

Original

13-001

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

RECEIVED

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

JAN 08 2013

This Section must be completed for all projects.

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Facility/Project Identification

Facility Name: Effingham Ambulatory Surgery Center		
Street Address: 904 West Temple		
City and Zip Code: Effingham, IL 62401		
County: Effingham	Health Service Area 005	Health Planning Area:

Applicant /Co-Applicant Identification

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

Exact Legal Name: Effingham Surgical Partners, LLC
Address: 904 West Temple, Effingham, IL 62401
Name of Registered Agent: Kevin N. McDermott
Name of Chief Executive Officer: Nash Naam, M.D. (President)
CEO Address: : 904 West Temple, Effingham, IL 62401
Telephone Number:

Type of Ownership of Applicant/Co-Applicant

☐ Non-profit Corporation	☐ Partnership	
☐ For-profit Corporation	☐ Governmental	
☒ Limited Liability Company	☐ Sole Proprietorship	☐ Other
- Corporations and limited liability companies must provide an Illinois certificate of good standing. - Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.		

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

Primary Contact

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

Name: Kara Friedman
Title: Attorney
Company Name: Polsinelli Shughart PC
Address: 161 North Clark Street, Suite 4200, Chicago, Illinois 60601
Telephone Number: 312-873-3639
E-mail Address: kfriedman@polsinelli.com
Fax Number:

Additional Contact

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

Name: Marc Steen
Title: Vice President, Development
Company Name: United Surgical Partners International, Inc.
Address: 15305 Dallas Parkway, Suite 1600. Addison, TX 75001
Telephone Number: (472) 713-3500
E-mail Address: msteen@uspi.com
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: Effingham Ambulatory Surgery Center			
Street Address: 904 West Temple			
City and Zip Code: Effingham, IL 62401			
County: Effingham	Health Service Area	005	Health Planning Area:

Applicant /Co-Applicant Identification**[Provide for each co-applicant [refer to Part 1130.220].**

Exact Legal Name: United Surgical Partners International, Inc.
Address: 15305 Dallas Parkway, Suite 1600, Addison, TX, 75001
Name of Registered Agent: The Corporation Trust Company
Name of Chief Executive Officer: William H. Wilcox
CEO Address: 15305 Dallas Parkway, Suite 1600, Addison, TX, 75001
Telephone Number: (472) 713-3500

Type of Ownership of Applicant/Co-Applicant

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

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

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Address: 15305 Dallas Parkway, Suite 1600, Addison, TX 75001
Telephone Number: (472) 713-3500
E-mail Address: msteen@uspi.com
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: Marc Steen
Title: Vice President, Development
Company Name: United Surgical Partners International, Inc.
Address: 15305 Dallas Parkway, Suite 1600. Addison, TX 75001
Telephone Number: (472) 713-3500
E-mail Address: msteen@uspi.com
Fax Number:

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Effingham Medical Properties, Ltd.
Address of Site Owner: 904 West Temple, Effingham, IL 62401
Street Address or Legal Description of Site: 904 West Temple, Effingham, IL 62401 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: Effingham Surgical Partners, LLC	
Address: 904 West Temple, Effingham, IL 62401	
☐ Non-profit Corporation ☐ For-profit Corporation ☒ Limited Liability Company	☐ Partnership ☐ Governmental ☐ Sole Proprietorship
☐ Other	
- Corporations and limited liability companies must provide an Illinois Certificate of Good Standing. - Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner. 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.
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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 proposed transaction contemplates a change in ownership of Effingham Ambulatory Surgery Center ("ASC"), a multi-specialty ambulatory surgical treatment center, located in Effingham, Illinois. In the proposed transaction, the physician owners of ASC will retain 45% of the ASC called Effingham Surgical Partners, LLC ("ESP") and 55% of their membership interest to USP Effingham, Inc., a newly formed, wholly-owned subsidiary of United Surgical Partners International, Inc. (collectively, "USPI"). USPI will acquire its ownership interest in ESP from the current physician owners using internally available financial resources. The physical plant for the facility will be leased from a third party entity.

The acquisition is projected to be complete by March 1, 2013 with an outside date of July 1, 2013.

This project has been classified as non-substantive because it proposes a change of ownership, which constitutes a facility conversion under 77 Ill. Admin. Code 1110.40(b).

Project Costs and Sources of Funds

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

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts			
Contingencies			
Architectural/Engineering Fees			
Consulting and Other Fees			
Movable or Other Equipment (not in construction contracts)			
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment			
Other Costs To Be Capitalized	\$3,730,910		\$3,730,910
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$3,730,910		\$3,730,910
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$3,730,910		\$3,730,910
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$3,730,910		\$3,730,910
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

Related Project Costs

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

Land acquisition is related to project	☐ Yes	☒ No
Purchase Price: \$	_____	
Fair Market Value: \$	_____	
The project involves the establishment of a new facility or a new category of service ☐ Yes ☒ No		
If yes, provide the dollar amount of all non-capitalized operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.		
Estimated start-up costs and operating deficit cost is \$ _____.		

Project Status and Completion Schedules

Indicate the stage of the project's architectural drawings: ☒ None or not applicable ☐ Preliminary ☐ Schematics ☐ Final Working
Anticipated project completion date (refer to Part 1130.140): <u>July 1, 2013</u>
Indicate the following with respect to project expenditures or to obligation (refer to Part 1130.140): ☐ Purchase orders, leases or contracts pertaining to the project have been executed. ☐ Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON Contingencies ☒ Project obligation will occur after permit issuance.
APPEND DOCUMENTATION AS ATTACHMENT-B, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

State Agency Submittals

Are the following submittals up to date as applicable: ☐ Cancer Registry NOT APPLICABLE ☐ APORS NOT APPLICABLE ☒ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted ☒ All reports regarding outstanding permits Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

Cost Space Requirements

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

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 NOT APPLICABLE

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:		CITY:			
REPORTING PERIOD DATES:					
		From:		to:	
Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical					
Obstetrics					
Pediatrics					
Intensive Care					
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other (identify)					
TOTALS:					

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

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

This Application for Permit is filed on the behalf of Effingham Surgical Partners
LLC *

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

SIGNATURE

SIGNATURE

PRINTED NAME

PRINTED NAME

PRINTED TITLE

PRINTED TITLE

Notarization:

Subscribed and sworn to before me

this 27 day of December, 2012

Notarization:

Subscribed and sworn to before me

this _____ day of _____

Signature of Notary

Signature of Notary

Seal

Seal

*Insert EX-100 commission expires 10/31/13



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 manager 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 Effingham Surgical Partners LLC *

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

SIGNATURE

John J. Wellik

PRINTED NAME

Vice President of USP Effingham, Inc.

PRINTED TITLE *Member*

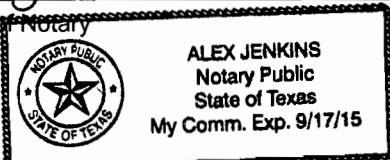
Notarization:

Subscribed and sworn to before me
this 27 day of December, 2012

Alex Jenkins

Signature of Notary

Seal



SIGNATURE

PRINTED NAME

PRINTED TITLE

Notarization:

Subscribed and sworn to before me
this ____ day of ____

Signature of Notary

Seal

*Insert EXACT legal name of the applicant

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

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

This Application for Permit is filed on the behalf of United Surgical Partners International, 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.

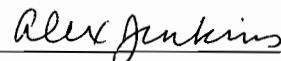

SIGNATURE

JASON B. CABLE
PRINTED NAME

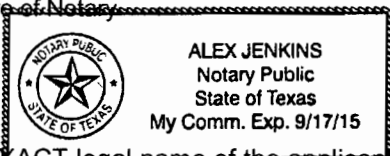
SVP
PRINTED TITLE

Notarization:

Subscribed and sworn to before me
this 14 day of November, 2012


Signature of Notary

Seal



*Insert EXACT legal name of the applicant

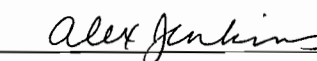

SIGNATURE

WILLIAM H. WILCOX
PRINTED NAME

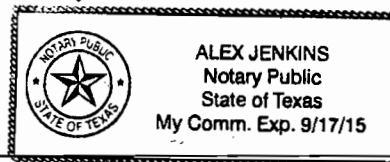
CEO
PRINTED TITLE

Notarization:

Subscribed and sworn to before me
this 14 day of November, 2012


Signature of Notary

Seal



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 VI - MERGERS, CONSOLIDATIONS AND ACQUISITIONS/CHANGES OF OWNERSHIP

This Section is applicable to projects involving merger, consolidation or acquisition/change of ownership.

NOTE: For all projects involving a change of ownership THE TRANSACTION DOCUMENT must be submitted with the application for permit. The transaction document must be signed dated and contain the appropriate contingency language.

A. Criterion 1110.240(b), Impact Statement

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

1. Any change in the number of beds or services currently offered.
2. Who the operating entity will be.
3. The reason for the transaction.
4. Any anticipated additions or reductions in employees now and for the two years following completion of the transaction.
5. A cost-benefit analysis for the proposed transaction.

B. Criterion 1110.240(c), Access

Read the criterion and provide the following:

1. The current admission policies for the facilities involved in the proposed transaction.
2. The proposed admission policies for the facilities.
3. A letter from the CEO certifying that the admission policies of the facilities involved will not become more restrictive.

C. Criterion 1110.240(d), Health Care System

Read the criterion and address the following:

1. Explain what the impact of the proposed transaction will be on the other area providers.
2. List all of the facilities within the applicant's health care system and provide the following for each facility.
 - a. the location (town and street address);
 - b. the number of beds;
 - c. a list of services; and
 - d. the utilization figures for each of those services for the last 12 month period.
3. Provide copies of all present and proposed referral agreements for the facilities involved in this transaction.
4. Provide time and distance information for the proposed referrals within the system.
5. Explain the organization policy regarding the use of the care system providers over area providers.
6. Explain how duplication of services within the care system will be resolved.
7. Indicate what services the proposed project will make available to the community that are not now available.

APPEND DOCUMENTATION AS ATTACHMENT-19, 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:**

\$3,730,910	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;
_____	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.
\$3,730,910	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)
Enter Historical and/or Projected Years:				
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

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

2. Variance

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

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

X. 1120.140 - Economic Feasibility

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

A. Reasonableness of Financing Arrangements

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

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
 - A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or
 - B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

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

- 1) That the selected form of debt financing for the project will be at the lowest net cost available;
- 2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

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

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	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.

XII. Charity Care Information

Charity Care information **MUST** be furnished for **ALL** projects.

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.
2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.
3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

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

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

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

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

Section I, Identification, General Information, and Certification
Applicants

Certificates of Good Standing for the applicants are attached at Attachment – 1. As the person with control over the operator, United Surgical Partners International, Inc. is named as an applicant for this CON application. United Surgical Partners International, Inc. does not do business in the State of Illinois. A Certificate of Good Standing for United Surgical Partners International, Inc. from Delaware, the state of its incorporation, is attached. An Illinois Certificate of Good Standing for Effingham Surgical Partners, LLC is also attached.



To all to whom these Presents Shall Come, Greeting:

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

EFFINGHAM SURGICAL PARTNERS, L.L.C., HAVING ORGANIZED IN THE STATE OF ILLINOIS ON MARCH 02, 2000, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A DOMESTIC LIMITED LIABILITY COMPANY IN THE STATE OF ILLINOIS.



Authentication #: 1231401746

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

*In Testimony Whereof, I hereto set
my hand and cause to be affixed the Great Seal of
the State of Illinois, this 9TH
day of NOVEMBER A.D. 2012 .*

Jesse White

SECRETARY OF STATE

Delaware

PAGE 1

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "UNITED SURGICAL PARTNERS INTERNATIONAL, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE ELEVENTH DAY OF OCTOBER, A.D. 2012.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

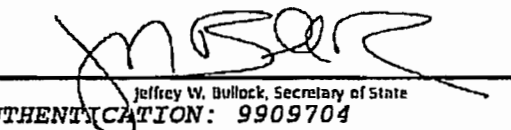
AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.

2865387 8300

121120372

You may verify this certificate online
at corp.delaware.gov/authver.shtml




Jeffrey W. Bullock, Secretary of State
AUTHENTICATION: 9909704

DATE: 10-11-12

Section I, Identification, General Information, and Certification
Site Ownership

A copy of the real estate lease between Effingham Medical Properties, Ltd. and Effingham Surgical Partners, LLC is attached at Attachment – 2.

**OCCUPANCY LEASE
EFFINGHAM AMBULATORY SURGERY CENTER**

THIS INDENTURE made this 13th day of June, 2012, by and between Effingham Medical Properties, Ltd., an Illinois corporation, ("LANDLORD"), and Effingham Surgical Partners, L.L.C., an Illinois limited liability company ("TENANT").

WHEREAS, TENANT desires to lease from LANDLORD the premises hereinafter described pursuant to the terms and conditions hereinafter set forth; and

WHEREAS, LANDLORD is agreeable to lease to TENANT the premises hereinafter described pursuant to the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

**1.
LEASE OF PREMISES**

LANDLORD does demise and lease to TENANT the real estate located at 904 Temple Avenue, Effingham, Illinois, and legally described on Exhibit A, attached hereto and made a part hereof, together with all buildings and improvements (collectively "Building") now located or to be constructed thereon as hereinafter provided, subject to covenants, conditions, agreements, easements, encumbrances and restrictions affecting the real estate and the Building. Said real estate and Building are hereinafter referred to as the "Premises."

**2.
IMPROVEMENTS**

Measurement. The gross square feet of the Building is measured from the outside surface of the outside wall to the outside surface of the outside wall of the Building, per floor for which TENANT is renting space, and includes areas for corridors, elevator foyers and shafts, stairwells, restrooms, mechanical rooms and shafts, janitor closets, vending areas, and other similar facilities for the use of TENANT's employees, representatives, agents, patients, and invitees. Net useable area is thereby not defined for purposes of this lease.

**3.
TERM OF LEASE**

(a) *Start Up.* Unless sooner terminated as hereinafter provided, this lease shall continue in force and for a term of ten (10) years ("primary term") following the date of execution of this lease.

(b) *Option To Renew.* LANDLORD grants to TENANT 2 consecutive options to renew this lease, each for a five (5) year renewal term to commence upon expiration of the primary term or previous term, provided, TENANT notifies LANDLORD in writing at least 90 days before the end of the primary or renewal term of its intention to renew. The terms of this lease shall control the lease terms during such renewal period.

4.
RENT

(a) *Base Rent.* TENANT hereby agrees to pay as base annual rental ("Base Rent"), the sum of \$ _____ per gross square foot of the Building, per year for the primary term (or \$ 482,400 per year or \$ 40,200 per month). TENANT shall also pay as additional rent ("Additional Rent") all other sums money as shall become due from and payable by TENANT to LANDLORD under the terms of this lease. Such Base Rent, together with any Additional Rent shall be due and payable in equal monthly installments, in advance, on the first day of each calendar month during the term of this lease. Base Rent shall be prorated for partial months within the lease term. Any Base and/or Additional Rent shall bear interest at the rate of 15% per annum until paid in full.

(1) *Operating expenses.* TENANT shall further pay as Additional Rent all of the following expenses incurred to operate, maintain, protect, and improve the Premises:

(A) All expenses, costs, and disbursements of every kind and nature paid or incurred by LANDLORD in connection with the provision of utilities for the parking, security, and the management and of the Premises.

(B) All assessments, water rates, sewer rates, and other charges levied on or against the Premises.

(C) The costs of LANDLORD's insurance insuring LANDLORD against loss of, or damage to, the Premises by reason of fire, and other normal extended perils, such as wind storm, hail, explosion, riot, attending a civil commotion, aircraft, vehicles, smoke.

(c) *Recordkeeping.* LANDLORD shall keep books and records subject to inspection by TENANT of all expenses and costs passed on as Additional Rent heretofore and as promptly as practicable following of each lease year. If necessary, LANDLORD shall cause a firm of certified public accountants to REVIEW, in a manner consistent with General Accepted Accounting Standards, such books and records and to deliver to LANDLORD a statement specifying the amount of for such lease year, which statement shall be final and conclusive on both LANDLORD and TENANT. For any lease year which does not fall entirely within the lease term, TENANT shall be obligated to pay as Additional Rent only a prorated share of, Rent. TENANT shall pay the Additional Rent in monthly

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installments at the same time and place as the Base Rent in an amount estimated from time to time by LANDLORD in a written notice to TENANT.

5.
FINISHING PREMISES FOR TENANT

(a) *Further Improvements.* TENANT shall be entitled to further improve, finish, alter, and decorate the Premises as necessary to facilitate its authorized use of the Premises. All improvements in excess of Five Thousand Dollars (\$5,000.00) shall require the prior written consent of LANDLORD, which shall not be unreasonable withheld. TENANT shall be entitled to select the carpeting, ceilings, lighting, special heating, ventilating, air conditioning or electrical and mechanical systems for Premises, but any modification or improvement to the Premises shall be consistent with the architecture and character of the Building. TENANT shall furnish LANDLORD with plans and specifications, names and addresses of contractors, copies of contracts, necessary permits and indemnification in form and amount satisfactory to LANDLORD and waivers of lien against any and all claims, costs, damages, liabilities and expenses and that may arise in connection with any work or improvement to the Premises by TENANT. TENANT hereby agrees to indemnify and hold harmless LANDLORD, its agents and employees, from any and all liabilities of every kind and description that may arise out of or be connected in any way with any such work and improvements. Before commencing such work, TENANT shall also furnish LANDLORD with certificates of insurance from all contractors performing labor or furnishing materials insuring LANDLORD against any and all liabilities that may arise out of, or be connected in any way with, such work. TENANT shall pay the costs of all such work and also the costs of all such work and also the costs of decorating the Premises occasioned by such work.

(b) *Ownership of Improvements, Fixtures, Medical Equipment.* All additions, alterations and improvements to the Premises by TENANT shall be TENANT's property during the lease term, but shall become LANDLORD's property and remain with the Premises at the expiration or earlier termination of this lease, without compensation, allowance or credit to TENANT. Such additions, alterations, improvements do not include TENANT's trade fixtures and medical equipment which shall remain property of TENANT. Upon removal of such trade fixtures and medical equipment, the Premises shall be repaired or restored, as the case may be, to the condition previous to such installation, at TENANT's cost.

6.
USE OF THE PREMISES

The Premises is to be and occupied by TENANT, its agents, employees, representative, invitees, and guests for the purpose of the operation of an ambulatory surgical center and other such use consistent therewith upon prior written approval of LANDLORD, which shall not withheld.

7.
RESPONSIBILITIES

(a) *Maintenance and Repair.* TENANT will maintain and repair the Premises; the fixtures, equipment, and appurtenances in and on Premises; the common areas, including lobbies, stairs, elevators, corridors, and restrooms; the windows; the mechanical, plumbing, and electrical equipment serving the Premises; and the structure of the Premises in reasonable good order and condition.

(b) *Services.* TENANT shall furnish all services for Building and Premises, including:

(1) *Water.* Water for drinking, lavatory, and toilet purposes as customary for office use, drawn through fixtures installed by LANDLORD.

(2) *Window washing.* Window washing of all exterior windows in the Premises, if applicable, as needed and at least two (2) times per year, weather permitting.

(3) *HVAC.* General heat and air conditioning for the Premises.

(4) *Gas and Electricity.* Gas and Electricity for the Premises.

(5) *Trash collection.* Trash for the Premises.

(c) *Telephones.* TENANT shall make arrangements directly with the telephone company servicing the Premises for telephone service and with the electric company servicing the Premises for electric current and power in the Premises desired by TENANT. TENANT shall pay the entire cost of all telephone charges and electricity it consumes within the Premises, maintenance of light fixtures and replacement of lamps, bulbs, ballasts, and starters.

(d) *Janitorial and Maintenance.* TENANT shall make arrangements for janitorial and maintenance services for the Premises and shall pay the entire cost of such janitorial and maintenance services.

(e) *Other Services.* LANDLORD shall in no event be obligated to furnish any maintenance, repairs, services or utilities. If LANDLORD elects to furnish maintenance, repairs, services or utilities requested by TENANT, TENANT shall pay to LANDLORD LANDLORD's then prevailing and competitive rates for such and utilities, within ten (10) days after receipt of LANDLORD's invoices therefor.

8. PARKING

(a) *Spaces.* The Premises shall include the minimum number of off street parking spaces TENANT requires with respect to the Building under the applicable provisions of the City of Effingham Zoning Ordinance or developmental requirements. TENANT, as long as it should have the exclusive use of the parking area, shall repair, maintain, and illuminate such parking area at TENANT's expense.

(b) *Patient Parking.* LANDLORD shall not charge TENANT or TENANT's permittees and invitees any separate entry or other fee in connection with the use of the required parking spaces except as provided herein.

9. INSURANCE

(a) *TENANT.* TENANT shall maintain at all times during the lease term comprehensive liability (including contractual liability) and property damage insurance on the Premises. The insurance shall protect and indemnify LANDLORD and TENANT against all claims for injury and or damage to persons or property or for the loss of life or of property occurring upon, in or about the Premises. The insurance shall afford minimum protection during the term of this lease of not less than \$ 2,000,000 for bodily injury or

death to any one person and not less than \$ 2,000,000 for any one occurrence or accident, and not less than \$ 2,000,000 for property damage. Such insurance shall be underwritten by a responsible insurance company qualified to do in the State of Illinois. LANDLORD may from time to time require that the amount insurance to be maintained by TENANT, pursuant to this paragraph, be increased to a reasonable amount to adequately protect LANDLORD's interests.

(b) **LANDLORD.** LANDLORD shall maintain at all times during the lease term insurance insuring LANDLORD against loss of, or damage to the Premises by reason of fire and certain other casualties. Such insurance shall be underwritten by a responsible insurance company qualified to do business in the State of Illinois and be in the face amount equal to the full replacement cost of the Premises. Such insurance shall cover loss or damage by fire, and loss or damage arising out of the normal extended coverage perils which are windstorm, hail, explosion, riot attending a strike, a civil commotion, aircraft, vehicles and smoke. Such insurance shall also include reimbursement for rents for business interruption during repair and restoration following loss by peril casualty as above defined.

(c) **CERTIFICATES.** Certificates evidencing all insurance under this paragraph 7 shall be furnished to LANDLORD upon request by TENANT and to TENANT upon request by LANDLORD.

(d) **TENANT CAUSED INCREASES.** If, because of anything done, caused or permitted to be done, or omitted by TENANT, the rate of liability, fire, boiler, sprinkler, water damage or other insurance (with all extended coverage) on the Premises or on the property and equipment is higher than it otherwise would be, TENANT shall reimburse LANDLORD for the additional insurance premiums thereafter paid by any of them.

10.

NON-LIABILITY AND INDEMNIFICATION

(a) **Non-liability.** Neither LANDLORD, nor any director or shareholder of LANDLORD, shall be liable to TENANT for any loss, injury, or damage to TENANT or to any other person, or to its or their property, irrespective of the cause of such injury, damage, or loss, unless caused by or resulting from the negligence of LANDLORD, its agents, servants, or employees in the operation or maintenance of the Premises. Further, neither LANDLORD, nor partner of LANDLORD, shall be liable, even if negligent, for consequential damages arising out of loss of use of the Premises or any equipment or facilities therein by TENANT or any person claiming through or under TENANT.

(b) **Indemnification.** TENANT shall indemnify and hold harmless LANDLORD, and any director or shareholder of LANDLORD, from and against any and all claims arising from or in connection with (a) the conduct or management of the Premises or any business therein, or any work or thing whatsoever done, or any condition created (other than by LANDLORD) in or about the Premises during the term of this lease; (b) any act, omission or negligence of TENANT or any of subtenants, licensees, partners, directors, officers, agents, employees, or contractors; (c) any accident, injury, or damage (unless caused solely by LANDLORD's negligence) occurring in, at or upon the Premises; and (d) any breach or default by TENANT in the full and prompt payment and performance of under this lease together with all costs, expenses, and liabilities incurred in or in connection with each such claim, or action, or proceeding brought thereon, including, reasonable attorney's fees and expenses. In case any action or proceeding be brought against LANDLORD, or its partners, by reason of such claim, TENANT, upon notice from LANDLORD, shall resist and defend such action or proceeding (by counsel reasonably satisfactory to LANDLORD).

11.
LOSS BY FIRE OR CASUALTY

If the Premises are untenantable by reason of fire or other casualty, Base and Additional Rent hereunder shall abate from the date of loss and LANDLORD shall with reasonable diligence take such action as is necessary to repair and restore the Premises. However, if a registered architect selected by LANDLORD and licensed to do business in the State of Illinois should certify that such repairs and restorations to the Premises cannot be completed by using standard working methods and procedures so as to make the Premises tenantable within six (6) months from the date such repairs and restorations are commenced, either party shall have the right to terminate this lease by giving to the other party written notice of such election within ten (10) days after receipt of architect's certificate. If said fire or other casualty results in the total destruction of the Building, this lease shall automatically terminate as of the date of said fire or other casualty.

12.
SURRENDER OF PREMISES

TENANT shall maintain the Premises during the lease term in as good condition as when TENANT was first entitled to possession thereof, ordinary wear and fire and other casualty insured against by LANDLORD excepted, failing which LANDLORD may restore the Premises to such condition and TENANT shall pay LANDLORD the cost thereof. Upon the expiration or earlier termination of this lease or termination of TENANT's right of possession of the Premises, TENANT shall return the Premises to LANDLORD in the condition described in the sentence.

13.
ACCESS FOR REPAIRS

LANDLORD may, at LANDLORD's expense, make any inspections, repairs, alterations or improvements in or to the Premises or any part thereof and during and the performance of such work, may close entrances, doors, corridors, elevators and other facilities and may have access to, and open, the ceilings, walls, and floors, all without any liability to TENANT by reason of interference, inconvenience or annoyance. Such work shall be done in a manner as to reasonably minimize interference to TENANT.

14.
RULES AND REGULATIONS

TENANT shall abide by all rules regulations adopted by LANDLORD. If any rules and regulations are contrary to the provisions of this lease, the provisions of this lease shall govern.

15.
HOLDING OVER

If TENANT retains possession of the Premises, or any part thereof, after the expiration or earlier termination of lease, TENANT shall pay LANDLORD, at LANDLORD's sole option and discretion, either (i) rent at an annual rate equal to double the escalated Base Rent payable for the year immediately preceding said holdover computed on a per month basis, for the period TENANT thus remains in possession, or (ii) TENANT shall pay Base Rent and Additional Rent based on the then current Base Rent and

Additional Rent during the period of such possession and TENANT shall also pay LANDLORD all damages sustained by LANDLORD by reason of such retention of possession. If TENANT retains possession of the Premises, or any party thereof, for thirty (30) days after expiration or earlier termination of the lease, then at the sole option of LANDLORD expressed by written notice to TENANT, but not otherwise, such holding over shall constitute a renewal of this lease for a period of one year on the same terms and conditions, except that the annual Base Rent shall be increased to the fair annual rental value of the Premises, as determined by LANDLORD, but in no event less than the annual Base Rent specified in paragraph 3. The provisions of this paragraph do not waive the LANDLORD's right of re-entry or any other right hereunder.

16. LANDLORD'S REMEDIES

All rights and remedies of LANDLORD herein enumerated shall be cumulative, none shall exclude any other right or remedy allowed herein or by law, and if provision herein shall be invalid or unenforceable, it shall apply only to such provision and the remainder of this shall continue valid and enforceable.

(a) *Default of Payment.* If defaults in the payment of any installment of Base Rent or Additional Rent when due, LANDLORD may, if LANDLORD so elects but not otherwise, either forthwith terminate this lease and TENANT's right to possession of Premises or, without terminating this lease, forthwith terminate TENANT'S right to possession of the Premises. Notwithstanding the foregoing, TENANT shall not be in default under terms of this lease if TENANT pays any installment of Base Rent or Additional Rent within ten (10) days after receipt of written notice from that LANDLORD not received a rental payment.

(b) *Default of Performance.* If TENANT defaults in the prompt and full performance of any other provision this lease and if such default is not remedied or prompt and full performance is not accomplished by TENANT or TENANT has not promptly instituted and is not vigorously pursuing such remedies as are necessary to rectify such default within thirty (30) days after demand is made by LANDLORD, or if TENANT abandons and stops paying rent on the Premises, then and in any such event, LANDLORD may, if LANDLORD so elects but not otherwise, forthwith terminate this lease and TENANT's right to possession of the Premises or, without terminating this lease, forthwith terminate TENANT'S right to possession of the Premises.

(c) *Financial Problems.* If TENANT is adjudicated to be a bankrupt or is found insolvent in any court of record, or if a receiver or trustee for the benefit of TENANT's creditors is appointed (unless such adjudication, finding or appointment is set aside within thirty (30) days or an appeal therefrom shall be prosecuted within said thirty (30) days and said appeal is either pending or is concluded with the determination that TENANT is not bankrupt or insolvent, LANDLORD may, if LANDLORD so elects but not otherwise, either forthwith terminate this lease and TENANT's right to possession of Premises or without terminating this lease forthwith terminate TENANT's right to possession of Premises.

(d) *Termination of Lease.* Upon any termination of this lease, whether by lapse of time or otherwise, or upon any termination of TENANT's right to possession without termination of this lease, TENANT shall surrender possession, vacate the Premises, and remove TENANT's personal property and equipment at the expiration of the applicable term, if TENANT so elects, and deliver possession of the Premises to LANDLORD, and TENANT hereby grants to LANDLORD full and free license to enter into and upon the Premises and in such event with process of law, and to repossess LANDLORD of the Premises or of LANDLORD's estate and to expel or remove TENANT and any others

who may be occupying or be within the Premises and to remove any and all property therefrom using such force as may be necessary, without being deemed in any manner guilty of trespass, eviction, or forcible entry and without relinquishing LANDLORD's right to damages or any other right given to LANDLORD hereunder by operation of law. LANDLORD agrees, however, to abide by the requirements of the Forcible Entry and Detainer Statutes of the State of Illinois.

(e) *Possession.* Upon any termination of TENANT's right to possession only, without terminating this lease, LANDLORD may, at LANDLORD's option, enter into the Premises, remove TENANT's signs and other evidences of tenancy, and take and hold possession thereof as in subparagraph (d) above, without such entry and possession terminating this lease or releasing TENANT, in whole or part, from TENANT's obligation to pay Base Rent and Additional Rent hereunder for the full lease term. If LANDLORD relets the Premise, or any portion thereof, any proceeds from such reletting shall first be applied against the cost and expenses of reletting the Premises including, but not limited to, all brokerage, advertising, legal, alteration, and other reasonably necessary expenses incurred to secure a new tenant for the Premises. If the consideration collected by LANDLORD upon any such reletting for TENANT's account after payment of the expenses of reletting the Premises is not sufficient to pay monthly the full amount of the Base Rent plus Additional Rent reserved in this lease, TENANT shall pay to LANDLORD the amount of each monthly deficiency as it becomes due upon demand.

(f) *Default.* If TENANT should default under the terms of this lease and such default is not cured in accordance with the terms hereof, LANDLORD shall be entitled to all reasonable costs, charges, expenses, and attorneys' fees incurred by LANDLORD in connection therewith.

(g) *Bankruptcy.* In the event a petition is filed by or against TENANT seeking a plan of reorganization or arrangement under Chapter 7, 11, or 13 of the Bankruptcy Code, LANDLORD and TENANT agree, to the extent by law, that trustee in bankruptcy shall determine within sixty (60) days after commencement of the case, whether to assume or reject this lease.

17. TENANT'S TERMINATION RIGHTS

If LANDLORD defaults in the prompt and full performance of any provision of this lease and if such default is not remedied or prompt and full performance is not accomplished by LANDLORD or LANDLORD has not promptly instituted and is not vigorously pursuing such remedies as are necessary to rectify such default within thirty (30) days after written demand is made by TENANT, then and in any such event, TENANT may, if TENANT so elects but not otherwise, forthwith terminate this lease.

18. CONDITION OF PREMISES

TENANT's taking possession of the Premises or any portion thereof shall be conclusive evidence against TENANT that the portion of the premises taken possession of was then in good order and satisfactory condition. No promises of the LANDLORD to alter, remodel, improve, repair, decorate, or clean the Premises or any part thereof have been made, and no representation respecting the condition of the Premises has been made to TENANT by or on behalf of LANDLORD except to the extent expressly set forth herein. TENANT shall at its own expense keep the Premises in good repair and tenantable condition and shall promptly and adequately repair all damage to the Premises caused by

TENANT or any of its employees, contractors, agents, invitees, or licensees including replacing or repairing all damaged or broken glass, fixtures, and appurtenances resulting from any such damage, under the supervision and with the approval of LANDLORD and within any reasonable period of time specified by LANDLORD. If TENANT does not do so promptly and adequately, LANDLORD may, but need not, make such repairs and replacements and TENANT shall pay LANDLORD the cost thereof on demand.

**19.
ASSIGNMENT AND SUBLETTING**

(a) *Restrictions.* TENANT, without the prior written consent of LANDLORD, shall not sublease, assign, mortgage, pledge, hypothecate, or otherwise transfer or permit the transfer of this lease or the interest of TENANT in this lease, in whole or in part, by operation of law or otherwise. If TENANT desires to enter into any sublease of the Premises, TENANT shall deliver written notice thereof to LANDLORD, together with a copy of the proposed sublease agreement at least sixty (60) days prior to the commencement date of the term of the proposed sublease. Any such subletting or assignment shall require the prior written consent of which consent shall not be unreasonably withheld. Notwithstanding the foregoing, TENANT shall be allowed to sublet, assign or otherwise transfer the lease to any entity wholly or controlled or owned by TENANT or affiliate or subsidiary of TENANT.

(b) *Release From Liability.* In the event of any approved sublease or assignment, TENANT shall not be released or discharged any liability, whether past, present or future, under this lease, including any renewal term of this lease and any expansion space included in the Premises.

**20.
NOTICES**

All notices and approvals to be given by one party to the other party under this lease shall be given in writing, mailed or delivered as follows or at such address as is provided from time to time in writing to the other party:

(a) To LANDLORD at:

(b) To TENANT at:

Notices shall delivered by hand or by United States certified or registered mail, postage prepaid, return receipt requested. Notices shall be deemed to have been given upon personal delivery or upon posting in the United States Mail.

21.
MISCELLANEOUS

(a) *Succession.* This lease shall be binding upon and inure to the benefit of LANDLORD and TENANT and their respective successors and permitted assigns.

(b) *Payments.* All amounts owed to LANDLORD hereunder, for which the date of payment is not expressly fixed shall be paid within thirty (30) days from the date LANDLORD renders statements of account therefor and shall bear annual interest at the rate of twenty four percent (24%).

(c) *Verification of Lease.* TENANT shall deliver to LANDLORD or to its auditors or prospective purchaser when requested by LANDLORD a written statement certifying (i) that this lease is unmodified and in full force and effect, (ii) the amount of Base and Additional Rent then payable under this lease and the date to which such Base Rent and Additional Rent has been paid, (iii) the amount of the security deposit, if any, deposited by TENANT with LANDLORD hereunder, (iv) that TENANT is or is not in possession of the Premises, as the case may be, and (v) that LANDLORD is not in default hereunder or if in default, stating specifically any such defaults. Failure to give such a statement within ten (10) days written request shall constitute conclusive evidence that the lease is unmodified and in full force and effect and LANDLORD is not in default, and TENANT shall be estopped from asserting any defaults known to TENANT at that time.

(d) *Eminent Domain.* In the event that all or a substantial portion of the Premises is taken by eminent domain, then either party may terminate this lease by giving written notice of termination to the party within thirty (30) days after such taking. In the event of any taking by eminent domain the entire award shall be paid to and retained by LANDLORD, excepting however, that TENANT may receive therefrom any portion paid on account of TENANT's moving expenses. Also, notwithstanding the foregoing provisions of this paragraph to the contrary, in the event of a taking or condemnation hereunder, TENANT shall be entitled, if allowed by law, to appear, claim, prove, and receive in the condemnation proceedings the amortized value as of the date of taking, calculated on a straight line basis over the lease term, of amounts paid by TENANT on account of improvements, additions, and alterations to the Premises purchased by TENANT or installed by TENANT or at the TENANT's expense.

(e) *Accord and Satisfaction.* No payment by TENANT or receipt by LANDLORD of a lesser amount than any installment or payment of Base Rent or Additional Rent due shall be deemed to be other than on account of the amount due, and no endorsement or statement on any check or any letter accompanying any check or Base Rent or Additional Rent shall be deemed an accord and satisfaction, and LANDLORD may accept such check or payment without prejudice to LANDLORD's right to recover the balance of such installment or payment of Base Rent or Additional Rent or pursue any other remedies available to LANDLORD. No receipt of money by LANDLORD from TENANT after termination of this lease or TENANT's right of possession of the Premises shall reinstate, continue, or extend the lease term.

(f) *No Default.* LANDLORD shall not be deemed in default with respect to any of the terms, covenants and conditions of this lease on LANDLORD's part to be performed if LANDLORD fails to timely perform same and such failure is due in whole or in part to any strike, lockout, labor trouble (whether legal or illegal), civil disorder, inability to procure materials, failure of power, restrictive governmental laws and regulations, riots, insurrections, war, fuel shortages, accidents, casualties, acts of God, acts caused directly or indirectly by TENANT (or TENANT's agents, employees or invitees), or any other cause beyond the

reasonable control of LANDLORD.

(g) *Captions.* Paragraph captions in this lease are inserted only as a matter of convenience and in no way define, limit, construe or describe the scope or intent of such paragraphs.

(h) *Governing Law.* This lease be construed in accordance with laws of the State of Illinois.

(i) *Time of Essence.* Time is of the essence of this lease and performance of all obligations hereunder.

(j) *Restriction on Liability.* Notwithstanding anything in this lease to the contrary, the liability of LANDLORD under this lease shall be limited to its interest in the Building and TENANT agrees that no judgment against LANDLORD under this lease may be property or assets of LANDLORD other than the interest of LANDLORD in the Building.

(k) *LANDLORD's Performance.* If TENANT fails timely to perform any of its duties under this lease, LANDLORD shall have the right (but not the obligation), after the expiration of any grace period elsewhere under this lease expressly granted to TENANT for the performance of such duty, to perform such duty on behalf and at the expense of TENANT without further prior notice to TENANT, and all sums expended or expenses incurred by LANDLORD in performing such duty shall be deemed to be additional rent under this lease and shall be due and payable upon such demand by LANDLORD.

(l) *Recording of Memorandum.* LANDLORD, at LANDLORD's sole option, may record or file this lease or memorandum of this lease in the office of the Recorder Deeds of Sangamon County, Illinois.

22. QUIET POSSESSION

So long as TENANT shall observe or perform the covenants and agreement on it hereunder, TENANT shall at all times during the lease term peacefully and quietly have and enjoy the possession of the Premises without any encumbrance or hindrance by, from or through LANDLORD, its successors or assigns, subject to the provisions of this lease.

23. SUBORDINATION

TENANT does hereby subordinate its interest in the Premises to any first mortgage now or hereafter placed on the Premises, providing it assumes no legal or financial obligations thereby.

IN WITNESS WHEREOF, parties to this lease, with due authority conferred, have caused this document to be executed the day and year first above written.

TENANT

Effingham Surgical Partners, L.L.C.,
an Illinois limited liability company,

By: W. W. [Signature]
Its President

Attest: M. L. [Signature]
Its Secretary

LANDLORD

Effingham Medical Properties, Ltd.,
an Illinois corporation,

By: James W. [Signature]
Its President

Attest: M. L. [Signature]
Its Secretary

EXHIBIT A

LOT 1 OF HKP SUBDIVISION, A PART OF THE SE/4 OF THE NW/4 OF SEC. 20, T8N, R6E OF 3RD P.M., EFFINGHAM CO., ILL (REFERENCE MADE TO PLAT #169-A AND BOOK 984 PAGE 243 IN THE RECORDER'S OFFICE OF EFFINGHAM COUNTY, ILLINOIS), SITUATED IN THE COUNTY OF EFFINGHAM AND STATE OF ILLINOIS.

Section I, Identification, General Information, and Certification
Operating Identity/Licensee

The Illinois Certificate of Good Standing for Effingham Surgical Partners, LLC is attached at Attachment – 3.



To all to whom these Presents Shall Come, Greeting:

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

EFFINGHAM SURGICAL PARTNERS, L.L.C., HAVING ORGANIZED IN THE STATE OF ILLINOIS ON MARCH 02, 2000, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A DOMESTIC LIMITED LIABILITY COMPANY IN THE STATE OF ILLINOIS.



Authentication #: 1231401746

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

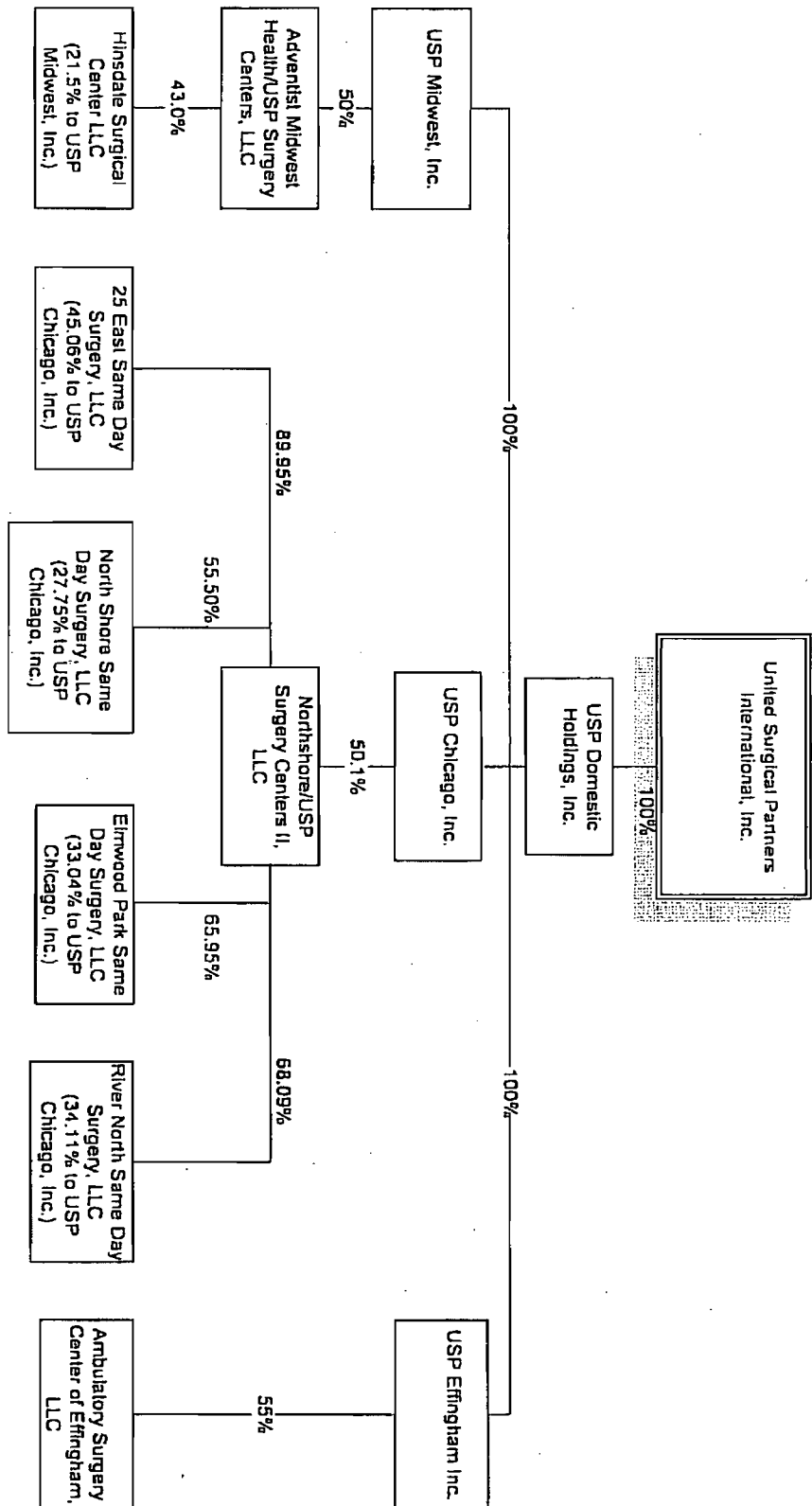
In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 9TH day of NOVEMBER A.D. 2012 .

Jesse White

SECRETARY OF STATE

Section I, Identification, General Information, and Certification
Organizational Relationships

The organizational chart for United Surgical Partners International, Inc. and Effingham Surgical Partners, LLC is attached at Attachment – 4.



Section I, Identification, General Information, and Certification
Flood Plain Requirements

The Applicants propose a change of ownership of Effingham Ambulatory Surgery Center. The proposed project involves no construction or modernization. Accordingly, this criterion is not applicable.

Section I, Identification, General Information, and Certification
Historic Resources Preservation Act Requirements

The Applicants propose a change of ownership of Effingham Ambulatory Surgery Center. The proposed project involves no construction or modernization. Accordingly, this criterion is not applicable.

Section I, Identification, General Information, and Certification
Cost Space Requirements

Cost Space Table							
Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
CLINICAL							
ESP	\$3,730,910	17,400				17,400	
Total Clinical	\$3,730,910	17,400	0	0	0	17,400	0
NON CLINICAL	\$0	0	0	0	0	0	0
Total Non-clinical	\$0	0	0	0	0	0	0
TOTAL	\$3,730,910	17,400	0	0	0	17,400	0

Section III, Project Purpose, Background and Alternatives – Information Requirements
Criterion 1110.230, Project Purpose, Background and Alternatives

Background of the Applicant

USPI focuses on providing high quality surgical facilities that meet the needs of patients, physicians and payors. USPI facilities (1) enhance the quality of care and the healthcare experience of patients, (2) offer a strategic approach for physicians that provide significant administrative, clinical and economic benefits to physicians, and (3) offer an efficient and low cost alternative for payors. USPI acquires and develops its facilities through the formation of strategic relationships with physicians and not-for-profit healthcare systems to better access and serve the communities in their markets. The operating model is efficient and scalable, and is adapted to each unique market.

Many physicians prefer surgery centers over general acute care hospitals. This is due to the non-emergent nature of the procedures performed at the surgery centers and surgical hospitals, which allow physicians to schedule their time more efficiently and therefore increases the number of surgeries they can perform in a given amount of time. In addition, outpatient facilities usually provide physicians with greater scheduling flexibility, more consistent nurse staffing and faster turnaround time between cases. While surgery centers generally perform scheduled surgeries, acute care hospitals and national health service facilities generally provide a broad range of services, including high priority and emergency procedures. Medical emergencies often demand the unplanned use of operating rooms and result in the postponement or delay of scheduled surgeries, disrupting physicians' practices and inconveniencing patients. Surgery centers are designed to improve physician work environments and improve physician efficiency. In addition, many physicians choose to perform surgery in facilities like USPI facilities because their patients prefer the comfort of a less institutional atmosphere and the convenience of simplified admissions and discharge procedures.

USPI integrates new facilities into its existing network by implementing a specific action plan to support the local management team, improving quality assurance measures and incorporating the new facility into its group purchasing contracts. It also implements systems and protocols to improve operating efficiencies and contain costs. USPI's most important operational tool is its management system "Every Day Giving Excellence," referred to as USPI's EDGE™. This proprietary measurement system allows USPI to track their clinical, service and financial performance, best practices and key indicators in each of their facilities. The goal is to use USPI's EDGE™ to ensure the facility provides each of patient with high quality healthcare, offers physicians a superior work environment and eliminates inefficiencies.

Using USPI's EDGE™, USPI is able to track and monitor performance in areas such as (1) providing surgeons the equipment, supplies and surgical support they need, (2) starting cases on time, (3) minimizing turnover time between cases, and (4) providing efficient case and personnel schedules. USPI's EDGE™ compiles and organizes the specified information on a daily basis and is easily accessed over the Internet by facilities on a secure basis. The information provided by USPI's EDGE™ enables employees, facility administrators and management to analyze trends over time and share processes and best practices among facilities. In addition, this valuable information is used as an evaluative tool by administrators and as a budgeting and planning tool by management.

All of the USPI surgical facilities are accredited by either the Joint Commission on Accreditation of Healthcare Organizations or by the Accreditation Association for Ambulatory Healthcare. USPI's historical performance in the accreditation process reflects its commitment to providing high quality care in all of its surgical facilities.

Neither the Centers for Medicare and Medicaid Services nor the Illinois Department of Public Health has taken any adverse action involving civil monetary penalties or restriction or termination of participation in the Medicare or Medicaid programs against any Illinois health care facilities owned or operated by the Applicants, directly or indirectly, within three years preceding the filing of this application.

1. Health care facilities owned or operated by the Applicants:

A list of health care facilities owned or operated by USPI in Illinois and IDPH license number and expiration date of their Illinois Department of Public Health licenses is attached at Attachment – 11B.

2. Certification that no adverse action has been taken against any of the Applicants, or against any health care facilities owned or operated by the Applicants, directly or indirectly, within three years preceding the filing of this application is attached at Attachment – 11C.
3. An authorization permitting the Illinois Health Facilities and Services Review Board ("HFSRB") and the Illinois Department of Public Health ("IDPH") access to any documents necessary to verify information submitted, including, but not limited to: official records of IDPH or other State agencies; and the records of nationally recognized accreditation organizations is attached at Attachment – 11C.

United Surgical Partners International, Inc. owns an indirect interest in the following facilities in Illinois:

25 East Same Day Surgery
25 East Washington Street, Suite 300
Chicago, IL 60602
License #7001969
Expires 01/18/2013

Hinsdale Surgical Center
908 North Elm Street, Suite 401
Hinsdale, IL 60521
License #7002314
Expires 03/31/13

North Shore Surgical Center
3725 W. Touhy Ave.
Lincolnwood, IL 60712
License # 7003130
Expires 07/28/13

Same Day Surgery River North
One East Erie, Suite 300
Chicago, IL 60611
License #7002090
Expires 07/11/13

Sameday Surgery Elmwood Park
1614 North Harlem Avenue, Suite 300
Elmwood Park, IL 60707
License # 7002397
Expires 04/19/13



United Surgical Partners
INTERNATIONAL

Dale Galassie
Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floors
Springfield, Illinois 62761

Dear Chairman Galassie:

I hereby certify under penalty of perjury as provided in §1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 that no adverse action has been taken against any Illinois facility owned or operated by United Surgical Partners International, Inc. or Effingham Surgical Partners, LLC during the three years prior to filing this application.

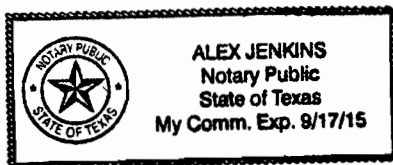
Additionally, pursuant to 77 Ill. Admin. Code §1110.230(a)(3)(C), I hereby authorize the Health Facilities and Services Review Board ("HFSRB") and the Illinois Department of Public Health ("IDPH") access to any documents necessary to verify information submitted as part of this application for permit. I further authorize HFSRB and IDPH to obtain any additional information or documents from other government agencies which HFSRB or IDPH deem pertinent to process this application for permit.

Sincerely,

Marc Steen
Vice President, Development
United Surgical Partners International, Inc.

Subscribed and sworn to me
This 14 day of November, 2012

Notary Public



Section III, Project Purpose, Background and Alternatives – Information Requirements
Criterion 1110.230(b), Project Purpose, Background and Alternatives

Purpose of the Project

1. The purpose of the proposed acquisition of the Effingham Ambulatory Surgery Center is to ensure patients in Effingham County, Illinois have continued access to high quality, cost-effective surgical services. The acquisition will create economies of scale, integrate clinical, administrative and support functions, eliminate functional redundancies and redesign patient care delivery and allow the systems to share the resources and benefits of USPI's infrastructure and processes and quality initiatives.

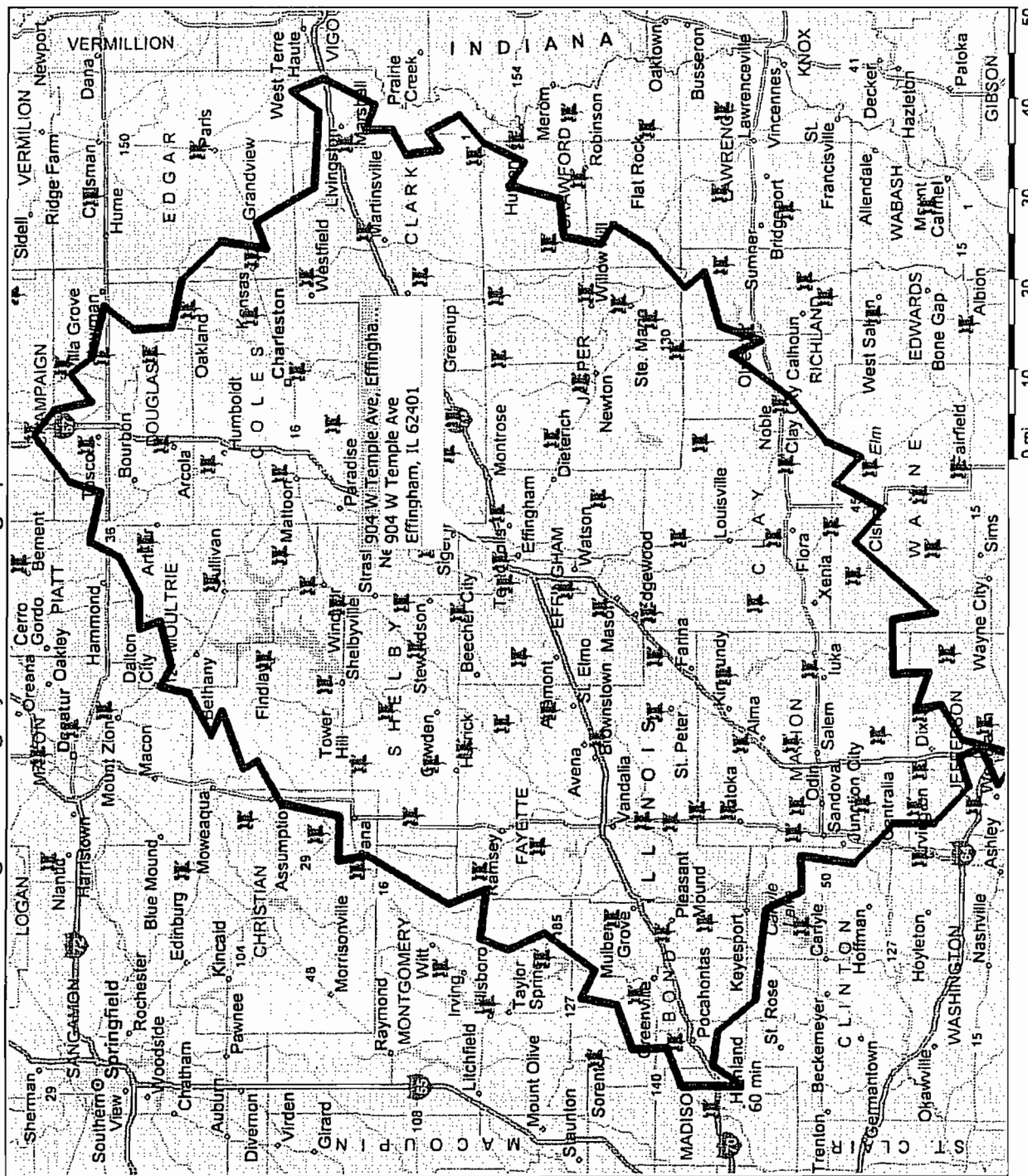
New surgical techniques and technology, as well as advances in anesthesia, have recently encouraged the delivery of surgical procedures (that formerly could only be performed in a hospital) to be safely provided in surgery centers. Lasers, arthroscopy, enhanced endoscopic techniques and fiber optics have reduced the trauma and recovery time associated with many surgical procedures. Improved anesthesia has shortened recovery time by minimizing post-operative side effects such as nausea and drowsiness, thereby avoiding the need for overnight hospitalization in many cases.

In addition to these technological and other clinical advancements, a changing payor environment has contributed to the growth of outpatient surgery relative to all surgery performed. Government programs, private insurance companies, managed care organizations and self-insured employers have implemented cost containment measures to limit increases in healthcare expenditures, including procedure reimbursement. These cost containment measures have contributed to the significant shift in the delivery of healthcare services away from traditional inpatient hospitals to more cost-effective alternate sites, including surgery centers. Surgery performed at a surgery center is generally less expensive than hospital-based outpatient surgery.

Further, large healthcare companies, have advantages over smaller providers. Because they purchase supplies and equipment in huge volume, they can provide surgical services at a lower cost. To thrive in the new reimbursement environment, providers will need to provide services in the most cost effective manner and USPI is one of the best positioned providers to meet that challenge.

2. A map of the market area for Effingham Ambulatory Surgery Center is attached at Attachment – 12. The market area encompasses approximately a 60 mile radius around the proposed facility. The boundaries of the market area of are as follows:
 - North approximately 60 minutes normal travel time to Tuscola
 - Northwest approximately 60 minutes normal travel time to Bethany
 - West approximately 60 minutes normal travel time to Chapman
 - Southwest approximately 60 minutes normal travel time to Junction City
 - South approximately 60 minutes normal travel time to Orchardville
 - Southeast approximately 60 minutes normal travel time to Noble
 - East approximately 60 minutes to West York
 - Northeast approximately 60 minutes to Westfield
3. The integration of Effingham Ambulatory Surgery Center into USPI will allow USPI to improve the center's operational efficiency, improve quality and ensure patients have continued access to high quality surgical services.
4. The acquired facilities will be integrated into USPI's normal operational processes, including USPI's quality outcomes programs, and, thus, are anticipated to have outcomes comparable to other USPI facilities.

Effingham Surgery Center Geographic Service Area



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 Certain mapping and direction data © 2010 NAVTEO. All rights reserved. The data for areas of Canada includes information taken with permission from Canadian authorities, including © Her Majesty the Queen in Right of Canada. © Queen's Printer for
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Section III, Project Purpose, Background and Alternatives – Information Requirements
Criterion 1110.230(c), Project Purpose, Background and Alternatives

Alternatives

1. Do Nothing

The acquisition will create economies of scale, integrate clinical, administrative and support functions, eliminate functional redundancies and redesign patient care delivery and allow the systems to share the resources and benefits of USPI's infrastructure and processes and quality initiatives.

A changing payor environment has contributed to the growth of outpatient surgery relative to all surgery performed. Government programs, private insurance companies, managed care organizations and self-insured employers have implemented cost containment measures to limit increases in healthcare expenditures, including procedure reimbursement. These cost containment measures have contributed to the significant shift in the delivery of healthcare services away from traditional inpatient hospitals to more cost-effective alternate sites, including surgery centers. Surgery performed at a surgery center is generally less expensive than hospital-based outpatient surgery.

Further, large healthcare companies, have advantages over smaller providers. Because they purchase supplies and equipment in huge volume, they can provide surgical services at a lower cost. To thrive in the new reimbursement environment, providers will need to provide services in the most cost effective manner and USPI is one of the best positioned providers to meet that challenge.

There is no cost associated with this alternative.

2. Acquire Controlling Interest

USPI carefully considered whether to purchase an interest in Effingham Ambulatory Surgery Center. Acquiring interest of this facility will allow USPI to reach a new patient base and will improve operational efficiencies of the surgical center. Through the acquisition of interest, USPI will be able to bring the broader line of surgical services to the currently operated Effingham Ambulatory Surgery Center patients with the goal to improve operational efficiencies, improve quality and implement USPI operational protocols to enhance services to the existing and future patients. Accordingly, USPI decided the acquisition of the Effingham Ambulatory Surgery Center was the most feasible option.

The cost of this alternative is \$3,730,910.

Section VI, Mergers, Consolidations and Acquisitions/Changes of Ownership
Criterion 1110.240(b), Impact Statement

1. Transactional Documents

The executed Purchase Agreement between Effingham Surgical Partners, LLC and United Surgical Partners International, Inc. for the acquisition of the Effingham Ambulatory Surgery Center is attached at Attachment 19-A.

2. Change in Services Currently Offered

Effingham Ambulatory Surgery Center currently has 5 operating rooms, 5 stage I recovery bays and 13 stage II recovery bays. No change in the number of operating rooms or recovery bays is anticipated as a result of the proposed transaction. The Applicants may decide to adjust their capacity in compliance with the requirements of the Health Facilities Planning Act at a later date, should the need arise based upon capacity and utilization trends.

3. Operating Entity

Effingham Surgical Partners, LLC will be the operating entity of Effingham Ambulatory Surgery Center. The facility will be fully integrated with USPI, the parent of USP Effingham, Inc.

4. Reason for the Transaction

As set forth in Criterion 1110.230(b), the purpose for the transaction is to ensure surgical patients have continued access to high quality services. Further, large healthcare companies, have advantages over smaller providers. Because they purchase supplies and equipment in huge volume, they can provide surgical services at a lower cost. To thrive in the new reimbursement environment, providers will need to provide services in the most cost effective manner and USPI is one of the best positioned providers to meet that challenge.

5. Anticipated Additions or Reductions of Employees

No significant additions or reductions in clinical employees are anticipated now or for the next two years as a result of the proposed acquisition. All current employees at Effingham Ambulatory Surgery Center, who pass USPI's new employee intake screening will have the opportunity to continue their employment with Effingham Surgical Partners, LLC after the acquisition. USPI determines its staffing needs according to surgical needs. Going forward, staffing hours and/or positions will be added or reduced according to patient census and care needs.

6. Cost-Benefit Analysis

As set forth throughout this application, the proposed transaction contemplates a change of ownership of Effingham Ambulatory Surgery Center. After the transaction, USP Effingham, Inc. will own 55% of the ownership interest in the Effingham Ambulatory Surgery Center. While USPI will incur costs inherent in operating the surgery center, the facility will likely achieve cost savings due to economies of scale and shared resources

PURCHASE AGREEMENT

This Purchase Agreement ("Agreement") is entered into as of December 28, 2012, by and among (i) USP Effingham, Inc., an Illinois corporation ("Buyer"), (ii) Effingham Surgical Partners, LLC ("ESP"), (iii) Surgical Center Development #3, LLC, a Missouri limited liability company ("SCD"), and (iv) certain of the other members of ESP who are listed on and execute the signature page of this Agreement (each a "Seller," who together with SCD being hereinafter collectively referred to as the "Sellers,"), with reference to the following facts:

RECITALS

A. ESP presently owns and operates a freestanding outpatient surgery center known as The Effingham Ambulatory Surgery Center, located at 904 West Temple, Effingham, Illinois 62401 (the "Surgery Center"). ESP leases the Surgery Center facility (collectively, the "Real Property") from Effingham Medical Properties, Ltd., an Illinois corporation (the "Landlord").

B. Buyer is a wholly owned subsidiary of United Surgical Partners International, Inc., a Delaware corporation ("USPI").

C. Buyer, ESP and Sellers have agreed to a reorganization of the ownership of the Surgery Center as described herein. In connection therewith, (i) Buyer will purchase an aggregate 49% ownership interest in ESP from the Sellers through its purchase of the Initial Transferred Interests (as defined herein), on and as of December 31, 2012 (the "First Closing Date") and (ii) Buyer will purchase an aggregate 6% ownership interest in ESP from the Sellers through its purchase of the Secondary Transferred Interests (as defined herein), on and as of the date immediately following the receipt by Buyer of a Certificate of Need permit from the Illinois Health Facilities and Services Review Board (the "Second Closing Date").

D. Each Sellers' current ownership interest in ESP is indicated in Column B of Exhibit 1 to this Agreement, attached hereto and incorporated herein by reference.

E. Each Seller has agreed to sell to Buyer, and Buyer has agreed to purchase, the respective portions of the Sellers' interests in ESP, indicated in Column C of Exhibit 1 and Column C of Exhibit 2. As used herein, the term (i) "Initial Transferred Interests" shall mean the membership units transferred to Buyer on the First Closing Date and which include the Sellers' right, title and interest in and to its interests in ESP being sold to Buyer pursuant to this Agreement, including but not limited to its rights under the Amended and Restated Operating Agreement of ESP dated as of December 31, 2012 (the "New Operating Agreement") associated with such interests in ESP, (ii) "Secondary Transferred Interests" shall mean the membership units transferred to Buyer on the Second Closing Date and which include the Sellers' right, title and interest in and to its interests in ESP being sold to Buyer pursuant to this Agreement, including but not limited to its rights under the New Operating Agreement associated with such interests in ESP and (iii) "Total Transferred Interests" shall mean the Initial Transferred Interests and the Secondary Transferred Interests.

F. As partial consideration for Buyer entering into this Agreement, the Sellers have agreed to certain transactions and obligations, which include the following: (1) the adoption and approval of the New Operating Agreement in the form attached hereto as Exhibit 3 (the "Operating Agreement"); (2) Buyer will manage the Surgery Center in accordance with a Administrative Services Agreement, substantially in the form attached hereto as Exhibit 4 (the "Administrative Services Agreement"); and (3) ESP and the Landlord will enter into an Amendment of Lease Agreement substantially in the form attached hereto as Exhibit 5.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants contained herein, the parties hereto agree as follows:

A G R E E M E N T

1. SALE OF THE INITIAL AND SECONDARY TRANSFERRED INTERESTS.

1.1 Agreement to Purchase and Sell the Initial Transferred Interests.

(a) Purchase Price. Subject to the terms and conditions of this Agreement, on and as of the First Closing Date, the Sellers agree to sell to Buyer, and Buyer agrees to purchase from the Sellers, the Initial Transferred Interests, representing an aggregate 49% membership interest in ESP for a total purchase price payable to the Sellers equal to a minimum of \$23,496,735 (the "Minimum Initial Purchase Price") and a maximum of \$29,400,000 (the "Maximum Initial Purchase Price"). The exact purchase price (the "Initial Purchase Price") shall be determined as described in Section 1.1(c) below based on ESP's earnings before interest, taxes, depreciation and amortization ("EBITDA") for the year ending December 31, 2012. On the First Closing Date Buyer will pay to Sellers the Minimum Initial Purchase Price, less the Withheld Funds, as such term is defined in Section 1.1(b) below and less each Seller's share of the insurance premium (as provided in Section 8.10) (the "Insurance Premiums"). Each Sellers' share of the Minimum Initial Purchase Price before any reductions or adjustments is as reflected in Column D of Exhibit 1. Each Sellers' share of the Withheld Funds is as indicated in Column E of Exhibit 1. Each Sellers' share of the Insurance Premiums is as indicated in Column F of Exhibit 1. Each Sellers' share of the Minimum Initial Purchase Price payable at the First Closing Date (i.e., after all reductions) is as reflected in Column G of Exhibit 1. The Minimum Initial Purchase Price (as reduced pursuant to this Section 1.1(a)) shall be paid on the First Closing Date, by Buyer's checks or, if a Seller gives Buyer appropriate written instructions at least two business days prior to the First Closing Date, by wire transfer of immediately available funds.

(b) Withheld Funds. At the First Closing Date, Buyer shall withhold \$150,000 of the Minimum Initial Purchase Price (the "Withheld Funds") as collateral to secure (i) ESP's obligation to retain the Surgery Center Cash in ESP pursuant to Section 10.4(b) and (ii) any obligation ESP may have pursuant to Section 10.4(a) with respect to payment of ESP's "Non-current Trade Payables" (as defined in Section 10.4(a)(i)). The excess of the Withheld Funds over the amount (if any) required to be retained by ESP pursuant to this Section 1.1(b), shall be paid to Sellers in accordance with Section 10.4(c).

(c) The Initial Purchase Price shall be the sum of (x) the Minimum Initial Purchase Price, (y) the amount determined by multiplying \$5,903,265 (which is the difference between the Maximum Initial Purchase Price and the Minimum Initial Purchase Price) times a fraction, (A) the numerator of which is the EBITDA (determined as set forth below) minus \$6,163,432, and (B) the denominator of which is \$1,640,744 and (z) interest at a rate of 5% per year on the amount determined pursuant to clause (y) for the period from December 31, 2012 until such amount is paid; provided, however, that the Initial Purchase Price shall not be less than the Minimum Initial Purchase Price and not more than the Maximum Initial Purchase Price, plus the amount determined pursuant to clause (z) above. If the Initial Purchase Price as so determined is greater than the Minimum Initial Purchase Price, Buyer shall promptly pay such difference to Sellers; with SCD receiving 64.6166% of such amount and the balance to the other Sellers on a pro rata basis according to their respective shares of the Minimum Initial Purchase Price shown in Column D of Exhibit 1. The EBITDA shall be determined as follows:

(i) As soon as is practicable following the date that is the earliest of (A) the date that the New Company has collected at least 98% of the accounts receivable of the Surgery Center outstanding on the First Effective Date that are attributable to services provided at the Surgery Center during the three month period ended December 31, 2012 (as shown on the New Company's books and records), (B) the date designated by Sellers who sold a majority of the Initial Transferred Interest to Buyer or (C) October 1, 2013, Buyer shall prepare and submit to SCD (who shall represent the Sellers for purposes of this Section 1.1(c)) an income statement of ESP for 2012, prepared in the same manner and using the same accounting principles used to determine the Minimum Initial Purchase Price and the Maximum Initial Purchase Price (the "EBITDA Statement").

(ii) SCD and its designated professional advisors may review at their expense any financial records or other documents and records relevant to the EBITDA Statement. The EBITDA Statement shall be deemed accepted by Sellers unless SCD provides Buyer with notice of any objections (including a description of such objections) within 30 days after SCD's receipt of the EBITDA Statement.

(iii) If such written notice of any objection is given to Buyer, then SCD and Buyer shall use reasonable efforts to resolve such disagreement and, if they are unable to resolve such disagreement within 30 days after such written notice of objection is given, the dispute shall be submitted for final determination to KPMG LLP, which shall act as an independent third party expert and not as an arbitrator or agent of any party in making such determination (which determination shall be made within 30 days after such matter is submitted to KPMG LLP). The fees charged by KPMG LLP in connection with such determination, which shall be billed separately and independently from any other services provided by KPMG LLP, shall be borne equally by Buyer and Sellers.

(d) Sales Tax and Filing Fees. Sellers agree to be responsible for and pay directly any sales tax or other similar tax or fee associated with the sale and purchase of the Initial Transferred Interests. It is not anticipated that the transactions contemplated by this Agreement will result in the imposition of any such tax or fee.

1.2 Agreement to Purchase and Sell the Secondary Transferred Interests.

(a) Purchase Price. Subject to the terms and conditions of this Agreement, on and as of the Second Closing Date, each Seller agrees to sell to Buyer, and Buyer agrees to purchase from Sellers, the Secondary Transferred Interests, representing an aggregate 6% membership interest in ESP. The total purchase price payable to Sellers for all of the Secondary Transferred Interests shall equal the Initial Purchase Price times the fraction 6/49 (the "Secondary Purchase Price" and when referred to collectively with the Initial Purchase Price, the "Purchase Price"). If the Initial Purchase Price has not been finalized on or before the Second Closing Date, the amount payable on the Second Closing Date will be based on the Minimum Initial Purchase Price and, once the Initial Purchase Price is determined, any excess of the actual Secondary Purchase Price over the amount so paid at the Second Closing Date shall be promptly paid to Sellers. Each Seller's share of the Secondary Purchase Price shall be the Secondary Transferred Interest sold by such Seller, as reflected in Column C of Exhibit 2, divided by 6%. The Secondary Purchase Price shall be paid on the Second Closing Date by check or, if Sellers give Buyer appropriate written instructions within two business days prior to the Second Closing Date, by wire transfer of immediately available funds.

(b) Sales Tax and Filing Fees. The Sellers agree to be responsible for and pay directly any sales tax or other similar tax or fee associated the sale and purchase of the Secondary Transferred Interests. It is not anticipated that the transactions contemplated by this Agreement will result in the imposition of any such tax or fee.

2. CLOSING AND EFFECTIVE DATE.

2.1 First Closing Date. The closing of the transactions provided for in Section 1.1(a) (the "First Closing") will take place on December 31, 2012 (assuming that the conditions described in Sections 6 and 8 have been satisfied at that date), or at such other date and time as Buyer and Sellers shall agree. The transfer of the Initial Transferred Interests shall be effected pursuant to Assignments and Assumption of Initial Membership Interest substantially in the form of Exhibit 6 attached hereto (the "Transferred Interest Assignment Form"). Signatures required for the First Closing may be transmitted by facsimile or via other electronic transmission system to counsel for the parties.

2.2 First Effective Date. Regardless of when the First Closing occurs, the First Closing shall be effective for accounting purposes as of 12:01 a.m. on either (i) if the First Closing occurs on or prior to the fifteenth day of the calendar month, the first day of the calendar month in which the First Closing occurs, or (ii) if the First Closing occurs after the fifteenth day of the calendar month, the first day of the calendar month following the month in which the First Closing occurs (the "First Effective Date"). The First Closing shall be effective for tax purposes on the First Closing Date. All profits, losses and distributions attributable to the Initial Transferred Interests on and after the First Effective Date shall be allocated to Buyer.

2.3 Second Closing Date. The closing of the transactions provided for in Section 1.2(a) (the "Second Closing") will take place on the date immediately following the later of (a) receipt by Buyer of a Certificate of Need permit from the Illinois Health Facilities and Services Review Board (assuming that the conditions described in Sections 7 and 9 have been satisfied at that date) or (b) the date the final Initial Purchase Price is determined. The transfer of

the Secondary Transferred Interests shall be effected pursuant to an Assignment and Assumption of Secondary Membership Interest substantially in the form of Exhibit 7 attached hereto (the "Secondary Transferred Interest Assignment Form"). Signatures required for the Second Closing may be transmitted by facsimile or via other electronic transmission system to counsel for the parties.

2.4 Second Effective Date. Regardless of when the Second Closing occurs, the Second Closing shall be effective as of 12:01 a.m. on either (i) if the Second Closing occurs on or prior to the fifteenth day of the calendar month, the first day of the calendar month in which the Second Closing occurs, or (ii) if the Second Closing occurs after the fifteenth day of the calendar month, the first day of the calendar month following the month in which the Second Closing occurs (the "Second Effective Date"), and the parties hereto agree to acknowledge and use said date for all purposes, including for accounting and federal and state tax reporting purposes. All profits, losses and distributions attributable to the Secondary Transferred Interests on and after the Second Effective Date shall be allocated to Buyer.

2.5 Effect of Delays. Except as provided in Section 11, failure to consummate the First Closing or the Second Closing on the dates and at the places selected pursuant to this Section 2 shall not result in any termination of this Agreement and shall not relieve any party to this Agreement of any obligation hereunder.

3. REPRESENTATIONS AND WARRANTIES OF ESP AND SELLERS.

Subject to the limitations on indemnification contained in Section 10.1(b), ESP and Sellers jointly and severally represent and warrant to Buyer as follows (except that the representations and warranties relating to a specific Seller contained in Sections 3.1, 3.2, 3.3 and 3.8 constitute representations and warranties of each such Seller separately for such Seller and not on behalf of any other party):

3.1 Existence. ESP is a limited liability company that has been duly organized and is validly existing and in good standing under the laws of the State of Illinois, SCD is a limited liability company that has been duly organized and is validly existing and in good standing under the laws of the State of Missouri, and each has full power and authority to carry on its business as presently conducted. A true and complete copy of ESP's Operating Agreement, dated as of May 23, 2001 (the "ESP Original Operating Agreement"), has been delivered to Buyer. ESP (a) does not have any subsidiaries, (b) is not a party to any partnership or joint venture arrangement, (c) has not conducted any business outside the State of Illinois and (d) does not own any equity securities in any other corporation, partnership or entity. Sellers own all of the outstanding membership and other equity interests in ESP. The Disclosure Schedules (as defined in Section 5.9) shall contain a true and complete list of the names and ownership interests of the members of ESP, which includes all outstanding equity interests in ESP and all individuals who own interests in any such member that is an entity. Except as previously disclosed to Buyer by SCD, no Seller acquired an interest in ESP on or after September 30, 2011. There are no outstanding warrants, options or rights of any kind to acquire from ESP or any Seller any membership interest or other equity securities in ESP.

3.2 Due Authorization. The execution, delivery and performance of this Agreement and the other transactions, documents and agreements provided for herein by ESP

and each Seller have been duly authorized by all requisite company, corporate, partnership and trustee action (as applicable) and no further action is necessary to authorize and implement such transactions or to make this Agreement and such other documents and agreements valid and binding upon each such party in accordance with their respective terms.

3.3 Compliance with Instruments. Except for the consent requirements disclosed in the Disclosure Schedules, no provisions exist in any agreement to which ESP or any Seller is a party or by which any of the Surgery Center Assets is bound, or in the ESP Original Operating Agreement or in ESP's articles of organization, which would be violated by the execution, delivery or consummation of this Agreement or the transactions contemplated hereby. The term "Surgery Center Assets" shall mean all of the assets, whether real, personal or mixed, tangible or intangible, of ESP associated with or used in the operation of the Surgery Center, including without limitation all leasehold improvements, furniture, fixtures, medical and non-medical equipment (including without limitation computer hardware), surgical instruments, inventory and supplies (including medicines and consumables), cash in an amount equal to two weeks normal operating expenses of the Surgery Center (which amount shall be \$280,000) (the "Surgery Center Cash"), accounts receivable (whether recorded or unrecorded on ESP's books or assigned for collection), deposits, prepaid expenses, contract rights, other current assets, warranties, bonds, guaranties, goodwill, trade names (including without limitation the trade name "The Effingham Ambulatory Surgery Center"), licenses, the original certificate of need for the Surgery Center and all modifications, computer software, books and records relating to the Surgery Center (including without limitation accounts receivable records, personnel files and patient records) and all other intangible assets relating to the development and operations of the Surgery Center.

3.4 Surgery Center Assets. Except as described in the Disclosure Schedules, the Surgery Center Assets (including leased assets) constitute all of the material rights, properties and assets currently in existence that are being used in connection with the business of the Surgery Center. The Surgery Center Assets are in good working condition, subject to normal wear and tear. ESP has good title to the Surgery Center Assets (including title to leasehold interests as to any of the Surgery Center Assets that are leased by ESP).

3.5 Financial Statements. The Disclosure Schedules shall contain copies of the following financial statements of ESP: (a) unaudited balance sheet (the "Balance Sheet") as of October 31, 2012 (the "Balance Sheet Date"); (b) unaudited statement of operations for the ten month period ended on the Balance Sheet Date; and (c) unaudited balance sheet and statement of operations as of and for the year ended December 31, 2011. Such financial statements have been prepared in accordance with cash basis accounting principles consistently applied and the Balance Sheet presents fairly the financial condition of ESP as of the Balance Sheet Date. The Balance Sheet does not exclude any material asset or omit to state any material liability, absolute or contingent, or other material fact, that is required under generally accepted accounting principles to be included therein.

3.6 Material Contracts. ESP will deliver to Buyer a complete and accurate list (as disclosed in the Disclosure Schedules) of all of the material contracts, equipment leases and instruments of ESP, including but not limited to contracts with health maintenance organizations, insurance companies, employers or other third party payors, equipment leases,

sales agency agreements, contracts with municipalities and labor organizations, agreements with any member of the medical staff of the Surgery Center, loan agreements, leases, supply contracts, service agreements, employment and consulting contracts and equipment purchase agreements. No contract, equipment lease or instrument will be considered "material" if it involves a financial commitment for the remaining non-cancelable term of \$25,000 or less; provided, however, that any contract or arrangement in which any Seller, any family member, owner or affiliate of any Seller or any member of the medical staff of the Surgery Center (or any family member or affiliate of such medical staff member) has a direct or indirect interest shall be considered "material" for purposes of this Section 3.6 and all such contracts and arrangements are separately identified and listed on the Disclosure Schedules. ESP has previously delivered true and complete copies of such documents to Buyer. ESP has complied with all of its obligations under all such contracts, equipment leases and instruments, and no event has occurred or set of facts exists which constitutes a default by ESP, or which with the passage of time or the giving of notice or both would constitute a default by ESP, as to any such contract, equipment lease or commitment or which would permit the other party thereto to terminate such agreement, except for any such default which, individually or in the aggregate, will not adversely affect in any material way the financial condition, results of operation or business of the Surgery Center. Where applicable, the Disclosure Schedules accurately describes the relationship of each party to the contracts, equipment leases and instruments listed therein to ESP, any Seller, any Surgery Center medical staff member or any of their respective family members, owners or affiliates. Except as set forth in the Disclosure Schedules, no consent or waiver from any third party to any contract, equipment lease, instrument or commitment listed in the Disclosure Schedules is required as a result of the consummation of the transactions contemplated herein.

3.7 Liabilities of ESP; Tax Returns. The liabilities and obligations of ESP on the First Effective Date and Second Effective Date will include only: (a) liabilities reflected in the financial statements of ESP referenced in Section 3.5 and other current liabilities of the type set forth in the Balance Sheet of ESP that have been incurred in the ordinary course of business since the Balance Sheet Date, including normal trade accounts payable and employee benefit obligations; and (b) liabilities and obligations of ESP under existing contracts and equipment leases and instruments that are listed in the Disclosure Schedules (the "ESP Liabilities"). ESP has timely filed all tax returns and reports required to be filed by it relating to the Surgery Center, including without limitation all federal, state and local income, franchise and withholding tax returns and statements, and has paid in full all taxes and similar charges which have become due. There are no tax liens upon any property or assets of ESP relating to the Surgery Center. In addition, except as listed in the Disclosure Schedules, there will be no liabilities between ESP and any Seller.

3.8 Title to Transferred Units. Upon the transfer and sale of the Initial Transferred Units and Secondary Transferred Units to Buyer pursuant hereto, Buyer will acquire good title to each of the Initial Transferred Units and Secondary Transferred Units, respectively, subject to no mortgage, pledge, lien, security interest, encumbrance, option, prior rights or restriction of any nature whatsoever (other than restrictions imposed by the New Operating Agreement or by applicable state and federal securities laws).

3.9 Compensation and Benefits; Labor Matters. All current employees and consultants providing services to the Surgery Center are employed by ESP. A true and complete

list of all such employees and consultants and their current compensation arrangements will be set forth in the Disclosure Schedules. Except as expressly described in the Disclosure Schedules, there are no accrued but unpaid bonuses or other deferred compensation arrangements with any such employees or consultants. ESP does not have any collective bargaining agreement with any labor union and is not currently negotiating with a labor union. To ESP's knowledge, there are no threats of strike or work stoppages by any of the Surgery Center's employees. No Surgery Center employee has ever petitioned for a representation election. ESP has received no notice that any Surgery Center employee has ever filed with any governmental authority any claim or report asserting sexual harassment, age or racial discrimination or any violation of OSHA or similar state laws

3.10 Litigation and Proceedings. Except as described in the Disclosure Schedules, there are no legal claims, actions, suits, arbitrations or other legal, administrative or governmental proceedings pending or, to the knowledge of ESP, threatened against ESP, its properties, assets or business. ESP is not in default with respect to any judgment, order or decree of any court, governmental agency or instrumentality. The Disclosure Schedules will contain a complete and accurate description of the status of any matter covered thereby, and ESP carries adequate insurance to cover the costs, expenses and damages of each of the matters described therein. ESP and Sellers acknowledge that Buyer will not assume any liability or responsibility with respect to any matter described in the Disclosure Schedules.

3.11 Compliance with Law and Instruments. The business and operations of the Surgery Center have been and are being conducted in material compliance with all applicable laws, rules, regulations and licensing requirements of all authorities, including without limitation all applicable rules, regulations and licensing requirements under federal and Illinois law, the violation of which, individually or in the aggregate, could adversely affect in any material way the financial condition, results of operation or business of the Surgery Center. ESP is unaware of any facts which might form the basis for a claim that any such violation exists. Except for the matters described in the Disclosure Schedules, no governmental consent, review or other process is required in connection with the transfer of the Surgery Center Assets provided for herein or in order for the Surgery Center to continue its business following the consummation of the transactions contemplated hereby. The Surgery Center is authorized to receive (and has received) payments for procedures covered by Medicare and Medicaid. Except for normal Illinois Department of Health and Senior Services inspections (as to which there is no outstanding uncured deficiency), neither the U.S. Department of Health and Human Services nor any state agency has conducted or has given ESP any notice that it intends to conduct any audit or other review of ESP's participation in the Medicare and Medicaid programs, and no such audit or review would result in any material liability by ESP for any reimbursement, penalty or interest with respect to payments received by ESP thereunder.

3.12 Absence of Specified Changes. Since the Balance Sheet Date, except for the transactions provided for herein and except as set forth in the Disclosure Schedules, there has not been: (a) any transaction by ESP except in the ordinary course of business; (b) any capital expenditure by ESP in excess of \$25,000; (c) any cancellation of any debt or claim or waiver of any right of substantial value (except as provided for in this Agreement); (d) any material change in the quantity or quality of the equipment, surgical instruments or supplies included in the Surgery Center Assets, except for changes due to ordinary wear and tear and changes in

quantities of supplies in the ordinary course of business; (e) any destruction, damage to or loss of any of the Surgery Center Assets, whether or not covered by insurance; (f) any mortgage, pledge or other encumbrance of the Surgery Center Assets; (g) any increases in salaries or benefits to employees or independent contractors of ESP (other than previously scheduled annual increases in accordance with ESP's past practices); (h) any material amendments to existing material contracts or any material new contracts, other than in the ordinary course of ESP's business; (i) any sale, transfer or disposition of any material Surgery Center Assets; (j) any distribution to the members of ESP, or redemption of any equity interest in ESP; (k) any indebtedness incurred that has not been approved in writing by Buyer; (l) any written or oral communication from any third party payor that accounted for more than 5% of ESP's net revenues in 2011 or the ten month period ended on October 31, 2012 that such payor intends to discontinue or substantially reduce its utilization of the Surgery Center; (m) any change in the Surgery Center's policies and practices relating to the collection of accounts receivable and the payment of all trade payables and other liabilities; or (n) any agreement by ESP to do any of the things described in this Section 3.12.

3.13 The Real Property. The Real Property is currently owned by Landlord and is leased by ESP from Landlord pursuant to that certain Lease Agreement dated as of June 13, 2012 (the "Lease"). To Sellers' knowledge, no person or entity other than ESP has any option or right of first refusal to purchase, occupy, lease or rent the Real Property or any portion thereof. In addition, ESP and Sellers make the following representations and warranties regarding the Real Property:

(a) The Lease is in full force and effect and constitutes the valid and binding agreement of the parties thereto. Neither ESP nor, to the knowledge of ESP, Landlord is in default under the Lease and no event or condition has occurred or exists which, with the passage of time, the giving of notice or both, would cause either ESP or (to the knowledge of ESP) Landlord to be in default thereunder.

(b) The improvements located on the Real Property have been approved by all government authorities having jurisdiction. A certificate of occupancy and all licenses, permits, authorizations and approvals required by all governmental authorities having jurisdiction have been issued for such improvements and, as of and immediately after the First Closing, all of the foregoing will be in full force and effect.

(c) All utilities required for the operation of the Surgery Center by ESP are installed and operating, all installation and connection charges have been paid in full.

(d) No zoning, building, flood control, fire, safety, toxic materials, hazardous waste or any other law, ordinance, code, order, regulation or restriction is violated in any material respect by the continuing operation or use of the Surgery Center in a manner consistent with past practices.

(e) There are no material structural defects in any of the improvements located on the Real Property that the Landlord would not be responsible for repairing pursuant to the Lease. The heating, electrical, plumbing and drainage systems at or servicing the Real Property and all facilities and equipment relating thereto are in good working condition and repair in all material respects insofar as the Landlord is not responsible for maintaining or

repairing pursuant to the Lease, and, together with the other Surgery Center Assets, the Real Property is adequate for the business of the Surgery Center.

(f) No portion of the Real Property is subject to or affected by any special assessment, whether or not such special assessment constitutes a lien on the Real Property. ESP has provided Buyer with complete copies of all property tax statements for the current year.

(g) To the best of ESP's knowledge, there are adequate means of ingress and egress for vehicular and pedestrian traffic to and from the Real Property and each adjoining street, road or highway. To the best of ESP's knowledge, there are adequate parking facilities to serve the Surgery Center's current needs without the necessity of building or leasing any additional facilities or space, and the number of parking spaces that is available for the Surgery Center complies with all applicable ordinances, statutes and regulations.

(h) No Hazardous Materials, toxic substances or related materials have been generated, released, discharged, stored, handled or disposed of on, under, in or about the Real Property by ESP or any of its affiliates except in compliance with all federal, state and local health, safety, building, fire control, environmental, toxic materials and hazardous waste laws, ordinances, orders, regulations and restrictive covenants. The term "Hazardous Materials" shall mean any substance, material or waste which is or becomes regulated by any state or local governmental authority or the United States Government, including but not limited to any material or substance which is (i) petroleum, (ii) asbestos, (iii) polychlorinated byphenyls, (iv) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. §1251 et seq. (33 U.S.C. §1321) or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. §1317), (v) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. §6901 et seq. (42 U.S.C. §6903), or (vi) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §9601 et seq. (42 U.S.C. §9601).

(i) To the best of ESP's knowledge, the Real Property is not located in a state or federally designated flood hazard area.

3.14 Environmental Matters. ESP and the Surgery Center are in compliance with all federal, state and local environmental laws, rules, regulations, standards and requirements, including without limitation those respecting the generation, handling, storage and disposition of hazardous or biomedical materials and/or waste, including without limitation the Medical Waste Tracking Act of 1988, 42 U.S.C. § 6992, et seq., and the National Institute for Occupational Self-Safety and Health Infectious Waste Disposal Guidelines, Publication No. 88-119 of the U.S. Department of Health and Human Services. ESP has not received any written communication, whether from a governmental authority, citizen's group, employee or otherwise, that alleges that ESP or the Surgery Center is not in full compliance with all environmental laws, rules, regulations, standards and requirements.

3.15 Billing Practices; Accounts Receivables. ESP's billing practices are in compliance with all federal and state laws (including all insurance laws and regulations) and, where applicable, all contracts with insurance companies, health maintenance organizations and other third party payors. All of ESP's accounts receivable are and will be valid and enforceable

claims and are not and will not be subject to any defenses, offsets, claims or counterclaims asserted by third party payors, except for contractual allowances, discounts and refunds in accordance with the ordinary course of ESP's business as conducted on and prior to the Balance Sheet Date. Although ESP knows of no reason why such accounts receivable will not be collected on a timely basis, ESP is not guaranteeing the collectability of such accounts receivable

3.16 Retirement Plans and ERISA Compliance. Except for the plan that will be described in the Disclosure Schedules (the "Plan"), ESP does not now maintain or participate in and has never maintained or participated in any pension, profit sharing or retirement plan, nor does it otherwise participate in, nor has it ever otherwise participated in, any multi-employer pension or retirement plan. Buyer will not incur any obligation or liability under or relating to the Plan as a result of the transactions contemplated by this Agreement, or otherwise. The terms of the Plan are, and the Plan has been administered, in compliance with the requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and (where applicable) the Internal Revenue Code. There are no pending or anticipated material claims against or otherwise involving the Plan. To the extent any employee benefit programs (including health and other insurance plans) maintained by ESP for its employees are subject to ERISA, such programs have been maintained and funded (including all disclosure and reporting requirements) in compliance with ERISA.

3.17 Medical Staff Matters. ESP has heretofore delivered to Buyer true and complete copies of the bylaws and rules and regulations of the medical staff of the Surgery Center. With regard to the medical staff of the Surgery Center, there are no pending or, to ESP's knowledge, threatened disputes with applicants, staff members or health professional affiliates, and all appeal periods in respect of any medical staff member or applicant against whom an adverse action has been taken have expired. ESP has provided Buyer with a written description of all adverse actions taken against medical staff members or applicants within the past two years.

3.18 Insurance Policies. ESP has insurance policies covering general liability, property damage and medical malpractice for all acts and occurrences prior to the First Closing Date. Such medical malpractice insurance coverage has or will have coverage limits of at least \$1,000,000 per occurrence and \$3,000,000 in the aggregate. All such insurance policies are now and through the First Closing will be in full force and effect with no premium arrearages. ESP is not in default with respect to any provision contained in any such policy and has not failed to give any notice or present any claim required by the terms of any such policy in a due and timely fashion.

3.19 No Finders or Brokers. As a result of any act or failure to act by ESP or any Seller or any of their respective officers, members, partners, shareholders, trustees, beneficiaries or other affiliates, no person or entity has, or as a result of the transactions contemplated hereby will have, any right, interest or claim against or upon Buyer, ESP or any of their affiliates for any commission, fee or other compensation as a finder, broker or in any similar capacity.

3.20 Untrue Statements. This Agreement and the Disclosure Schedules do not and will not include any untrue statement of a material fact by ESP.

As used in this Agreement, "to the knowledge of ESP" and similar phrases shall mean all matters reflected in any documents or files in the possession of ESP and SCD and the actual knowledge after due inquiry of Jeany Roberts, who is the Administrator of the Surgery Center.

4. REPRESENTATIONS AND WARRANTIES OF BUYER.

Buyer represents and warrants to ESP and Sellers as follows:

4.1 Existence and Good Standing. Buyer has been duly organized and is validly existing and in good standing under the laws of the State of Illinois.

4.2 Due Authorization. The execution, delivery and performance of this Agreement and the other documents and agreements provided for herein by Buyer have been duly authorized by all requisite action of the board of directors and (where applicable) the owner of Buyer, and no further action is necessary to make this Agreement and such other documents and agreements valid and binding upon Buyer in accordance with their respective terms.

4.3 Compliance with Contracts and Instruments. No provision exists in any agreement to which Buyer is a party or by which its assets are bound, or in its articles of organization, which would be violated by the execution, delivery or consummation of this Agreement or the transactions contemplated hereby.

4.4 No Finders or Brokers. As a result of any act or failure to act by Buyer or any of its affiliates, no person, firm or corporation has, or as a result of the transactions contemplated hereby will have, any right, interest or valid claim upon ESP or any Seller for any commission, fee or other compensation as a finder, broker or in any similar capacity.

4.5 Investment Intent. Buyer acknowledges that the Initial Transferred Units and Secondary Transferred Units will be sold to Buyer pursuant to exemptions from registration under the federal Securities Act of 1933 and the state securities laws of the State of Illinois. Buyer is acquiring such equity interests for investment only, and has no present intent to distribute, resell, pledge or otherwise dispose of the Initial Transferred Units or Secondary Transferred Units other than in transactions that are also exempt from such registration requirements and which will not affect the applicability of the exemptions relied upon by Sellers in selling the Initial Transferred Units or Secondary Transferred Units to Buyer as described above..

4.6 Litigation and Proceedings. There are no legal claims, actions, suits, arbitrations or other legal, administrative or governmental proceedings pending or, to the knowledge of Buyer, threatened against Buyer, its properties, assets or business, and to the knowledge of Buyer, no facts exists which might be reasonably expected to form the basis for any such claim, action, suit or other proceeding. Buyer is not in default with respect to any judgment, order or decree of any court, governmental agency or instrumentality.

4.7 Untrue Statements. This Agreement does not and will not include any untrue statement of a material fact by Buyer.

5. PRE-CLOSING COVENANTS.

5.1 **Due Diligence.** From the date hereof until the Second Closing or the termination of this Agreement, ESP will afford officers and authorized representatives of Buyer with reasonable access to all financial, operational and statistical books and records of ESP and SCD relating to the Surgery Center and access to the employees and medical staff members of the Surgery Center, and ESP shall permit Buyer to conduct physical inspections of the Surgery Center and to interview such medical staff members at such time or times as will not unreasonably interfere with customary delivery of care to patients. No such inspection or other action by Buyer shall affect the obligations of ESP and Sellers under Section 3 hereof or the right of Buyer to rely on the representations and warranties of ESP and Sellers set forth in said Section 3.

5.2 **Continuation of Business.** Except as otherwise expressly contemplated hereby or as may be necessary to effect the transactions provided for herein, from the date hereof until the Second Closing Date, ESP shall use reasonable efforts to:

(a) conduct its business only in the usual and ordinary course as it has previously been conducted, including without limitation its policies and practices relating to the collection of accounts receivable and the payment of all trade payables and other liabilities, and not introduce any new methods of management, operations or accounting, without Buyer's prior written consent;

(b) maintain the Surgery Center Assets in as good working order and condition as at present, ordinary wear and tear excepted;

(c) perform all of its obligations under agreements relating to or affecting the Surgery Center or the Surgery Center Assets;

(d) keep in full force and effect the currently effective insurance policies or other comparable insurance coverage; and

(e) consistent with prudent business practices, maintain and preserve its business organizations intact, retain its present employees and maintain its relationships with its employees, third party payors, medical staff, suppliers and others having business relations with it.

5.3 **Transactions Requiring Consent.** Except as otherwise expressly contemplated hereby or as may be necessary to effect the transactions contemplated hereby, from the date hereof until the Second Closing Date, without Buyer's prior written consent, ESP shall not:

(a) sell, transfer, convey or otherwise remove any of the Surgery Center Assets, except in the ordinary course of business;

(b) enter into any material contract or commitment or make any capital expenditure with respect to the Surgery Center or the Surgery Center Assets;

(c) create or assume any mortgage, pledge or other lien or encumbrance upon any Surgery Center Asset, whether now owned or hereafter acquired;

(d) make any loan;

(e) incur or agree to incur any liability or debt other than normal trade payables;

(f) prepay any debt or obligation prior to its stated maturity (except pursuant to an existing amortization payment schedule) or make any distribution to its members;

(g) amend any material contract or change any employee compensation, except normal annual salary increases implemented in accordance with ESP's past practices; or

(h) fail to pay any obligation in a timely manner as it comes due unless such obligation has been offset with the permission of the applicable lender.

5.4 Performance Covenant. Each party hereto covenants and agrees that it will take all action reasonably within its power and authority to duly and timely carry out all of its obligations hereunder, to perform and comply with all of the covenants, agreements, representations and warranties hereunder applicable to it and to cause all conditions to the obligations of the other parties to complete the First Closing and Second Closing to be satisfied as promptly as possible.

5.5 Costs of Agreement. Each party hereto agrees to bear all of its own expenses incurred in preparing or complying with this Agreement, including without limitation all legal and accounting expenses and fees. None of such fees shall be charged to or paid by ESP on or after the First Effective Date, except that the filing fees and other fees of Polsinelli Shughart PC relating to obtaining the Certificate of Need permit described in Section 7.8 shall be borne by ESP and the Buyer shall reimbursed for any such fees paid by the Buyer.

5.6 Governmental Approvals. ESP shall assist and cooperate with Buyer and its representatives and counsel in obtaining all governmental consents, approvals and licenses which Buyer deems necessary or appropriate, including without limitation the Certificate of Need referred to in Section 7.8 and in preparing any document or other materials which may be required by any governmental agency as a predicate to or as a result of the transactions contemplated herein.

5.7 No-Shop Clause. From and after the date of the execution and delivery of this Agreement by ESP and, if the transactions contemplated hereby are not consummated, until the termination of this Agreement, neither ESP nor any Seller will, without the prior written consent of Buyer (which may be withheld at Buyer's sole discretion), (a) offer for sale the Surgery Center Assets (or any material portion thereof) or any ownership interest in ESP, (b) solicit offers to buy all or any material portion of the Surgery Center Assets or any ownership interest in ESP, (c) hold discussions with any party (other than Buyer) looking toward such an offer or solicitation or looking toward a merger or consolidation of ESP or (d) enter into any letter of intent or agreement with any party (other than Buyer) with respect to the sale or other

disposition of the Surgery Center Assets (or any material portion thereof) or any ownership interest in ESP or with respect to any merger, consolidation or similar transaction involving ESP.

5.8 Interim Operating Reports. During the period from the date of this Agreement until the Second Closing, ESP shall cause the management personnel of the Surgery Center (a) to confer on a regular and frequent basis with one or more representatives of Buyer to report material operational matters relating to the Surgery Center and to report the general status of on-going operations, (b) to notify Buyer in writing of any material adverse change in the financial position or earnings of the Surgery Center, any unexpected emergency or other unanticipated change in the business of the Surgery Center, any governmental complaints, investigations or hearings or adjudicatory proceedings (or communications indicating that the same may be contemplated) or any litigation, arbitration or other such matter that has been filed or threatened against the Surgery Center or ESP and (c) to keep Buyer fully informed of such events and permit its representatives to participate in all discussions relating thereto. On or before the 15th business day following the end of each calendar month, ESP shall provide Buyer with an unaudited balance sheet and income statement of ESP which reflects the operations of the Surgery Center for such month, which interim financial statements shall be prepared in a manner consistent with the policies and practices heretofore used by ESP in the preparation of its interim financial statements.

5.9 Disclosure Schedules. Sellers agree that they will deliver the disclosure schedules referred to in this Agreement (the "Disclosure Schedules") to Buyer no later than 15 days prior to the First Closing Date. If Buyer does not object to any disclosures made within the Disclosure Schedules within 10 days from the receipt of the Disclosure Schedules, the Disclosure Schedules shall be deemed final and accepted by Buyer. Should Buyer object to any disclosure contained in the Disclosure Schedules, the Disclosure Schedules will be deemed rejected by Buyer, and Seller shall have 10 days from the date of Buyer's objection to update the Disclosure Schedules and resubmit them to Buyer. Buyer shall then have five days from the receipt of the updated Disclosure Schedules to either accept the updated Disclosure Schedules or reject them. Should Buyer object to the updated Disclosure Schedules, (a) Buyer and Sellers may mutually agree to revise this Agreement; or (b) Buyer, in Buyer's sole discretion, may elect either to terminate the Agreement. Sellers shall be required to provide Buyer with an updated draft of the Disclosure Schedules ("Updated Disclosure Schedules") no later than 15 days prior to the Second Closing. The Updated Disclosure Schedules shall contain disclosures based on the representations and warranties contained in this Agreement as if all such representations and warranties were being made as of the Second Closing Date.

6. CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYER AS OF THE FIRST CLOSING.

The obligation of Buyer to complete the First Closing is at the option of Buyer, subject to the satisfaction, on or prior to the First Closing Date, of the following conditions:

6.1 Accuracy of Representations and Warranties. The representations and warranties of ESP and Sellers contained in this Agreement shall be true in all material respects on and as of the First Closing Date with the same effect as though such representations and warranties had been made on and as of the First Closing Date. All of the agreements of ESP and Sellers to be performed on or before the First Closing Date pursuant to the terms hereof shall

have been performed in all material respects. ESP shall have delivered to Buyer (a) certified copies of all resolutions of the governing board and members of ESP and SCD approving or otherwise relating to this Agreement and the transactions contemplated hereby and (b) any other evidence reasonably requested by Buyer with respect to the authorization of this Agreement and the transactions contemplated hereby by ESP and each of the other Sellers (if any) that is not an individual. ESP shall deliver to Buyer an officer's certificate certifying as to its compliance with this Section 6.1.

6.2 Action Restraining or Affecting Transaction. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase of the Initial Transferred Interests by Buyer, or which in the opinion of Buyer may otherwise materially and adversely affect the Surgery Center Assets, and no third party or governmental agency or body shall have taken or threatened any action with respect to the Surgery Center Assets or the transactions contemplated hereby as a result of which Buyer deems it inadvisable to proceed with the transactions contemplated hereunder.

6.3 Material Changes. The Surgery Center Assets shall have not suffered any change, loss or damage since the Balance Sheet Date which materially and adversely affects or impairs the operations or prospects of the Surgery Center. The financial condition, business (including caseload levels) and prospects of the Surgery Center shall not have suffered any material adverse change from that reflected in the financial statements referred to in Section 3.5.

6.4 Legal Matters. All actions, proceedings, instruments and documents required or incidental to carrying out this Agreement and all other related legal matters shall have been approved by counsel for Buyer, which approval shall not be unreasonably withheld.

6.5 Governmental Permits. ESP shall have obtained all licenses, certificates, permits and rulings of, and submitted all notices to, all governmental authorities (and any waiting periods shall have expired in connection therewith) that may be required at or prior to the acquisition and the operation of the business of the Surgery Center by ESP, including without limitation those described in the Disclosure Schedules.

6.6 Consents, Approvals or Authorizations.

(a) All consents, approvals or authorizations with respect to the assignment of any lease, contract, agreement or other instrument or obligation which may be necessary to consummate the transactions provided for herein shall have been obtained.

(b) Notwithstanding the foregoing, the parties hereto acknowledge and agree that it will not be necessary and, accordingly, no party will be obligated to seek the consent of any health maintenance organization, insurance company, managed care organization or other third party payor (the "Insurance Plans") with respect to the transactions contemplated herein.

6.7 Assignment of Transferred Interests. Each Seller shall have (i) executed and delivered to Buyer the Transferred Interests Assignment Form, in the form attached hereto as Exhibit 6, transferring the Initial Transferred Units to be sold by such Seller to Buyer and (ii) executed and delivered to ESP's attorney the Transferred Interest Assignment Form, in the form attached hereto as Exhibit 6, transferring the Secondary Transferred Units to be sold by

such Seller to Buyer, with irrevocable instructions to deliver such form to Buyer immediately following the receipt by Buyer of the Certificate of Need permit referred to in Section 7.8 and the payment of the Secondary Purchase Price to such Seller.

6.8 New Operating Agreement. Each of the Sellers shall have executed (or otherwise agreed to be bound by) the New Operating Agreement.

6.9 Number of Sellers. The total number of the members of ESP who shall have entered into this Agreement as a Seller, as evidenced by their signature on the signature page of this Agreement, shall be reasonably satisfactory to Buyer.

6.10 Administrative Services Agreement. All existing management and consulting agreements relating to the management of the Surgery Center shall have been terminated as of the Initial Effective Date. In addition, Buyer and ESP shall have entered into the Administrative Services Agreement, pursuant to which Buyer shall provide day-to-day management of the Surgery Center for ESP.

6.10 Amendment of Lease. Landlord shall have executed and delivered to ESP an Amendment of Lease, in the form attached hereto as Exhibit 5.

6.11 Disclosure Schedules. Sellers shall have delivered to Buyer and Buyer shall have accepted the Disclosure Schedules in accordance with the terms of Section 5.9.

6.12 USPI Board Approval. The Board of Directors of USPI shall have approved the Agreement and the transactions contemplated thereby.

6.13 Anesthesia Arrangements. If requested by Buyer, a plan to reorganize the Surgery Center's current anesthesia arrangement shall have been approved by Buyer and ESP.

7. CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYER AS OF SECOND CLOSING.

The obligation of Buyer to complete the Second Closing is at the option of Buyer, subject to the satisfaction, on or prior to the Second Closing Date, of the following conditions:

7.1 Accuracy of Representations and Warranties. The representations and warranties of ESP and Sellers contained in this Agreement shall be true in all material respects on and as of the Second Closing Date with the same effect as though such representations and warranties had been made on and as of the Second Closing Date. All of the agreements of ESP and Sellers to be performed on or before the Second Closing Date pursuant to the terms hereof shall have been performed in all material respects. ESP shall deliver to Buyer an officer's certificate certifying as to its compliance with this Section 7.1.

7.2 Action Restraining or Affecting Transaction. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase of the Secondary Transferred Interests by Buyer, or which in the opinion of Buyer may otherwise materially and adversely affect the Surgery Center Assets,

and no third party or governmental agency or body shall have taken or threatened any action with respect to the Surgery Center Assets or the transactions contemplated hereby as a result of which Buyer deems it inadvisable to proceed with the transactions contemplated hereunder.

7.3 **Material Changes.** The Surgery Center Assets shall have not suffered any change, loss or damage since the Balance Sheet Date which materially and adversely affects or impairs the operations or prospects of the Surgery Center. The financial condition, business (including caseload levels) and prospects of the Surgery Center shall not have suffered any material adverse change from that reflected in the financial statements referred to in Section 3.5.

7.4 **Legal Matters.** All actions, proceedings, instruments and documents required or incidental to carrying out this Agreement and all other related legal matters shall have been approved by counsel for Buyer, which approval shall not be unreasonably withheld.

7.5 **Assignment of Secondary Transferred Interests.** Seller's counsel shall have delivered to Buyer the Transferred Interests Assignment Forms, delivered by the Sellers pursuant to Section 6.7.

7.6 **Amendment to New Operating Agreement.** Each of the Sellers shall have executed an amendment to the New Operating Agreement authorizing the issuance of the Secondary Transferred Interests to Buyer.

7.7 **Disclosure Schedules.** Sellers shall have delivered to Buyer and Buyer shall have accepted the updated Disclosure Schedules in accordance with the terms of Section 5.9.

7.8 **Certificate of Need Permit.** Buyer and USP shall have obtained a Certificate of Need permit for the change of ownership contemplated hereby from the Illinois Health Facilities and Services Review Board.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF ESP AND SELLERS AS OF THE FIRST CLOSING.

The obligations of ESP and Sellers to consummate the sale of Initial Transferred Interest are, at the option of ESP, subject to the satisfaction, on or prior to the First Closing Date, of the following conditions:

8.1 **Accuracy of Representations and Warranties.** The representations and warranties of Buyer contained in this Agreement shall be true in all material respects as of the First Closing Date as though such representations and warranties had been made at and as of the First Closing Date. All of the agreements of Buyer to be performed by Buyer on or before the First Closing Date shall have been duly performed in all material respects. Buyer shall deliver to ESP an officer's certificate certifying as to its compliance with this Section 8.1 and Buyer's authorization to engage in the transactions contemplated by this Agreement.

8.2 **Action Restraining or Affecting Transaction.** No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase of the Initial Transferred Interests by Buyer, or which in the

opinion of ESP may otherwise materially and adversely affect the Surgery Center Assets, and no third party or governmental agency or body shall have taken or threatened any action with respect to the Surgery Center Assets or the transactions contemplated hereby as a result of which ESP deems it inadvisable to proceed with the transactions contemplated hereunder.

8.3 Legal Matters. All actions, proceedings, instruments and documents required or incidental to carrying out this Agreement and all other related legal matters shall have been approved by counsel for ESP, which approval shall not be unreasonably withheld.

8.4 Receipt of Consideration. Buyer shall have delivered to Sellers their respective shares of the Initial Purchase Price at the First Closing, as described in Section 1.1(a).

8.5 Governmental Permits. ESP shall have obtained all licenses, certificates, permits and rulings of, and submitted all notices to, all governmental authorities (and any waiting period shall have expired in connection therewith) that may be required at or prior to the sale of the Initial Transferred Interests to Buyer.

8.6 Consents, Approvals or Authorizations. Buyer shall have obtained or waived the requirement to obtain all consents, approvals or authorizations with respect to any lease, contract, agreement, or other instrument or obligation which may be necessary to consummate the transactions provided for herein. In the event Buyer waives the requirement to obtain any necessary consent, ESP shall have no responsibility with respect to the failure to obtain such consent.

8.8 Assignment and Assumption of Partnership Units. Buyer shall have executed and delivered to ESP the Initial Transferred Interests Assignment Form, referred to in Section 6.7 which shall acknowledge the assignment of the Initial Transferred Units to Buyer and Buyer's agreement to be bound by the New Operating Agreement.

8.9 Amendment of Lease. Landlord shall have executed and delivered to ESP the Amendment of Lease referred to in Section 6.10.

8.10 Insurance Coverage for Pre-Closing Date Malpractice Claims. Buyer shall have provided to ESP evidence of "retroactive" malpractice insurance coverage obtained on behalf of the Surgery Center under the master insurance policies of USPI that will be in place as of the Initial Effective Date (by USPI purchasing an endorsement providing for retroactive coverage for the Surgery Center). The cost for such insurance coverage shall be borne by ESP and shall be deducted from the Initial Purchase Price as described in Exhibit 1. ESP and the Sellers acknowledge and agree that they shall be responsible for payment of all deductibles, non-covered claims and claims exceeding coverage relating to said "retroactive" insurance.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF ESP AND SELLERS AS OF THE SECOND CLOSING.

The obligations of ESP and Sellers to consummate the sale of the Secondary Transferred Interest are subject to (i) Buyer's receipt of the Certificate of Need permit as described in Section 7.8 and (ii) Seller's receipt of the Secondary Purchase Price.

and no third party or governmental agency or body shall have taken or threatened any action with respect to the Surgery Center Assets or the transactions contemplated hereby as a result of which Buyer deems it inadvisable to proceed with the transactions contemplated hereunder.

7.3 **Material Changes.** The Surgery Center Assets shall have not suffered any change, loss or damage since the Balance Sheet Date which materially and adversely affects or impairs the operations or prospects of the Surgery Center. The financial condition, business (including caseload levels) and prospects of the Surgery Center shall not have suffered any material adverse change from that reflected in the financial statements referred to in Section 3.5.

7.4 **Legal Matters.** All actions, proceedings, instruments and documents required or incidental to carrying out this Agreement and all other related legal matters shall have been approved by counsel for Buyer, which approval shall not be unreasonably withheld.

7.5 **Assignment of Secondary Transferred Interests.** Seller's counsel shall have delivered to Buyer the Transferred Interests Assignment Forms, delivered by the Sellers pursuant to Section 6.7.

7.6 **Amendment to New Operating Agreement.** Each of the Sellers shall have executed an amendment to the New Operating Agreement authorizing the issuance of the Secondary Transferred Interests to Buyer.

7.7 **Disclosure Schedules.** Sellers shall have delivered to Buyer and Buyer shall have accepted the updated Disclosure Schedules in accordance with the terms of Section 5.9.

7.8 **Certificate of Need Permit.** Buyer and USP shall have obtained a Certificate of Need permit for the change of ownership contemplated hereby from the Illinois Health Facilities and Services Review Board.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF ESP AND SELLERS AS OF THE FIRST CLOSING.

The obligations of ESP and Sellers to consummate the sale of Initial Transferred Interest are, at the option of ESP, subject to the satisfaction, on or prior to the First Closing Date, of the following conditions:

8.1 **Accuracy of Representations and Warranties.** The representations and warranties of Buyer contained in this Agreement shall be true in all material respects as of the First Closing Date as though such representations and warranties had been made at and as of the First Closing Date. All of the agreements of Buyer to be performed by Buyer on or before the First Closing Date shall have been duly performed in all material respects. Buyer shall deliver to ESP an officer's certificate certifying as to its compliance with this Section 8.1 and Buyer's authorization to engage in the transactions contemplated by this Agreement.

8.2 **Action Restraining or Affecting Transaction.** No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the purchase of the Initial Transferred Interests by Buyer, or which in the

opinion of ESP may otherwise materially and adversely affect the Surgery Center Assets, and no third party or governmental agency or body shall have taken or threatened any action with respect to the Surgery Center Assets or the transactions contemplated hereby as a result of which ESP deems it inadvisable to proceed with the transactions contemplated hereunder.

8.3 Legal Matters. All actions, proceedings, instruments and documents required or incidental to carrying out this Agreement and all other related legal matters shall have been approved by counsel for ESP, which approval shall not be unreasonably withheld.

8.4 Receipt of Consideration. Buyer shall have delivered to Sellers their respective shares of the Initial Purchase Price at the First Closing, as described in Section 1.1(a).

8.5 Governmental Permits. ESP shall have obtained all licenses, certificates, permits and rulings of, and submitted all notices to, all governmental authorities (and any waiting period shall have expired in connection therewith) that may be required at or prior to the sale of the Initial Transferred Interests to Buyer.

8.6 Consents, Approvals or Authorizations. Buyer shall have obtained or waived the requirement to obtain all consents, approvals or authorizations with respect to any lease, contract, agreement, or other instrument or obligation which may be necessary to consummate the transactions provided for herein. In the event Buyer waives the requirement to obtain any necessary consent, ESP shall have no responsibility with respect to the failure to obtain such consent.

8.8 Assignment and Assumption of Partnership Units. Buyer shall have executed and delivered to ESP the Initial Transferred Interests Assignment Form, referred to in Section 6.7 which shall acknowledge the assignment of the Initial Transferred Units to Buyer and Buyer's agreement to be bound by the New Operating Agreement.

8.9 Amendment of Lease. Landlord shall have executed and delivered to ESP the Amendment of Lease referred to in Section 6.10.

8.10 Insurance Coverage for Pre-Closing Date Malpractice Claims. Buyer shall have provided to ESP evidence of "retroactive" malpractice insurance coverage obtained on behalf of the Surgery Center under the master insurance policies of USPI that will be in place as of the Initial Effective Date (by USPI purchasing an endorsement providing for retroactive coverage for the Surgery Center). The cost for such insurance coverage shall be borne by ESP and shall be deducted from the Initial Purchase Price as described in Exhibit 1. ESP and the Sellers acknowledge and agree that they shall be responsible for payment of all deductibles, non-covered claims and claims exceeding coverage relating to said "retroactive" insurance.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF ESP AND SELLERS AS OF THE SECOND CLOSING.

The obligations of ESP and Sellers to consummate the sale of the Secondary Transferred Interest are subject to (i) Buyer's receipt of the Certificate of Need permit as described in Section 7.8 and (ii) Seller's receipt of the Secondary Purchase Price.

10. POST-CLOSING COVENANTS.

10.1 Indemnification.

(a) Indemnification by Buyer and its Member. Buyer covenants and agrees that it will indemnify, defend and hold ESP and each Seller at all times harmless from and against any loss, damage and expense (including reasonable attorneys' fees and other costs of defense) caused by or arising out of or in connection with (i) any misrepresentation, breach of warranty or nonfulfillment of any agreement on the part of Buyer under this Agreement and (ii) to the extent of Buyer's percentage ownership interest in ESP, any liability or claim from a creditor that may arise from and after the First Closing Date.

(b) Indemnification of Buyer and New Company. Subject to the limitations expressly set forth in this Section 10.1(b) (including but not limited to restricting each individual Seller's indemnification obligations to the amount of the Purchase Price received by such Seller) each Seller covenants and agrees that they will indemnify, defend and hold Buyer and ESP at all times harmless, to the extent of each Seller's pro rata share, from and against any loss, damage or expense (including reasonable attorneys' fees and other costs of defense) caused by or arising out of or in connection with (i) any liability of ESP arising from events occurring prior to the First Closing Date (including without limitation any alleged liability arising out of the sale of any membership interests in ESP prior to the First Closing Date for a purchase price alleged to be less than fair market value at the time of such sale) or (ii) any misrepresentation, breach of warranty or nonfulfillment of any agreement on the part of ESP or any Seller under this Agreement; **provided, however, that** (A) as to any representation or warranty or covenant that relates only to a particular Seller, no other Seller shall have any liability or responsibility with respect thereto, (B) as to all other representations and warranties, Buyer shall not be entitled to make any claim for indemnification pursuant to subsection (ii) above (I) until the monetary value of all such claims (on a cumulative basis) exceeds \$25,000, in which event the Sellers shall be liable for the full monetary value of all such breaches (including the initial \$25,000), (II) at any time after the third anniversary of the Second Closing Date, except for (x) claims asserted in writing pursuant to this Section 10.1(b) prior to such third anniversary, (y) claims made with respect to any breach of Section 3.1, 3.2, 3.4 (last sentence only), 3.7, 3.8, 3.14, 3.16 or 3.19 and (z) claims relating to any liability that is not an ESP Liability, which shall remain the obligation of ESP at all times, or (III) that, when aggregated with all of the claims made pursuant to subsection (ii) would cause the total liability of any Seller thereunder to exceed the aggregate amount paid to such Seller pursuant to the terms of this Agreement, and (C) the indemnification obligations of the parties to this Section 10 shall be subject to the following:

(x) The amount of damages, losses, liabilities and expenses required to be paid by any party to indemnify any other party pursuant to this Section 10 shall be reduced to the extent of such indemnifying party's pro rata share of any amounts actually received by the indemnified party after the First Closing Date pursuant to the terms of insurance policies (if any) covering such claim; and

(y) The amount of damages, losses, liabilities and expenses required to be paid by any party to indemnify any other party pursuant to this Section 10 shall be reduced by such indemnifying party's pro rata share of the amount of any federal, state or local tax benefit actually realized by the indemnified party as a result of such claim.

Notwithstanding the foregoing, clauses (B) and (C) above shall not apply to the respective covenants of the parties set forth in Sections 10.2 through 10.7.

(c) **Procedure for Indemnification.** Any party that intends to enforce an indemnity obligation shall give the indemnifying party notice of any claim as soon as practicable. The failure to give such notice shall not constitute a waiver or release of the indemnifying party, but the obligation of the indemnifying party shall be reduced to the extent of any actual monetary prejudice resulting from the indemnified party's delay or failure to give any such notice. In the event such indemnification involves a claim by a third party, the indemnifying party shall have the right and obligation to conduct the defense of the claim through counsel selected by the indemnifying party and approved by the indemnified party (which approval shall not be unreasonably withheld), and the assertion of such right shall constitute an acknowledgment by the indemnifying party that such claim is an indemnifiable claim for which the indemnifying party is responsible under this Section 10.1. The indemnified party shall not voluntarily settle any such third party claim without a full release (without liability) of the indemnified party or the prior written approval of the indemnifying party, which approval shall not be unreasonably withheld.

(d) **Offset Right.** For purposes hereof, a "valid claim" shall be one that has been acknowledged by the party against whom the claim is made or, in the event of any dispute relating to an asserted claim, established pursuant to a final and binding ruling of a court or (if applicable) arbitrator. In order to assure payment of any valid claim that any party may have against another party pursuant to this Section 10.1, each party hereby agrees that ESP is authorized to pay any distributions that would otherwise be payable to the party that is liable for such valid claim to the claimant, as and to the extent necessary to pay any such valid claim. The foregoing right shall survive any transfer of any interest in ESP by such party to its owners, and the offset rights granted herein shall continue after any such transfer.

(e) **No Consequential Damages.** Any claims for losses under this Section 10.1 shall be limited to actual damages without any claim for any consequential, punitive or exemplary damages, and be net of any insurance proceeds or any other rights of payment which a damaged party receives from any third party (with the damaged party using commercially reasonable efforts to collect such payment).

10.2 Books and Records; Personnel. For a period of five years from the Second Closing Date:

(a) ESP shall not dispose of or destroy any of the material books and records included in the Surgery Center Assets relating to periods prior to the Initial Effective Date ("**Books and Records**") without first offering to turn over possession thereof to Sellers by written notice to Sellers at least 15 days prior to the proposed date of such disposition or destruction.

(b) ESP shall allow each Seller and their agents access to all Books and Records during normal working hours at the Surgery Center or at any location where any Books and Records are stored, and such parties shall have the right, at their expense, to make copies of any Books and Records; provided, however, that any such access or copying shall be (i)

subject to the execution of an appropriate confidentiality agreement and (ii) had or done in such a manner so as not to interfere with the normal conduct of ESP's and Buyer's businesses.

(c) ESP shall make available to each Seller upon written request (i) copies of any Books and Records, (ii) Buyer's and ESP's personnel to assist such parties in locating and obtaining any Books and Records and (iii) any of Buyer's or ESP's personnel whose assistance or participation is reasonably required by such parties or any of their affiliates in anticipation of, or in preparation for, any investigation, inquiry, pending or threatened litigation, tax or other matters in which any such party or any of its affiliates is involved; provided, however, that any such copying or assistance shall be had or done in such a manner so as not to interfere with the normal conduct of Buyer's and the ESP's businesses. The party making such request shall reimburse Buyer and ESP for the reasonable out-of-pocket expenses incurred by Buyer or ESP in performing the covenants contained in this Section 10.2.

10.3 Restrictive Covenants. ESP and each Seller (who, together with the direct or indirect owners and all trustees and beneficiaries of any Seller, are collectively referred to in this Section 10.3 as the "Covenantors" and, individually, as a "Covenantor") hereby agree, as to himself, herself or itself and not as to any other Covenantor, as follows:

(a) Until seven years after the Second Closing Date, or two years after such Covenantor ceases to directly or indirectly own any interest in ESP, whichever is later, such Covenantor will not own, acquire or have any ownership interest, direct or indirect (including without limitation ownership interests held by immediate family members of any Covenantor or trusts for the benefit of any Covenantor's immediate family members, provided that "immediate family member" as used in this parenthetical shall not include any children of the Covenantor who are surgeons), in any ambulatory surgery center, or in any other surgical facility located within a 20 mile radius of the Surgery Center (the "Non-Compete Area"), including without limitation any endoscopy or pain facility, outpatient surgery center, any hospital with surgical facilities, or any operating room or rooms in doctors' offices where surgical, gastroenterology or pain procedures are performed that are customarily performed in hospitals, endoscopy centers, pain facilities or outpatient surgical centers or for which a facility fee is charged, or in any other firm or entity that owns or operates such surgical center, endoscopy or pain facility, hospital or doctors' offices (including without limitation ownership interests in the medical practice of such Covenantor if any members of such practice perform any such procedures in the medical practice office space, notwithstanding whether such medical practice office space is leased or owned) within the Non-Compete Area; provided, however, that this subsection (a) shall not apply to (i) the ownership by any Covenantor of shares of a publicly held corporation owned indirectly through a publicly held mutual fund or purchased through a broker on an established stock exchange or the Nasdaq stock market at an original cost of not more than \$25,000 or owned indirectly through a publicly held mutual fund, (ii) the continuation of the practice of any Covenantor performing surgical procedures in his or her office (A) for which no separate facility fee, technical component, "tray fee" or "payment differential" (i.e. a professional fee that is greater than the professional fee that would be paid if the procedure were performed in the Surgery Center) is paid or charged, (B) that are the types of procedures that have been performed in such physician's office for at least the past 12 months prior to the Initial Effective Date and (C) that are not procedures that were performed in the Surgery Center by such Covenantor during the 12 month period prior to the Initial Effective Date, (iii) any Covenantor participating on any

hospital medical staff committees, offices or boards, so long as no compensation for services related directly to any such hospital's outpatient surgery facility or program is paid to such Covenantor, (iv) any Covenantor holding medical staff privileges or performing surgery at any ambulatory surgery center or other surgery center (v) the ownership interests in a competitive facility that are currently held by a Seller and disclosed in the Disclosure Schedules, (vi) the receipt by any Covenantor of compensation for their position as a Medical Director of a hospital so long as the compensation is not based on revenues or profits from outpatient surgery, (vii) the receipt of normal on-call coverage fees from a hospital, so long as the compensation is not based on revenues or profits from outpatient surgery, or (viii) arrangements, requirements or incentives relating to an out-of-network referral imposed by or shared savings payments or distributions from any accountable care organization, independent practice association, third party payor or provider network that do not include an allocation of profits from a hospital or ambulatory surgery center (other than the Surgery Center).

(b) During the period referred to in subsection (a) above, such Covenantor shall not: (i) be engaged as an employee, officer, director, agent, manager or consultant, or in any similar capacity, with any firm or entity in which Covenantor would not be permitted to have a financial interest pursuant to the provisions of subsection (a) above; (ii) influence or attempt to influence, either directly or indirectly, any physician, supplier, health care facility, preferred provider organization, health maintenance organization or other third party payor not to continue such person's or entity's relationship with the Surgery Center or Buyer or its affiliates; or (iii) solicit (other than solicitations in the form of general employment advertisements placed in newspapers or other publications of general circulation), induce or attempt to induce any employee, independent contractor, consultant, physician or any other person associated with the Surgery Center or Buyer or any of its affiliates to leave the employment of, or to otherwise discontinue his, her or its association with, the Surgery Center or Buyer or such affiliate.

(c) If this Section 10.3 is declared unenforceable in any judicial proceeding for being of too long a duration or covering too large a geographic area, then this Section 10.3 shall still be enforceable for such maximum period of time and within such geographic area as will make the provisions hereof enforceable.

(d) The Covenantors acknowledge that the rights and privileges granted to Buyer herein are of special and unique character, which gives them a peculiar value, the loss of which may not be reasonably or adequately compensated for by damages in an action at law, and that a breach by any Covenantor of this Section 10.3 will cause Buyer great and irreparable injury and damage. Accordingly, the Covenantors hereby agree that Buyer, together with its affiliate or any of them (including ESP), shall be entitled to remedies of injunction, specific performance or other equitable relief to prevent a breach of this Section 10.3. This provision shall not be construed as a waiver of any other rights or remedies which Buyer may have for damages or otherwise. In addition, if any Covenantor violates the non-competition covenant set forth in this Section 10.3, such Covenantor shall thereupon be deemed to have made an offer, to purchase the number of Total Transferred Units (the "Offered Units") sold by such Seller to Buyer. The purchase price for the Offered Units will be equal to the greater of (A) the amount paid by Buyer for the Offered Units or (B) the percentage interest in ESP represented by the Offered Units multiplied by an amount equal to seven times the earnings before interest,

taxes, depreciation and amortization ("EBITDA") of ESP for the most recently completed 12 months preceding the date of such breach, less the same percentage interest of the ESP's then outstanding indebtedness.

(e) Buyer may, in its sole discretion, waive any or all of the provisions of this Section 10.3, in whole or in part, as to any Covenantor. Any such waiver must be in writing and specifically refer to this Section 10.3.

(f) Notwithstanding the foregoing in Section 10.3, any breach of this Section 10.3 by any Covenantor shall not be deemed a violation of this Section 10.3 by any other Covenantor, but shall only be a breach by the Covenantor who violates this Section 10.3 and shall not subject any non-breaching Covenantor to any liability under this Agreement.

10.4 Post-Closing Accountings.

(a) Non-current Trade Payables.

(i) For purposes of this Section 10.4(a), ESP's "Non-current Trade Payables" shall mean all accounts payable of ESP that are not Current Trade Payables. As used herein, "Current Trade Payables" shall mean all trade payables of ESP that are outstanding in the ordinary course of business, that are not past due or delinquent, and that relate to invoices dated within 60 days prior to the First Effective Date, and which are due on or after the First Effective Date. Current Trade Payables shall not include any costs, fees or expenses, including without limitation those of attorneys, brokers or advisors, relating to the transactions contemplated by this Agreement.

(ii) ESP and Sellers authorize Buyer to pay from the Withheld Funds any of ESP's Non-current Trade Payables that were not fully paid at or prior to the First Closing. Within 60 days after the First Effective Date, Buyer shall provide SCD (who shall represent all Sellers for purposes of this Section 7.4(a)) with a schedule showing any payments made out of the Withheld Funds to satisfy ESP's outstanding Non-current Trade Payables.

(b) Surgery Center Cash. Within 60 days after the First Effective Date, ESP shall distribute any cash or cash equivalents that are in excess of the Surgery Center Cash to Sellers on a pro rata basis in accordance with their respective ownership interests in ESP held as of the First Closing Date. If ESP fails to contribute the full amount of the Surgery Center Cash pursuant to Section 1.1(a), Sellers authorize Buyer to contribute to ESP any shortfall in such Surgery Center Cash from the Withheld Funds.

(c) Unused Portion of Withheld Funds. Within 60 days after the Initial Effective Date (subject to delays caused by deficiencies in ESP's books and records relevant to the calculation of ESP's outstanding Non-current Trade Payables), Buyer shall pay to Sellers, on a pro rata basis in accordance with Column E of Exhibit I, any unused portion of the Withheld Funds.

10.5 Tax and Medicare Effects. None of the parties (or any such party's counsel or accountants) has made or is making any representation to any other party (or to such party's counsel or accountants) concerning any of the tax or Medicare effects of the transactions

provided for in this Agreement, and each party hereto represents that each has obtained, or will obtain, independent tax and Medicare advice with respect thereto and upon which it has and will solely rely; provided, however, that each party hereto agrees that it is valuing the tangible Surgery Center Assets at no greater than their net book value as shown on the books and records of ESP as of the First Closing Date.

10.6 Continuation of Employment of Surgery Center Personnel. Anything herein or in the Administrative Services Agreement to the contrary notwithstanding, the parties acknowledge and agree that, during the period from the First Effective Date until the effective date that USPI (or an affiliate of USPI) hires substantially all Surgery Center employees (as described below), ESP will continue to employ all Surgery Center employees under their current compensation arrangements and other terms of employment, including participation in the Plans. The parties hereto acknowledge and agree that (a) ESP shall not change any compensation or benefit program without Buyer's prior written consent and (b) effective no later than six months after the Second Closing Date (and effective as of the first day of a calendar month) and subject to USPI's (or its affiliate's) normal hiring and employment practices, procedures and conditions, including the practice of hiring employees at-will, USPI (or affiliate of USPI) shall hire (for the benefit of ESP) substantially all of the Surgery Center employees then employed by ESP pursuant to this Section 10.6 in accordance with the Administrative Services Agreement; provided, however, that the parties further acknowledge and agree that (x) all Surgery Center employees hired by USPI (or its affiliate) will be "at will" employees and (y) Surgery Center employees hired by USPI (or its affiliate) will be given credit for their time of service with the Surgery Center for purposes of USPI's (or its affiliate's) employee benefit plans.

10.7 Rollover of Employee Participation in Plans. Buyer agrees to facilitate the rollover of any and all funds and accounts held for the beneficiaries of any Plan who voluntarily elect to make such rollovers into one or more of the pension and/or profit sharing plans maintained by Buyer or its affiliates, as and to the extent such rollovers are permissible under applicable laws and regulations and the terms of Buyer's (or its affiliates') plans.

10.8 Assignment to Joint Venture. Buyer shall have the right to transfer its ownership interest in ESP to a joint venture that Buyer may form with a local non-profit, tax-exempt health system ("Joint Venture Partner"); provided, however, that (a) Buyer shall own at least 49% of any such joint venture and will remain as the manager under the Administrative Services Agreement referred to in Section 6.10 (except that Buyer may subcontract with its Joint Venture Partner to provide managed care contracting services) and (b) no such transfer shall be made without the approval of a majority in interest of ESP's members other than Buyer. Accordingly, if such a transfer occurs, ESP will be subject to the charity care and (if applicable) religious restrictions and other policies applicable to affiliates of tax-exempt charitable organizations. Specifically, if such a transfer occurs, both the New Operating Agreement of ESP and the Administrative Services Agreement will include provisions requiring ESP to provide health care services in a manner that furthers charitable purposes by promoting health for a broad cross-section of the community without regard to race, creed, national origin, gender, payor source or the ability to pay for the services and, in general, that furthers the charitable mission and tax-exempt purpose of Buyer's Joint Venture Partner.

10.9 Change to Anesthesia Arrangement Upon a Change in Law. Sellers agree that should there be any change in law (including without limitation changes in CMS regulations, case law and advisory opinions from governmental entities), from the date of the First Closing to the date that is 24 months after the Second Closing, which indicates that an ambulatory surgery center may not legally provide, bill for or participate in the profits related to anesthesia services, the Sellers (other than SCD) shall, within 30 days after written notice from Buyer that such a change of law has occurred, form a mutually agreed upon and compliant structure that can own and run the anesthesia business or, if that cannot legally be done, Buyer and Sellers shall cause ESP to sell the anesthesia business to a third party. If the anesthesia operations are sold to an entity in which Sellers (other than SCD) are owners, the Sellers (other than SCD) shall collectively pay the following amount to Buyer: \$2,327,509 minus \$27,114 for each month after Closing prior to such sale with the amount for any partial month being prorated. If the Sellers minus SCD cannot legally profit from the anesthesia operations and the anesthesia operations are sold by ESP to a third party in which Sellers are not owners, (a) SCD shall promptly pay to Buyer 60% of the following amount: \$2,327,509 minus 55% the sales price of the anesthesia service and minus \$27,114 for each month after Closing prior to such sale with the amount for any partial month being prorated and (b) Sellers (other than SCD) shall promptly pay to Buyer 40% of the following amount: \$2,327,509 minus 55% of any sale price collected by the center for anesthesia service minus \$27,114 for each month after Closing prior to such sale with the amount for any partial month being prorated.

11. TERMINATION.

11.1 By Mutual Consent. This Agreement may be terminated without further obligation of the parties at any time prior to First Closing by mutual consent of Buyer and ESP.

11.2 Damages. No party shall be liable in damages to any other party as a result of the failure to consummate the transactions contemplated by this Agreement unless such failure is caused by the material breach of such party of any of the terms of this Agreement.

11.3 Unilateral Termination. If, through no fault of or breach by a party hereto that desires to terminate this Agreement, the conditions precedent to the obligations of such party hereunder have not been met or waived and, therefore, the First Closing has not taken place by December 31, 2012, this Agreement may be unilaterally terminated by written notice given by either Buyer or ESP to the other parties.

12. ENTIRE AGREEMENT.

This Agreement sets forth the entire agreement and understanding of the parties with respect to the transactions contemplated hereby and supersedes all prior agreements, arrangements and understandings related to the subject matter hereof, including without limitation the Term Sheet, dated August 2012, heretofore signed by USPI and ESP.

13. NOTICES.

All notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when received if delivered personally, given by e-mail or other equivalent internet transmission, mailed

first class, postage prepaid, registered or certified mail, delivered by Federal Express or other courier service, or sent by facsimile or other online transmission system, as follows:

If to Buyer:

USP Effingham, Inc.
c/o United Surgical Partners International, Inc.
15305 Dallas Parkway, Suite 1600 - LB 28
Addison, Texas 75001
Attention: William H. Wilcox, Chief Executive Officer
Fax No.: (972) 267-0084

With a copy to:

Robert D. Mosher
Nossaman LLP
777 South Figueroa Street, 34th Floor
Los Angeles, California 90067
FAX No. (213) 612-7801
e-mail address: rmosher@nossaman.com

If to ESP, SCD or any other Seller:

c/o Surgical Center Development #3, L.L.C.
P.O. Box 617
Great Falls, Virginia 22066
Attention: Gregory George, M.D.
FAX No. (703) 757-8671
e-mail address: ggeorge@SurgCenter.com

With a copy to:

Alson R. Martin
Lathrop & Gage LLP
10851 Mastin Boulevard, Suite 1000
Overland Park, Kansas 66210-1669
FAX No. (913) 451-0875
e-mail address: amartin@lathropgage.com

14. GOVERNING LAW; INTERPRETATION; SECTION HEADINGS.

This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Illinois. The Section headings contained herein are for purposes of convenience only, and shall not be deemed to constitute a part of this Agreement or to affect the meaning or interpretation of this Agreement in any way.

15. GENERAL.

All of the terms, provisions, covenants, representations, warranties and conditions of this Agreement shall survive the consummation of the transactions provided for or contemplated herein only to the extent set forth herein and shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns. Except as otherwise expressly provided herein, this Agreement may be amended, modified, superseded or canceled, and any of the terms, provisions, covenants, representations, warranties or conditions hereof may be waived, only by a written instrument executed by ESP and Buyer or, in the case of a waiver, by the party waiving compliance. The failure of any party at any time or times to require performance of any provision hereof shall in no manner affect the right to enforce the same. No waiver by any party of any condition, or of the breach of any term, provision, covenant, representation or warranty contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach or a waiver of any other condition or of the breach of any other term, provision, covenant, representation or warranty. In the event that any one or more of the provisions of this Agreement shall be held or otherwise found to be invalid, illegal or unenforceable, all other provisions hereof shall be given effect separately there from and shall not be affected thereby, except for any requirement for Buyer to pay the Initial Purchase Price or Secondary Purchase Price. Except as expressly permitted by Section 9, none of the parties hereto shall assign any of its rights or obligations hereunder without the prior written consent of the other parties hereto. This Agreement is for the sole benefit of the undersigned parties hereto and is not for the benefit of any third party.

16. FURTHER ASSURANCES.

ESP and each Seller shall execute and deliver such other documents and instruments, and take such other actions, as Buyer may reasonably request in order more fully to vest and perfect in ESP all title and interest in and to the Total Transferred Interests intended to be conveyed hereby..

17. COUNTERPARTS.

Separate copies of this Agreement may be signed by the parties hereto, with the same effect as though all of the parties had signed one copy of this Agreement. Signatures received by facsimile shall be accepted as original signatures.

18. ATTORNEYS' FEES

In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party to such litigation, as determined by the court in any final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by the successful party or parties (including without limitation such costs, expenses and fees on any appeal or in connection with any bankruptcy proceeding), and if the successful party recovers judgment in any such action or proceeding, the costs, expenses and attorneys' fees shall be included in and as part of such judgment.

19. WAIVER OF JURY TRIAL.

Each party hereto hereby irrevocably and unconditionally waives trial by jury in connection with any action or proceeding instituted under or relating to this Agreement, or any other document executed pursuant hereto, or in connection with any counterclaim resulting from any such action or proceeding.

20. INTERPRETATION OF AGREEMENT.

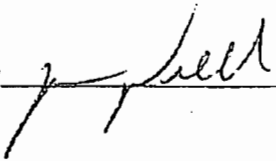
The parties hereto acknowledge and agree that this Agreement has been negotiated at arm's length and among the parties equally sophisticated and knowledgeable in the matters dealt with in this Agreement. Accordingly, any rule of law or legal decision that would require interpretation of any ambiguities in this Agreement against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the intent of the parties as set forth in this Agreement.

[Signatures on next pages]

IN WITNESS WHEREOF, the parties hereto have executed this Contribution and Purchase Agreement as of the day and year first above written.

BUYER:

USP EFFINGHAM, INC.

By 

ESP:

EFFINGHAM SURGICAL PARTNERS, LLC

By _____

SCD

SURGICAL CENTER DEVELOPMENT #3,
L.L.C.

By _____

Sean O'Neal, Manager

SELLERS (OTHER THAN SCD):

Ruben Boyajian, M.D.

James Flaig, M.D.

James Graham, D.P.M.

Kelly Haller, M.D.

ILLINOIS SPINE AND PAIN CENTER
SURGERY CENTER

By _____

Name _____

Title _____

IN WITNESS WHEREOF, the parties hereto have executed this Contribution and Purchase Agreement as of the day and year first above written.

BUYER:

USP EFFINGHAM, INC.

By _____

ESP:

EFFINGHAM SURGICAL PARTNERS, LLC

By N. Noss

SCD

SURGICAL CENTER DEVELOPMENT #3,
L.L.C.

By _____

Sean O'Neal, Manager

SELLERS (OTHER THAN SCD):

Ruben Boyajian, M.D.

Ruben Boyajian, M.D.

James Flaig, M.D.

James Flaig, M.D.

James Graham, D.P.M.

James Graham, D.P.M.

Kelly A. Haller, M.D.

Kelly Haller, M.D.

ILLINOIS SPINE AND PAIN CENTER, S.C.
SURGERY CENTER

By Brian Ogan, MD

Name Brian Ogan

Title President

IN WITNESS WHEREOF, the parties hereto have executed this Contribution and Purchase Agreement as of the day and year first above written.

BUYER: **USP EFFINGHAM, INC.**

By _____

ESP: **EFFINGHAM SURGICAL PARTNERS, LLC**

By _____

SCD **SURGICAL CENTER DEVELOPMENT #3, L.L.C.**

By 
Sean O'Neal, Manager

SELLERS (OTHER THAN SCD):

Ruben Boyajian, M.D.

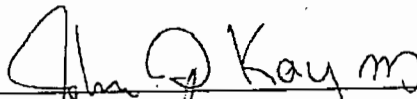
James Flaig, M.D.

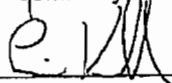
James Graham, D.P.M.

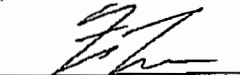
Kelly Haller, M.D.

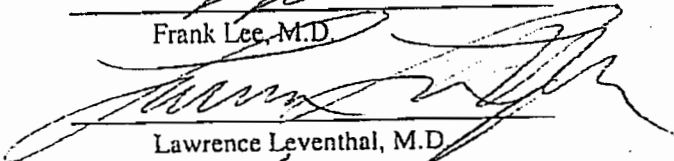
**ILLINOIS SPINE AND PAIN CENTER
SURGERY CENTER**

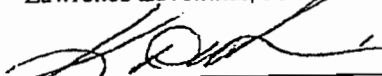
By _____
Name _____
Title _____

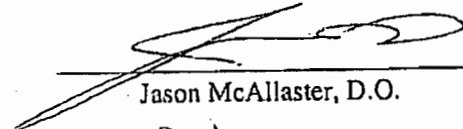

John Kay, M.D.


Lisa Kowalski, M.D.


Frank Lee, M.D.

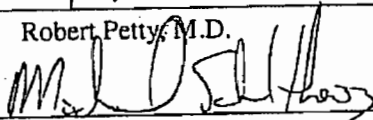

Lawrence Leventhal, M.D.

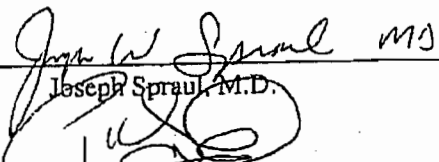

Kevin Malone, M.D.


Jason McAllaster, D.O.

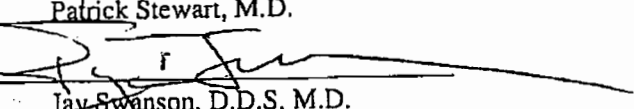

Nash Naam, M.D.

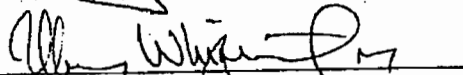

Robert Petty, M.D.


Michael Schultheis, M.D.


Joseph Spraul, M.D.


Patrick Stewart, M.D.


Jay Swanson, D.D.S., M.D.


Jeffrey Whighsel, M.D.

Section VI, Mergers, Consolidations and Acquisitions/Changes of Ownership
Criterion 1110.240(c), Access

1. Current Admissions Policy

A copy of the current admissions policy for Effingham Ambulatory Surgery Center, is attached as Attachment 19-B.

2. Proposed Admissions Policy

A copy of the admissions policy and financial assistance policy for USPI is attached as Attachment 19-C. USPI facilities accept patients for surgical services at its facilities as long as those patients are appropriate for surgery at an outpatient surgical center.

3. Admission Policy Certification

A letter from Marc Steen, certifying the admissions policies of Effingham Ambulatory Surgery Center will not become more restrictive after acquisition by USPI is attached as Attachment 19-D.

ADMISSION PROCESS / DAY OF SURGERY**I. POLICY:**

Patients will be admitted day of surgery by the following procedure.

II. PURPOSE:

To define the admission process for all patients of the Center.

III. PROCEDURE:

- A. The patient will arrive and be admitted approximately 75 minutes prior to the scheduled start time of surgery.
- B. At the time of registration, the patient and/or responsible person(s) will be provided with and required to sign a Financial Responsibility Agreement, and an Assignment of Insurance Benefits, *HIPAA Privacy Statement*, "Consent to Speak to Family Members/Caregiver" and any other pertinent forms designated by the Center.
- C. Review *Patient stickers* and Patient Demographic Sheet (prepare if not already provided) with patient for completeness and accuracy. *Name and date of birth are used as the patient identifier.*
- D. Make copy of patient's insurance card(s) including secondary.
- E. *Copy patient's photo ID. i.e. Drivers License or other appropriate ID. If patient is a child (17 years or younger), copy the photo ID of the guarantor or responsible party.*
- F. Review chart for completeness of admission requirements.
- G. Review the insurance portion of the Patient Demographic Sheet.
- H. After the patient has checked in, the pre-operative nurse will be notified.

AUTHORIZATIONS & DISCLOSURES

These AUTHORIZATIONS MUST BE SIGNED BY THE PATIENT (or by the party legally responsible for a minor or physically or mentally incapacitated patient), and by the party financially responsible for the patient, if other than the patient. PLEASE READ EACH AUTHORIZATION CAREFULLY.

1. **AUTHORIZATION FOR MEDICAL TREATMENT:** Each of the undersigned hereby authorize any anesthesia, medical or surgical treatment, and Effingham Surgery Center service rendered or provided under the general and special instructions of my attending physician, his/her assistants, and other practitioners associated for purposes and diagnosis, treatment and medical care. NO PROMISE, GUARANTEE OR WARRANTY HAS BEEN MADE REGARDING THE RESULTS OF ANY MEDICAL TREATMENT OF SURGICAL PROCEDURE. Any and all removed organs, or parts may be disposed of in accordance with accepted medical practices.
2. **AUTHORIZATION TO RELEASE MEDICAL INFORMATION:**
 - a) For Purpose of reimbursement: Effingham Surgery Center and each attending or treating practitioner, including, if applicable, PATHOLOGY, ANESTHESIA, and/or RADIOLOGIST, are hereby authorized and directed to disclose all or any part of the medical record for this admission to my employer, to my insurance companies, and other organizations, third party payors, or agencies as may be necessary to verify or process any and all claims for insurance coverage or third party reimbursement. WE UNDERSTAND THAT SUCH DISCLOSURES MAY CONTAIN INFORMATION WHICH COULD RESULT IN LIMITATION OR DENIAL OF INSURANCE BENEFITS OR THIRD PARTY REIMBURSEMENT OR WHICH COULD OTHERWISE BE HARMFUL OR PREJUDICIAL TO MY (OUR) INTERESTS. Nevertheless, each of the undersigned do hereby release and hold Effingham Surgery Center, its officers, directors, agents and employees, and all examining and treating practitioners harmless of and from any and all cost, loss, damage, or liability resulting from and such disclosure(s).
 - b) To Family and Responsible Party: Effingham Surgery Center and each attending or treating practitioner, UNLESS SPECIFICALLY INSTRUCTED OTHERWISE BY DELETING THIS SUBPARAGRAPH 2(b), are hereby authorized and directed, during the period of this admission, to disclose information to the patient's spouse, children, parents, and any other person authorized to consent to treatment pursuant to 431.061-.065, RSMO (1979) as amended, concerning the patient's health status, diagnosis, prognosis, and progress. Each of the undersigned do hereby release and hold Effingham Surgery Center, its officers, directors, agents, employees, and all examining and treating practitioners harmless of and from any and all costs, loss, damage, or liability resulting from or arising out of such disclosure(s).
3. **ADVANCE DIRECTIVES:** I acknowledge that I received notice of advanced directives in my pre-op information that I obtained from my surgeon's office prior to my date of service. It was also brought to my attention by the pre-op nurse during my phone interview.
4. **RELEASE OF RESPONSIBILITY FOR VALUABLES:** Effingham Surgery Center is hereby fully released of and from any and all responsibility for loss or damage to the personal property, money, or valuables of the undersigned patient.
5. **NOTICE OF PRIVACY PRACTICES:** I am aware of my rights to privacy of personal health information, under the Privacy Rule of Health Insurance Portability and Accountability Act of 1996 ("HIPAA").
6. **PHYSICIAN OWNERSHIP DISCLOSURE:** Effingham Surgery Center provides services only to patients admitted by private practitioners who are members of the Effingham Surgery Center medical staff, some of whom retain joint ownership of the surgery center.
7. **FLAT RATE FEE:** Effingham Surgery Center charges a flat rate global fee for surgical services.
8. **TERMS FOR TREATMENT & FINANCIAL RESPONSIBILITY:** I understand that treatment deposit and/or acceptable hospitalization insurance is required for treatment in Effingham Surgery Center. Total balance is due on the day of surgery, with allowance made for insurance coverage APPROVED AND VERIFIED PRIOR TO TREATMENT. In accordance with above terms, and in consideration of Effingham Surgery Center agreement to render treatment and furnish supplies, the undersigned patient and/or undersigned surety, do hereby agree upon demand to pay Effingham Surgery Center, its agents or assigns, whatever the sums of money that shall become due on the account of the patient and that such liability shall be joint and several. It is agreed that if full payment is not made by insurance or other third party payors within thirty (30) days, the undersigned shall make payment in full. ANY PAST DUE BALANCES NOT PAID BY INSURANCE OR OTHER 3RD PARTY PAYER, SENT TO A COLLECTION AGENCY IS THE RESPONSIBILITY OF THE GUARANTOR AND HE/SHE AGREES TO PAY ALL COLLECTION FEES OR COURT COSTS.
9. **MEDICARE/CERTIFICATION AND AUTHORIZATION:** Each of the undersigned certifies that the information given in applying for payment under Title XVII of the Social Security Act, if applicable, is correct. Any holder of medical or other information about the patient pertaining to this admission, is authorized to the Social Security

Administration as applicable, or their intermediaries or carriers, any information needed for any Medicare claim and to request that payment of authorized benefits be made on the patient's behalf. The Medicare program is authorized to furnish medical or other information needed for any Medicare claim and to request that payment of authorized benefits be made under Title XVII as necessary to process any complimentary coverage claim.

10. ASSIGNMENT OF INSURANCE AND THIRD PARTY BENEFITS:

- a) To the Surgery Center: The undersigned, and each of them, do hereby assign, transfer, and set over unto Effingham Surgery Center all benefits payable to them or either of them now due and to become due and payable, including major medical benefits, by reason of this admission under any policy of insurance or other health care coverage in which the patient is a covered beneficiary. I further assign to Surgery Center my rights to appeal reimbursement decisions rendered by any and all third party insurers notwithstanding any contractual provisions to the contrary between myself and my insurers.
- b) To the Health Care Provider: The undersigned parties do hereby assign, transfer, and set over unto the patient's health care providers, including their professional corporations or business entities, including without limitation, if applicable, Pathology Provider, Anesthesia Provider, and Radiology Provider, all benefits otherwise payable to the undersigned now due and to become due and payable, including major medical benefits, by reason of this Surgery Center admission under any policy or other health care coverage contract in which the patient is a covered beneficiary.
- c) To Medicare: The undersigned parties do hereby assign, transfer and set over any and all Medicare benefits payable for Surgery Center and health services relating to this admission to Effingham Surgery Center and to the patient's health care providers, including their professional corporations or business entities, including but not limited to, if applicable, Pathology Provider Name, Anesthesia Provider Name, Radiology Provider Name, and hereby authorize Effingham Surgery Center and said health care providers or their corporations to submit claims directly to Medicare for payment on behalf of the undersigned patient, items not covered by Medicare will be the responsibility of the undersigned financially responsible party.

THE UNDERSIGNED, AND EACH OF THEM, CERTIFY THAT THEY HAVE READ AND UNDERSTAND EACH OF THE ABOVE AUTHORIZATIONS

DO NOT sign these authorizations without a full understanding of each.

NAME OF PATIENT (PRINT) DATE

SIGNATURE OF PATIENT, AUTHORIZED REPRESENTATIVE & FINANCIALLY RESPONSIBLE PARTY

RELATIONSHIP

NAME OF AUTHORIZED REPRESENTATIVE TO DISCUSS ABOVE NAMED PATIENTS MEDICAL AND/OR FINANCIAL ISSUES IN THEIR ABSENCE.

WITNESS DATE

Effingham Ambulatory Surgery Center

Admission – Business Office

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Section A: Purpose

The admitting process sets the tone for the patient and family members, of the quality and services provided by the facility. From a business office perspective, admission is the time to review financial agreements, privacy rights, and collect money.

Section B: Policy

It is the policy of Effingham ASC to ensure that:

1. Patients and family members are greeted warmly.
2. Patient financial information is confirmed and money due is collected.
3. Patient privacy rights are respected and conveyed to the staff.

Section C: Persons Affected

Anyone involved in obtaining accurate payments and communicating privacy wishes from patient.

Section D: Responsibilities

1. The administrator is responsible for creating a warm, welcoming environment that values patient privacy.
2. The business office manager (BOM) is responsible for hiring, training, supporting the admission clerk in the role of welcoming the patient and completing the admission process.
3. The clinical director is responsible for deciding what, if any, medical information is addressed during the admission process.
4. The admissions clerk is responsible for greeting the patient, reviewing and obtaining financial and privacy agreements from the patient, collecting patient payments, and alerting the pre-operative staff that the patient is ready.

Section E: Definitions

Expected Payment Log is the patient accounting system generated list of the patients scheduled and their expected financial responsibility to be collected on the date of service.

Face Sheet is the patient accounting system (PAS) generated registration page that contains demographic and procedure information, and usually contains a financial agreement to be signed by the responsible party.

Guarantor is the individual who is financially responsible for payment of bills associated with the patient's surgery. The guarantor may be the patient themselves, the parent, legal guardian, or a spouse.

Patient Accounting System (PAS) is software that assists a facility in information management, often including credentialing, scheduling, case history, billing and collections, and material management (for example, the AdvantX and SIS systems).

Protected Health Information (PHI), as defined by HIPAA, is any information, including demographic information, whether oral or recorded in any form or medium that identifies an individual or can be used to ascertain the identity of an individual, and is both:

1. Created or received by a health care provider, health plan, public health authority, employer, life insurer, school or university, or health care clearinghouse, and
2. Relates to the past, present, or future physical or mental health condition of the individual; the provision of health care to the individual; or the past, present, or future payment for the provision of health care to the individual.

Section F: Connections

Part 1: Areas of Exposure

1. Patient following sedation being discharged without a caretaker present.
2. Financial Agreement, MSP questionnaire and HIPAA required forms not being completed.
3. Patient responsibility amounts not being collected as expected.

Part 2: Key Controls

1. Patients are discharged to a caretaker.
2. All charts are audited for completeness.
3. The expected payment log from the PAS documents all anticipated funds to collected from patients for each date of service.
4. Patient verifies accuracy of all patient information upon check-in & presents insurance card as proof of coverage.

Part 3: USPI's EDGE™ Connection

Get Paid Fully and Timely for Services Rendered

Part 4: Other Policies and Procedures

PAS 3.1 Insurance Verification in an ASC

PAS 3.2 Insurance Verification in a Hospital

PAS 7.1 Accepting Payments

PAS 1.1 Facility Financial Policy

Section G: Procedures

Part 1: Laying the Groundwork

1. The administrator determines the standard arrival times for patients and communicates that to the admission clerk. Most facilities requests that patients receiving general anesthesia arrive one hour before surgery start time.
2. The business office manager (BOM) provides the admission clerk with a username and password for the PAS.
3. The insurance verifier supplies the admission clerk with the expected payment log from the PAS on a daily basis.
4. The admissions clerk attends training on HIPAA.

5. On the day of surgery, the admission clerk has the patient's chart, a Face Sheet, stickers, and all medical and financial information.

Part 2: Greeting the Patient

1. If a patient has not arrived within the facility's designated time, the admissions clerk places a call to the patient and notifies the clinical director of any problems.
2. The admission clerk asks the patient to sign in at the admission desk upon arrival and retrieves the patient's chart.
3. If insurance cards were not gathered during pre-admission, the admission clerk obtains a copy of the patient's insurance cards and photo identification.
4. Each facility may decide what, if any, medical information is to be obtained or confirmed during check-in.

Part 3: Financial Forms - Review and Obtain Signatures

1. The admissions clerk confirms the spelling of the patient's name, the accuracy of the social security number, and the general description of the procedure on the Face Sheet with the patient. If there is an error, the admission clerk makes changes in the PAS and reprints all PAS generated forms and stickers before the patient leaves the waiting area.
2. The admissions clerk summarizes the facility's financial policy and the assignment of benefits as written on the Face Sheet to the patient.
3. The patient is required to sign all forms. If the patient is a minor, the parent or legal guardian signs the forms on behalf of the child. If the patient is unable to sign forms, the admissions clerk consults with the business office manager (BOM).
4. Medicare MSP form is given to all Medicare patients. This form will help the facility identify any other payor who might be primary over Medicare. This form should be filed with the other financial documents for each patient. Medicare requires it be kept a minimum of 10 years from date of service.

Part 4: Privacy Forms - Review and Obtain Signatures

1. The admissions clerk reviews and provides the patient with a copy of the facility's Privacy Notice.
2. The admissions clerk obtains the patient's signature on the Patient PHI Preference Form. If the patient requires more specific restrictions (e.g., "Do not

tell my wife") or an alternative means of communication (e.g., "Do not call me at home") of their PHI, the admission clerk will follow the steps listed below:

- a. The admissions clerk has the patient fill out the PHI Restriction Request Form and/or Alternative Communications Request Form.
- b. The admission clerk obtains approval from the facility's Privacy Officer or designee before granting the patient's request.
- c. The admission clerk documents the patient's chart, makes a note in the PAS, and informs others (nurses who call post-operatively) of any agreed to restrictions or arrangements, according to the relevant HIPAA policy.
- d. The admission clerk does not allow the patient go to Pre-op until all PHI issues are resolved.
- e. The admission clerk is to seek assistance from the facility's Privacy Officer as needed.

Part 5: Request Payment from Patient

1. The admissions clerk reviews the "Expected Payment Log" for the amount to be collected, collects from the patient in accordance with the PAS 7.1 "Accepting Payments" policy, and records the amount collected on the "Expected Payment Log," and reason, if full amount was not collected.
2. The admissions clerk calls upon the insurance verifier or business office manager (BOM), if additional assistance is needed.

Part 6: Notify Pre-Op

1. The admission clerk notifies the pre-op staff of patient's readiness to proceed.
2. The admission clerk asks the patient and family members to wait in the waiting room until called. Some facilities request that the patient inform the admission clerk if he has been waiting for longer than 15 minutes.

Part 7: Assisting Patient Family Members

Due to the physical position of the front desk, the admission clerk may be asked by the clinical staff to notify the patient's family of the progress of the surgery, if the family may visit the patient, and/or when the patient is ready for discharge.

Part 8: Rescheduling of a Case

1. The admission clerk confirms that the patient has followed pre-operative instructions, in order to prevent a patient who ate breakfast from being admitted.
2. The admission's clerk identifies the patient's caretaker in accordance with the facility's policy.
3. The admission clerk informs a minor patient's parent of the facility's policy regarding the presence of the parent during a procedure.
4. The admission clerk notifies the clinical director if any of the above poses a problem.

Part 9: Sanctions

Penalties for violation of this policy will vary depending on the nature and severity of the violation. Individuals who violate the above will be subject to disciplinary action up to and including termination; legal action by USPI, including but not limited to, criminal prosecution under appropriate state and federal laws; and providing restitution for improper use.

Part 10: Audit

The Internal Auditor uses the information from the Expected Payment Log as part of the review of cash flow through the facility.



United Surgical Partners INTERNATIONAL

Dale Galassie
Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floors
Springfield, Illinois 62761

Dear Chairman Galassie:

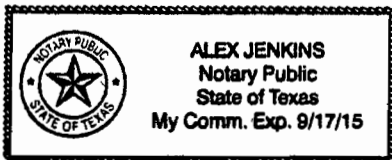
I hereby certify under penalty of perjury as provided in §1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 that the admissions policy for Effingham Ambulatory Surgery Center will not become more restrictive as a result of the proposed change of ownership.

Sincerely,

Marc Steen
Vice President, Development
United Surgical Partners International, Inc.

Subscribed and sworn to me
This 14 day of November, 2012

Alex Jenkins
Notary Public



Section VI, Mergers, Consolidations and Acquisitions/Changes of Ownership
Criterion 1110.240(d), Health Care System

1. Impact on Other Area Providers

There will be no change in the scope of services as a result of the acquisition of the Effingham Ambulatory Surgery Center. USPI intends to continue to provide surgical services to patients in Effingham County and surrounding areas through the existing facility. All anticipated changes will be operational to align the Effingham Ambulatory Surgery Center with the operations and resources available within USPI and which are customary for all USPI facilities. The transaction will not impact other unaffiliated area surgical facilities as the transaction consists of a change of control of the operating entity but no change in scope of services.

2. Facilities within Applicant's Health Care System

A list of all USPI facilities in Illinois is attached at Attachment – 19F. The list includes the name, address, and license number.

3. Present and Proposed Referral Agreements

There are no current or proposed referral agreements for the facilities involved in this transaction. Therefore, this criterion is not applicable.

4. Time and Distance for Proposed Referrals

There are no current or proposed referral agreements for the facilities involved in this transaction. Therefore, this criterion is not applicable.

5. Use of Care System Providers

The change of ownership of Effingham Ambulatory Surgery Center will have no impact on area surgical facilities. The change of control will not restrict the use of other area health care providers and as a USPI facility; Effingham Ambulatory Surgery Center will have an open medical staff and admit patients pursuant to a non-discriminatory admission policy.

6. Duplication of Services

As set forth throughout this application, the proposed transaction contemplates a change of ownership of Effingham Ambulatory Surgery Center. Following the transaction, USP Effingham, Inc. will acquire 55% of the ownership interests of the Effingham Ambulatory Surgery Center. Because the proposed transaction involves the change of control of an existing surgical facility, there will be no duplication of services.

7. Services Not Available to the Community

USPI will continue to provide high quality surgical services currently provided in the Effingham Ambulatory Surgery Center. No new services are planned for the facility; however, as new treatment options and technology evolve, USPI will implement new surgical techniques, as warranted, and subject to approval of the surgery center's qualified consulting committee.

United Surgical Partners International, Inc. owns an indirect interest in the following facilities in Illinois:

25 East Same Day Surgery
25 East Washington Street, Suite 300
Chicago, IL 60602
License #7001969
Expires 01/18/2013

Hinsdale Surgical Center
908 North Elm Street, Suite 401
Hinsdale, IL 60521
License #7002314
Expires 03/31/13

North Shore Surgical Center
3725 W. Touhy Ave.
Lincolnwood, IL 60712
License # 7003130
Expires 07/28/13

Same Day Surgery River North
One East Erie, Suite 300
Chicago, IL 60611
License #7002090
Expires 07/11/13

Sameday Surgery Elmwood Park
1614 North Harlem Avenue, Suite 300
Elmwood Park, IL 60707
License # 7002397
Expires 04/19/13

Section VIII, Financial Feasibility
Criterion 1120.120 Availability of Funds

The project will be funded entirely with cash and cash equivalents. A copy of USPI's 2011 Financial Statement evidencing sufficient internal resources to fund the project is attached at Attachment – 39.

**UNITED SURGICAL PARTNERS INTERNATIONAL, INC.
AND SUBSIDIARIES**

Consolidated Balance Sheets

	June 30, 2012	December 31, 2011
	(Unaudited) (In thousands — except share data)	
ASSETS		
Cash and cash equivalents	\$ 38,557	\$ 41,822
Available for sale securities (Note 8)	10,013	4,815
Accounts receivable, net of allowance for doubtful accounts of \$9,105 and \$8,576, respectively	39,043	58,057
Other receivables	14,254	10,499
Inventories of supplies	7,237	10,117
Deferred tax asset, net	14,049	14,704
Prepays and other current assets	17,363	15,314
Total current assets	140,516	155,328
Property and equipment, net	120,660	235,321
Investments in unconsolidated affiliates	443,658	444,734
Goodwill	1,128,153	1,209,345
Intangible assets, net	343,281	327,140
Other assets	22,783	21,630
Total assets	<u>\$2,199,051</u>	<u>\$2,393,498</u>
LIABILITIES AND EQUITY		
Accounts payable	\$ 11,343	\$ 28,765
Accrued salaries and benefits	25,465	24,405
Due to affiliates	144,224	139,628
Accrued interest	10,000	6,671
Current portion of long-term debt	17,919	25,487
Other current liabilities	44,046	52,281
Total current liabilities	252,997	277,237
Long-term debt, less current portion	1,316,422	1,042,969
Other long-term liabilities	27,359	30,807
Deferred tax liability, net	153,569	167,946
Total liabilities	1,750,347	1,518,959
Noncontrolling interests — redeemable (Note 4)	135,626	106,668
Commitments and contingencies (Note 11)		
Equity (Note 9):		
United Surgical Partners International, Inc. (USPI) stockholder's equity:		
Common stock, \$0.01 par value; 100 shares authorized; issued and outstanding	—	—
Additional paid-in capital	291,690	778,030
Accumulated other comprehensive income (loss)	53	(63,033)
Retained earnings (deficit)	(11,493)	17,691
Total USPI stockholder's equity	280,250	732,688
Noncontrolling interests — nonredeemable (Note 4)	32,828	35,183
Total equity	313,078	767,871
Total liabilities and equity	<u>\$2,199,051</u>	<u>\$2,393,498</u>

See accompanying notes to consolidated financial statements.

**UNITED SURGICAL PARTNERS INTERNATIONAL, INC.
AND SUBSIDIARIES**

Consolidated Statements of Operations

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(Unaudited)	In thousands)
Revenues:		
Net patient service revenues	\$213,931	\$203,049
Management and contract service revenues	38,925	35,067
Other revenues	4,559	4,425
Total revenues	257,415	242,541
Equity in earnings of unconsolidated affiliates	44,090	38,033
Operating expenses:		
Salaries, benefits, and other employee costs	66,650	61,075
Medical services and supplies	38,699	37,402
Other operating expenses	41,087	38,616
General and administrative expenses	20,682	18,503
Provision for doubtful accounts	4,312	3,984
Net gain on deconsolidations, disposals and impairments	(1,572)	(2,478)
Depreciation and amortization	11,663	10,720
Total operating expenses	181,521	167,822
Operating income	119,984	112,752
Interest income	302	324
Interest expense	(38,775)	(33,087)
Loss on early retirement of debt	(37,958)	—
Other, net	(781)	(120)
Total other expense, net	(77,212)	(32,883)
Income from continuing operations before income taxes	42,772	79,869
Income tax expense	(3,948)	(18,574)
Income from continuing operations	38,824	61,295
Discontinued operations, net of tax (Note 2):		
Income from discontinued operations	3,435	5,735
Loss on disposal of discontinued operations	—	(529)
Total earnings from discontinued operations	3,435	5,206
Net income	42,259	66,501
Less: Net income attributable to noncontrolling interests	(35,028)	(12,994)
Net income attributable to USPI's common stockholder	\$ 7,231	\$ 33,507
Amounts attributable to USPI's common stockholder:		
Income from continuing operations, net of tax	\$ 3,850	\$ 28,413
Earnings from discontinued operations, net of tax	3,381	5,094
Net income attributable to USPI's common stockholder	\$ 7,231	\$ 33,507

See accompanying notes to consolidated financial statements.

**UNITED SURGICAL PARTNERS INTERNATIONAL, INC.
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(Unaudited) —	In thousands)
Cash flows from operating activities:		
Net income	\$ 42,259	\$ 66,501
Adjustments to reconcile net income to net cash provided by operating activities:		
Earnings from discontinued operations	(3,435)	(5,206)
Loss on early retirement of debt	37,958	—
Provision for doubtful accounts	4,312	3,984
Depreciation and amortization	11,663	10,720
Net gain on deconsolidations, disposals and impairments	(1,572)	(2,478)
Amortization of debt issue costs and discount	1,926	1,718
Deferred income tax expense	(11,971)	4,896
Equity in earnings of unconsolidated affiliates, net of distributions received	(2,057)	5,523
Equity-based compensation	837	766
Increases (decreases) in cash from changes in operating assets and liabilities, net of effects from purchases of new businesses:		
Accounts receivable	238	680
Other receivables	(4,997)	(4,572)
Inventories of supplies, prepaids and other current assets	(3,985)	(2,991)
Accounts payable and other current liabilities	3,683	(18,035)
Long-term liabilities	431	1,999
Net cash provided by operating activities	75,320	63,505
Cash flows from investing activities:		
Purchases of new businesses and equity interests, net of cash received	(25,762)	(6,171)
Proceeds from sale of businesses and equity interests	1,634	6,845
Purchases of property and equipment	(8,944)	(4,389)
Purchases of marketable securities, net	(5,201)	(4,713)
Returns of capital from unconsolidated affiliates	614	746
Decrease in deposits and notes receivable	550	2,028
Net cash used in investing activities	(30,809)	(6,454)
Cash flows from financing activities:		
Proceeds from long-term debt, net of debt issuance costs	789,204	4,718
Payments on long-term debt	(531,636)	(33,773)
Increase in cash held on behalf of unconsolidated affiliates and other	4,797	6,327
Sales of noncontrolling interests, net	3,374	1,317
Payment of common stock dividend	(314,458)	—
Distributions to noncontrolling interests	(39,838)	(32,594)
Net cash used in financing activities	(88,557)	(54,005)
Cash flows from discontinued operations:		
Operating cash flows	5,101	9,205
Investing cash flows	(11,383)	(10,213)
Financing cash flows	53,142	(596)
Effect of exchange rate changes on cash and cash equivalents	(79)	20
Net cash provided by (used in) discontinued operations	46,781	(1,584)
Net (decrease) increase in cash and cash equivalents	(3,265)	1,462
Cash and cash equivalents at beginning of period	41,822	60,253
Cash and cash equivalents at end of period	\$ 38,557	\$ 61,715
Supplemental information:		
Interest paid — continuing operations	\$ 33,542	\$ 31,382
Income taxes paid — continuing operations	17,637	23,740
Interest paid — discontinued operations	772	1,064
Income taxes paid — discontinued operations	1,989	1,317
Non-cash transactions:		
Spin-off of U.K. subsidiary	\$ (193,843)	\$ —
Assets acquired under capital lease obligations	8,524	1,963

See accompanying notes to consolidated financial statements

Section IX, Financial Feasibility
Criterion 1120.130 – Financial Viability Waiver

The project will be funded entirely with cash. A copy of USPI's 2011 Financial Statement evidencing sufficient internal resources to fund the project is attached at Attachment – 39.

Section X, Economic Feasibility Review Criteria
Criterion 1120.140(a), Reasonableness of Financing Arrangements

Attached at Attachment 42-A is a letter from Marc Steen attesting the total estimated project costs will be funded in total with cash.



United Surgical Partners

I N T E R N A T I O N A L

Dale Galassie
Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floors
Springfield, Illinois 62761

Re: Reasonableness of Financing Arrangements

Dear Chairman Galassie:

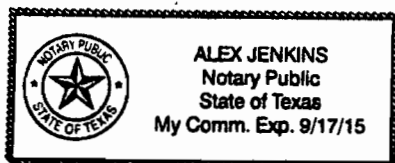
I hereby certify under penalty of perjury as provided in §1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 and pursuant to 77 Ill. Admin. Code § 1120.140(a) that the total estimated project costs and related costs will be funded in total with cash and cash equivalents.

Sincerely,

Marc Steen
Vice President, Development
United Surgical Partners International, Inc.

Subscribed and sworn to me
This 14 day of November, 2012

Alex Jenkins
Notary Public



Section X, Economic Feasibility Review Criteria
Criterion 1120.140(b), Conditions of Debt Financing

The project will be funded entirely with cash. Accordingly, this criterion is not applicable.

Section X, Economic Feasibility Review Criteria

Criterion 1120.3109(c) Reasonableness of Project and Related Costs

The Applicants propose a change of ownership of Effingham Ambulatory Surgery Center. The proposed project involves no construction or modernization. Accordingly, this criterion is not applicable.

Section X, Economic Feasibility Review Criteria
Criterion 1120.310(d), Projected Operating Costs

Operating Expenses: \$8,022,530

Cases: 6,833

Operating Expense per Case: \$1,174.00

Section X, Economic Feasibility Review Criteria
Criterion 1120.310(e), Total Effect of Project on Capital Costs

Capital Costs: \$135,313

Cases: 6,833

Capital Costs per Case: \$19.80

Section XI, Safety Net Impact Statement

The Applicants propose a change of ownership of Effingham Ambulatory Surgery Center. A change of ownership constitutes a non-substantive project. Accordingly, this criterion is not applicable.

Section XII, Charity Care Information

The table below provides charity care information for all surgical facilities located in the State of Illinois that are owned or operated by the Applicants.

CHARITY CARE			
	2009	2010	2011
Net Patient Revenue	32,709,441	28,151,563	42,422,558
Amount of Charity Care (charges)	0	0	5
Cost of Charity Care	0	0	10,537
Number of Charity Care Patients	0	0	5
Medicaid Revenue	331,743	287,202	696,499
Number of Medicaid Patients	511	466	428

After paginating the entire, completed application, indicate in the chart below, the page numbers for the attachments included as part of the project's application for permit:

INDEX OF ATTACHMENTS		
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1	Applicant/Coapplicant Identification including Certificate of Good Standing	21-23
2	Site Ownership	24-37
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	38-39
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16	Unfinished or Shell Space	
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19	Mergers, Consolidations and Acquisitions	52-99
	Service Specific:	
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21	Comprehensive Physical Rehabilitation	
22	Acute Mental Illness	
23	Neonatal Intensive Care	
24	Open Heart Surgery	
25	Cardiac Catheterization	
26	In-Center Hemodialysis	
27	Non-Hospital Based Ambulatory Surgery	
28	General Long Term Care	
29	Specialized Long Term Care	
30	Selected Organ Transplantation	
31	Kidney Transplantation	
32	Subacute Care Hospital Model	
33	Post Surgical Recovery Care Center	
34	Children's Community-Based Health Care Center	
35	Community-Based Residential Rehabilitation Center	
36	Long Term Acute Care Hospital	
37	Clinical Service Areas Other than Categories of Service	
38	Freestanding Emergency Center Medical Services	
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