CASH ON HAND		334	206	208	202
Unrestr Cash + Investments	X 365	<u>195,313,869</u>	<u>133,875,439</u>	<u>142,285,745</u>	<u>153,177,725</u>
Oper Exp - Deprec Exp		213,733,609	237,219,418	249,621,766	276,836,512
CUSHION RATIO		No L-T-D	No L-T-D	No L-T-D	12.38
Unrestr Cash + Investments		<u>195,313,869</u>	<u>133,875,439</u>	<u>142,285,745</u>	<u>153,177,725</u>
Max Annual Debt Service		0	0	0	12,372,083

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MEMORIAL GROUP INC.



Illinois Health Facilities
and Services Review Board
525 West Jefferson
Springfield, IL

RE: Proposed Medical Office Building
On the Campus of Memorial Hospital

To Whom It May Concern:

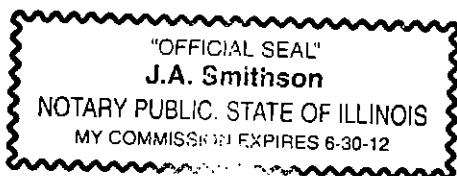
The proposed project will be funded through the use of cash and debt. Please be advised that the anticipated borrowing is less costly than the liquidation of all existing investments and the existing short term investments being retained may be converted to cash or used to retire debt within a 60-day period.

Joe H. Lammis

Mark J. Turner

Notarized: *7 March 2011*

J.A. Smithson



MEMORIAL GROUP INC.



Illinois Health Facilities
Planning Board
Springfield, IL 62761

RE: CON APPLICATION
MEMORIL HOSPITAL-EAST

To Whom It May Concern:

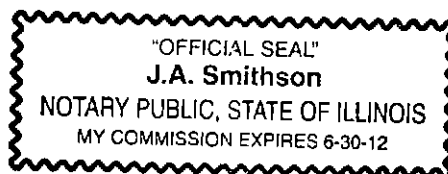
The selected form of debt financing for the proposed project, and as presented in the *Application for Permit*, will result in the lowest net cost available to the applicants.

Sincerely,

Joe H. Lanius Mark J. Turner

Notarized: 7 March 2011

J.A. Smithson



COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

Department (list below)	A Cos/Sq. Foot	B Mod.	C Gross Sq. Ft.	D Circ.	E Gross Sq. Ft.	F Circ.	G Const. \$ (A x C)	H Mod. \$ (B x E)	Total Costs (G + H)
Reviewable			New						
Med/Surg/Peds	\$ 374.50		46,116				\$ 17,270,442		\$ 17,270,442
ICU	\$ 423.50		4,014				\$ 1,699,929		\$ 1,699,929
OB/Gyn	\$ 374.50		5,174				\$ 1,937,663		\$ 1,937,663
LDRP	\$ 374.50		7,488				\$ 2,804,256		\$ 2,804,256
C-Section Suite	\$ 430.50		1,808				\$ 778,344		\$ 778,344
Level I Nursery	\$ 374.50		2,560				\$ 958,720		\$ 958,720
Observ./Holding	\$ 339.50		2,704				\$ 918,008		\$ 918,008
ED	\$ 388.50		7,096				\$ 2,756,796		\$ 2,756,796
Cath	\$ 430.50		5,010				\$ 2,156,805		\$ 2,156,805
Lab	\$ 388.50		2,205				\$ 856,643		\$ 856,643
GI Lab	\$ 430.50		4,293				\$ 1,848,137		\$ 1,848,137
Surgery/Recovery	\$ 430.50		16,328				\$ 7,029,204		\$ 7,029,204
Imaging/Radiology	\$ 430.50		8,315				\$ 3,579,608		\$ 3,579,608
Non-Invas. Cardiol	\$ 339.50		2,328				\$ 790,356		\$ 790,356
Resp Ther/Pul Fx	\$ 339.50		1,008				\$ 342,216		\$ 342,216
Pharmacy	\$ 339.50		1,204				\$ 408,758		\$ 408,758
PT/OT	\$ 339.50		749				\$ 254,286		\$ 254,286
Total	\$ 391.81		118,400				\$ 46,390,169		\$ 46,390,169
contingency	\$ 30.00						\$ 3,552,000		\$ 3,552,000
TOTAL	\$ 421.81						\$ 49,942,169		\$ 49,942,169

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

Department (list below)	A		B		C		D		E		F		G		H		Total Costs (G + H)	
	Cost/Sq. Foot	New	Mod.	Gross Sq. Ft.	New	Circ.	Gross Sq. Ft.	New	Circ.	Gross Sq. Ft.	New	Circ.	Const. \$ (A x C)	Mod. \$ (B x E)				
Non-Reviewable																		
Admin	\$	276.50											\$	416,133			\$	416,133
Physicians' Offices	\$	276.50											\$	4,143,353			\$	4,143,353
Nursing Admin	\$	276.50											\$	69,678			\$	69,678
Medical Records	\$	276.50											\$	248,021			\$	248,021
Case Mgt/Soc Ser	\$	276.50											\$	108,388			\$	108,388
Medical Staff	\$	276.50											\$	183,873			\$	183,873
Human Resources	\$	276.50											\$	81,291			\$	81,291
Business Office	\$	339.50											\$	168,732			\$	168,732
Chapel/Past. Care	\$	332.50											\$	129,675			\$	129,675
Education	\$	276.50											\$	410,326			\$	410,326
Central Sterile	\$	332.50											\$	1,087,940			\$	1,087,940
Kitch/Food Prep.	\$	252.00											\$	1,218,672			\$	1,218,672
IT	\$	332.50											\$	83,790			\$	83,790
Public & Lobbies	\$	332.50											\$	578,550			\$	578,550
Admit/Outpt Reg	\$	276.50											\$	464,520			\$	464,520
Biomedical Eng.	\$	252.00											\$	72,576			\$	72,576
Materials Mgt.	\$	252.00											\$	501,984			\$	501,984
Mechanicals	\$	255.50											\$	2,503,900			\$	2,503,900
Environ'tal Serv.	\$	252.00											\$	176,904			\$	176,904
Plant Operations	\$	252.00											\$	683,424			\$	683,424
Total	\$	274.12											\$	13,331,728			\$	13,331,728
DGSF>>>BGSF	\$	255.50											\$	10,113,457			\$	10,113,457
contingency	\$	25.00											\$	2,205,450			\$	2,205,450
TOTAL													\$	25,650,634			\$	25,650,634
PROJECT TOTAL	\$	365.86											\$	75,592,803			\$	75,592,803

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OPERATING and CAPITAL COSTS
per ADJUSTED PATIENT DAY

Memorial Hospital-East
Year 2 Projections

ADJUSTED PATIENT DAYS:

<u>\$114,031,832</u>	
4,150	27,474

OPERATING COSTS

salaries & benefits	\$49,545,000
supplies	<u>\$18,075,000</u>
TOTAL	\$67,620,000

Operating cost/adjusted patient day:	\$2,461.21
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CAPITAL COSTS

depreciation	\$5,926,000
interest	<u>\$5,658,000</u>
TOTAL	\$11,584,000

Capital cost/adjusted patient day:	\$421.63
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