

**ORIGINAL**

13-051

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD  
APPLICATION FOR PERMIT**RECEIVED**

## SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

AUG 09 2013

This Section must be completed for all projects.

HEALTH FACILITIES &  
SERVICES REVIEW BOARD

## Facility/Project Identification

|                    |                                                      |                       |     |
|--------------------|------------------------------------------------------|-----------------------|-----|
| Facility Name:     | Center for Comprehensive Services, Inc. Palatine, IL |                       |     |
| Street Address:    | 707 W. Helen Road North                              |                       |     |
| City and Zip Code: | Palatine, IL 60067                                   |                       |     |
| County:            | Cook                                                 | Health Service Area   | VII |
|                    |                                                      | Health Planning Area: | M/A |

## Applicant /Co-Applicant Identification

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

|                                  |                                      |  |  |
|----------------------------------|--------------------------------------|--|--|
| Exact Legal Name:                | MENTOR ABI, LLC                      |  |  |
| Address:                         | 313 Congress Street Boston, MA 02210 |  |  |
| Name of Registered Agent:        |                                      |  |  |
| Name of Chief Executive Officer: | William Duffy                        |  |  |
| CEO Address:                     | 313 Congress Boston, MA 02210        |  |  |
| Telephone Number:                | 617-790-4841                         |  |  |

## Type of Ownership of Applicant/Co-Applicant

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

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

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

## Primary Contact

[Person to receive ALL correspondence or inquiries]

|                   |                                       |
|-------------------|---------------------------------------|
| Name:             | Chris Williamson                      |
| Title:            | Vice President of Central Operations  |
| Company Name:     | NeuroRestorative                      |
| Address:          | 306 W. M. 11 Carbondale, IL 62901     |
| Telephone Number: | 618-529-3060                          |
| E-mail Address:   | chris-williamson@neurorestorative.com |
| Fax Number:       | 618-529-3002                          |

## Additional Contact

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

|                   |                                   |
|-------------------|-----------------------------------|
| Name:             | Scott Davis                       |
| Title:            | Business Director                 |
| Company Name:     | NeuroRestorative                  |
| Address:          | 306 W. M. 11 Carbondale, IL 62901 |
| Telephone Number: | 618-529-3060                      |
| E-mail Address:   | scott.davis@neurorestorative.com  |
| Fax Number:       | 618-549-5284                      |

**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:             | Chris Williamson                      |
| Title:            | Vice President of Central Region      |
| Company Name:     | Neuro Restorative                     |
| Address:          | 306 W. Mill Carbondale, IL 62901      |
| Telephone Number: | 618-529-3060                          |
| E-mail Address:   | Chris.Williamson@neurorestorative.com |
| Fax Number:       | 618-529-3002                          |

**Site Ownership**

[Provide this information for each applicable site]

|                                                                                                                                                                                                                                                                                                        |                                             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| Exact Legal Name of Site Owner:                                                                                                                                                                                                                                                                        | Scioto Properties, Inc. SP-15, LLC          |
| Address of Site Owner:                                                                                                                                                                                                                                                                                 | 5940 Wilcox Place, Suite A Dublin, OH 43016 |
| Street Address or Legal Description of Site:                                                                                                                                                                                                                                                           |                                             |
| 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:                                                                                                                                                                                                                                                                                                                                                                                                                                   | Center for Comprehensive Services, Inc.                                                                                       |
| Address:                                                                                                                                                                                                                                                                                                                                                                                                                                            | 306 W. Mill Carbondale, IL 62901                                                                                              |
| <input type="checkbox"/> Non-profit Corporation<br><input checked="" type="checkbox"/> For-profit Corporation<br><input type="checkbox"/> Limited Liability Company                                                                                                                                                                                                                                                                                 | <input type="checkbox"/> Partnership<br><input type="checkbox"/> Governmental<br><input type="checkbox"/> Sole Proprietorship |
| <input type="checkbox"/> Other                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                               |
| <ul style="list-style-type: none"> <li>Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.</li> <li>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.</li> <li>Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.</li> </ul> |                                                                                                                               |
| APPEND DOCUMENTATION AS ATTACHMENT-3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.                                                                                                                                                                                                                                                                                                                                      |                                                                                                                               |

**Organizational Relationships**

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

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

**Flood Plain Requirements**

[Refer to application instructions.]

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

## 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 applicant proposes to expand on the approved 100 bed CON in the category of Community Based Residential Rehabilitation Center through renovations of an existing house that is leased in Palatine, Illinois. The application is seeking approval for an additional 5 beds under the initial 100 bed approval. We are making this request because the current bed capacity has remained consistently full throughout the year.

Center for Comprehensive Services, Inc, currently operates 2 of the 5 IDPH licensed Community-Based Residential Rehabilitation Centers in Illinois. The original license was approved by the Illinois Health Facilities Planning Board in 2000, and is consistently full at 100 beds. The Carbondale program has great clinical success, and using the Carbondale program as a model, CCS, Inc., has developed similar programs in 20 states. CCS is recognized as a national leader in the field.

The program includes a continuum of post-acute rehabilitation services and community based support programs, focusing on individuals who have sustained brain injuries. Services are provided in the following settings: residential, small group, congregate, in-home, host home, outpatient and day treatment. Individual rehabilitation plan are developed and used for each participant, reflecting the person's strengths, barriers, and interests. The plans focus on the achievement of real life goals, and are continuously refined as the individual progresses.

The project proposes the expansion of currently approved 100 bed CON, and as such is classified as substantive. We are seeking approval of a third unit within the 100 approved beds.

### 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                                                                                                                        | 489,650          |             | 489,650          |
| Contingencies                                                                                                                                  | 42,715           |             | 42,715           |
| Architectural/Engineering Fees                                                                                                                 |                  |             |                  |
| Consulting and Other Fees                                                                                                                      |                  |             |                  |
| Movable or Other Equipment (not in construction contracts)                                                                                     | 128,000          |             | 128,000          |
| Bond Issuance Expense (project related)                                                                                                        |                  |             |                  |
| Net Interest Expense During Construction (project related)                                                                                     |                  |             |                  |
| Fair Market Value of Leased Space or Equipment                                                                                                 | 440,000          |             | 440,000          |
| Other Costs To Be Capitalized                                                                                                                  |                  |             |                  |
| Acquisition of Building or Other Property (excluding land)                                                                                     |                  |             |                  |
| <b>TOTAL USES OF FUNDS</b>                                                                                                                     | <b>1,100,365</b> |             | <b>1,100,365</b> |
| SOURCE OF FUNDS                                                                                                                                | CLINICAL         | NONCLINICAL | TOTAL            |
| Cash and Securities                                                                                                                            | 660,365          |             | 660,365          |
| Pledges                                                                                                                                        |                  |             |                  |
| Gifts and Bequests                                                                                                                             |                  |             |                  |
| Bond Issues (project related)                                                                                                                  |                  |             |                  |
| Mortgages                                                                                                                                      |                  |             |                  |
| Leases (fair market value)                                                                                                                     | 440,000          |             | 440,000          |
| Governmental Appropriations                                                                                                                    |                  |             |                  |
| Grants                                                                                                                                         |                  |             |                  |
| Other Funds and Sources                                                                                                                        |                  |             |                  |
| <b>TOTAL SOURCES OF FUNDS</b>                                                                                                                  | <b>1,100,365</b> |             | <b>1,100,365</b> |
| NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. |                  |             |                  |

**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 <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No<br>Purchase Price: \$ <u>N/A</u><br>Fair Market Value: \$ <u>N/A</u>                                                                                                                                                                                                                                                                                                                |
| The project involves the establishment of a new facility or a new category of service<br><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No<br><br>If yes, provide the dollar amount of all <b>non-capitalized</b> 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.<br><br>Estimated start-up costs and operating deficit cost is \$ <u>N/A</u> |

**Project Status and Completion Schedules**

**For facilities in which prior permits have been issued please provide the permit numbers.**

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): 11/30/13

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

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

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

**State Agency Submittals**

Are the following submittals up to date as applicable:

- ☐ Cancer Registry  
☐ APORS  
☒ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted  
☐ All reports regarding outstanding permits

**Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.**

### Cost Space Requirements

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

| Dept. / Area          | Cost    | Gross Square Feet |          | Amount of Proposed Total Gross Square Feet That Is: |            |       |               |
|-----------------------|---------|-------------------|----------|-----------------------------------------------------|------------|-------|---------------|
|                       |         | Existing          | Proposed | New Const.                                          | Modernized | As Is | Vacated Space |
| <b>REVIEWABLE</b>     | 321,400 | 4,327             | 0        | 0                                                   | 4,327      | 0     | 0             |
| Medical Surgical      |         |                   |          |                                                     |            |       |               |
| Intensive Care        |         |                   |          |                                                     |            |       |               |
| Diagnostic Radiology  |         |                   |          |                                                     |            |       |               |
| MRI                   |         |                   |          |                                                     |            |       |               |
| Total Clinical        |         |                   |          |                                                     |            |       |               |
| <b>NON REVIEWABLE</b> |         |                   |          |                                                     |            |       |               |
| Administrative        |         |                   |          |                                                     |            |       |               |
| Parking               |         |                   |          |                                                     |            |       |               |
| Gift Shop             |         |                   |          |                                                     |            |       |               |
| Total Non-clinical    |         |                   |          |                                                     |            |       |               |
| <b>TOTAL</b>          | 321,400 | 4,327             |          |                                                     |            |       |               |

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

**Facility Bed Capacity and Utilization**

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

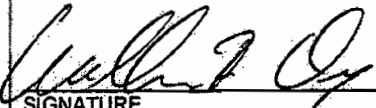
| Center for<br><b>FACILITY NAME: Comprehensive Services, Inc.</b> |                 | <b>CITY: Des Plaines &amp; Palatine, IL</b> |              |             |               |
|------------------------------------------------------------------|-----------------|---------------------------------------------|--------------|-------------|---------------|
| <b>REPORTING PERIOD DATES:</b> 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)                                                | 18              |                                             |              | 75          | 21            |
| <b>TOTALS:</b>                                                   | 16              |                                             |              | 75          | 21            |

**CERTIFICATION**

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

- o in the case of a corporation, any two of its officers or members of its Board of Directors;
- o in the case of a limited liability company, any two of its managers or members (or the sole 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.

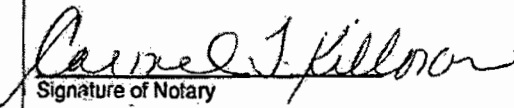
This Application for Permit is filed on the behalf of Center for Comprehensive Services, Inc. \*  
in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit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

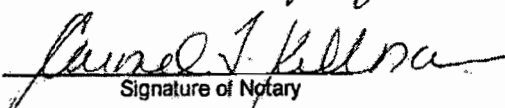
  
SIGNATURE  
William F. DUFF  
PRINTED NAME  
COO  
PRINTED TITLE

  
SIGNATURE  
BRUCE F. NARDELLA  
PRINTED NAME  
PRESIDENT  
PRINTED TITLE

Notarization:  
Subscribed and sworn to before me  
this 2nd day of July 2013

Notarization:  
Subscribed and sworn to before me  
this 2nd day of July 2013

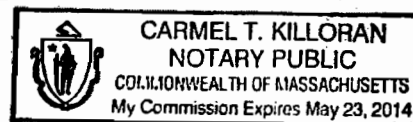
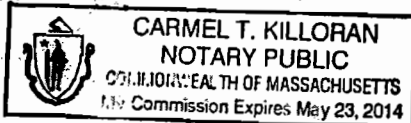
  
Signature of Notary

  
Signature of Notary

Seal

Seal

\*Insert EXACT legal name of the applicant



**SECTION II. DISCONTINUATION**

This Section is applicable to any project that involves discontinuation of a health care facility or a category of service. **NOTE:** If the project is solely for discontinuation and if there is no project cost, the remaining Sections of the application are not applicable.

**Criterion 1110.130 - Discontinuation**

READ THE REVIEW CRITERION and provide the following information:

**GENERAL INFORMATION REQUIREMENTS**

1. Identify the categories of service and the number of beds, if any that is to be discontinued.
2. Identify all of the other clinical services that are to be discontinued.
3. Provide the anticipated date of discontinuation for each identified service or for the entire facility.
4. Provide the anticipated use of the physical plant and equipment after the discontinuation occurs.
5. Provide the anticipated disposition and location of all medical records pertaining to the services being discontinued, and the length of time the records will be maintained.
6. For applications involving the discontinuation of an entire facility, certification by an authorized representative that all questionnaires and data required by HFSRB or DPH (e.g., annual questionnaires, capital expenditures surveys, etc.) will be provided through the date of discontinuation, and that the required information will be submitted no later than 60 days following the date of discontinuation.

**REASONS FOR DISCONTINUATION**

The applicant shall state the reasons for discontinuation and provide data that verifies the need for the proposed action. See criterion 1110.130(b) for examples.

**IMPACT ON ACCESS**

1. Document that the discontinuation of each service or of the entire facility will not have an adverse effect upon access to care for residents of the facility's market area.
2. Document that a written request for an impact statement was received by all existing or approved health care facilities (that provide the same services as those being discontinued) located within 45 minutes travel time of the applicant facility.
3. Provide copies of impact statements received from other resources or health care facilities located within 45 minutes travel time, that indicate the extent to which the applicant's workload will be absorbed without conditions, limitations or discrimination.

APPEND DOCUMENTATION AS ATTACHMENT-10, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**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 Board Report.**

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

**ALTERNATIVES**

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

Alternative options **must** include:

- A) Proposing a project of greater or lesser scope and cost;
  - B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;
  - C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and
  - D) Provide the reasons why the chosen alternative was selected.
- 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**
- 3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

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

**SECTION IV - PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE****Criterion 1110.234 - Project Scope, Utilization, and Unfinished/Shell Space**

READ THE REVIEW CRITERION and provide the following information:

**SIZE OF PROJECT:**

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive. **This must be a narrative.**
2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following:
  - a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;
  - b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;
  - c. The project involves the conversion of existing space that results in excess square footage.

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

| SIZE OF PROJECT                          |                    |                |            |               |
|------------------------------------------|--------------------|----------------|------------|---------------|
| DEPARTMENT/SERVICE                       | PROPOSED BGSF/DGSF | STATE STANDARD | DIFFERENCE | MET STANDARD? |
| 4,327<br><i>Community Based RC Rehab</i> | Also 4,327         | N/A            | N/A        | N/A           |

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

**PROJECT SERVICES UTILIZATION:**

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

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

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

| UTILIZATION |                |                                                         |                       |                |               |
|-------------|----------------|---------------------------------------------------------|-----------------------|----------------|---------------|
|             | DEPT./ SERVICE | HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC. | PROJECTED UTILIZATION | STATE STANDARD | MET STANDARD? |
| YEAR 1      | CBRR           | 120                                                     | 3646                  |                | yes           |
| YEAR 2      |                | 1492                                                    | 3642                  |                |               |

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

**UNFINISHED OR SHELL SPACE:**

Provide the following information:

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

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

**ASSURANCES:**

Submit the following:

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

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

**M. Community-Based Residential Rehabilitation Center**

This section is applicable to all projects proposing to establish a Community-based Residential Rehabilitation Center Alternative Health Care Model.

**A. Criterion 1110.2830(a), Staffing**

Read the criterion and provide the following information:

1. A detailed staffing plan that identifies the number and type of staff positions dedicated to the model and the qualifications for each position; and
2. How special staffing circumstances will be handled; and
3. The staffing patterns for the proposed center; and
4. The manner in which non-dedicated staff services will be provided.

**B. Criterion 1110.2830(b), Mandated Service**

Read the criterion and provide a narrative description documenting how the applicant will provide the minimum range of services required by the Alternative Health Care Delivery Act and specified in 1110.2820(b).

**C. Criterion 1110.2830(c), Unit Size**

Read the criterion and provide a narrative description that identifies the number and location of all beds in the model. Include the total number of beds for each residence and the total number of beds for the model.

**D. Criterion 1110.2830(d), Utilization**

Read the criterion and provide documentation that the target utilization for the model will be achieved by the second year of the model's operation. Include supporting information such as historical utilization trends, population growth, expansion of professional staff or programs, and the provision of new procedures that may increase utilization.

**E. Criterion 1110.2830(e), Background of Applicant**

Read the criterion and provide documentation that demonstrates the applicant's experience in providing the services required by the model. Provide evidence that the programs offered in the model have been accredited by the Commission on Accreditation of Rehabilitation Facilities as a Brain Injury Community-Integrative Program for at least three of the last five years.

APPEND DOCUMENTATION AS ATTACHMENT-32 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:**

|           |                              |                                                                                                                                                                                                                                                                                                                                    |
|-----------|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1,100,365 | 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.                                                                                                                                                                                                            |
| 1,100,365 | <b>TOTAL FUNDS AVAILABLE</b> |                                                                                                                                                                                                                                                                                                                                    |

APPEND DOCUMENTATION AS **ATTACHMENT-36**, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

IX. 1120.130 - Financial Viability

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

Financial Viability Waiver

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

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

See Section 1120.130 Financial Waiver for information to be provided

**APPEND DOCUMENTATION AS ATTACHMENT-37, 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) |
|-------------------------------------------------|---------------------------------------------|--|--|------------------------|
| <b>Enter Historical and/or Projected Years:</b> |                                             |  |  |                        |
| Current Ratio                                   |                                             |  |  |                        |
| Net Margin Percentage                           |                                             |  |  |                        |
| Percent Debt to Total Capitalization            |                                             |  |  |                        |
| Projected Debt Service Coverage                 |                                             |  |  |                        |
| Days Cash on Hand                               |                                             |  |  |                        |
| Cushion Ratio                                   |                                             |  |  |                        |

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

## 2. Variance

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

**APPEND DOCUMENTATION AS ATTACHMENT 38, 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<br>(list below)                            | A                       | B      | C                    | D      | E                     | F      | G                    | H                  | Total<br>Cost<br>(G + H) |
|                                                       | Cost/Square Foot<br>New | Mod.   | Gross Sq. Ft.<br>New | Circ.* | Gross Sq. Ft.<br>Mod. | Circ.* | Const. \$<br>(A x C) | Mod. \$<br>(B x E) |                          |
|                                                       |                         | 113.16 |                      |        | 3,678                 | 649    |                      | 416,203            | 416,203                  |
| Contingency                                           |                         |        |                      |        |                       |        |                      | 42,715             | 42,715                   |
| TOTALS                                                |                         | 124.78 |                      |        | 3,678                 | 649    |                      | 458,918            | 458,918                  |
| * 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 -39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

**XI. Safety Net Impact Statement**

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

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.
2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.
3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.

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

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.
2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.
3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service.

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

| Safety Net Information per PA 96-0031 |                |                |                |
|---------------------------------------|----------------|----------------|----------------|
| CHARITY CARE                          |                |                |                |
| Charity (# of patients)               | Year           | Year           | Year           |
| Inpatient                             | 5              | 4              | 4              |
| Outpatient                            |                |                |                |
| <b>Total</b>                          | <b>5</b>       | <b>4</b>       | <b>4</b>       |
| Charity (cost in dollars)             |                |                |                |
| Inpatient                             | 183,480        | 190,248        | 283,763        |
| Outpatient                            |                |                |                |
| <b>Total</b>                          | <b>183,480</b> | <b>190,248</b> | <b>283,763</b> |
| MEDICAID                              |                |                |                |
| Medicaid (# of patients)              | Year           | Year           | Year           |
| Inpatient                             | 79             | 85             | 81             |
| Outpatient                            |                |                |                |
| <b>Total</b>                          | <b>79</b>      | <b>85</b>      | <b>81</b>      |

|                    |            |            |            |
|--------------------|------------|------------|------------|
| Medicaid (revenue) |            |            |            |
| Inpatient          | 17,939,933 | 18,946,351 | 18,010,234 |
| Outpatient         |            |            |            |
| Total              | 17,939,933 | 18,946,351 | 18,010,234 |

APPEND DOCUMENTATION AS ATTACHMENT-40, 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.

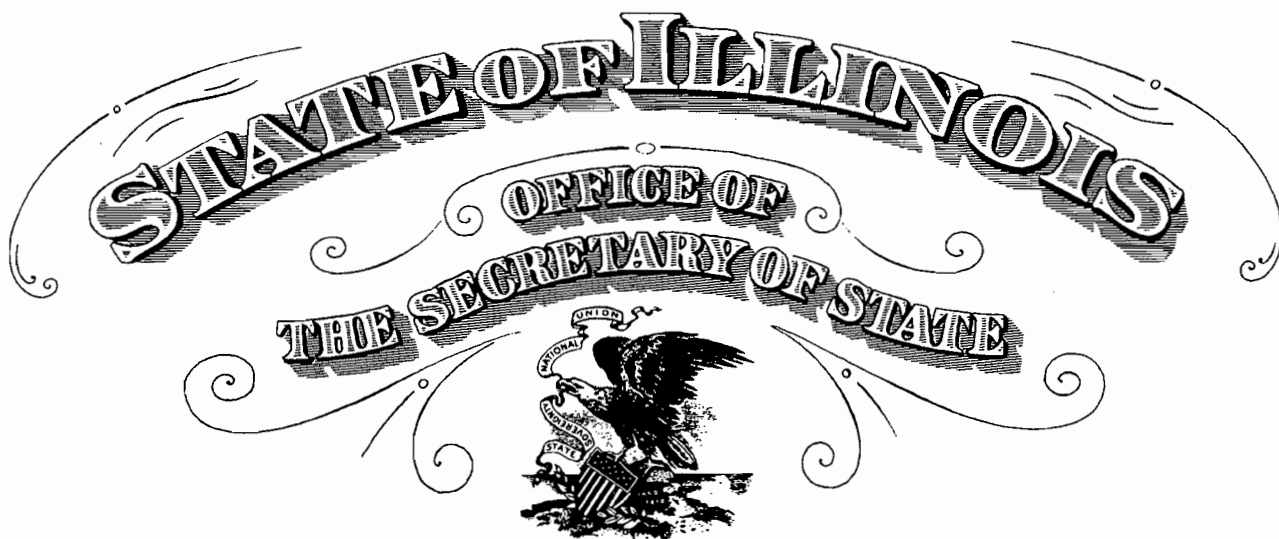
A table in the following format must be provided for all facilities as part of Attachment 44.

| CHARITY CARE                     |            |            |            |
|----------------------------------|------------|------------|------------|
|                                  | Year       | Year       | Year       |
| Net Patient Revenue              | 26,202,247 | 28,918,833 | 29,062,456 |
| Amount of Charity Care (charges) | 183,480    | 198,175    | 295,586    |
| Cost of Charity Care             | 176,141    | 196,248    | 283,763    |

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

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 |                                                                                                        |         |
|----------------------|--------------------------------------------------------------------------------------------------------|---------|
| ATTACHMENT NO.       |                                                                                                        | PAGES   |
| 1                    | Applicant/Coapplicant Identification including Certificate of Good Standing                            | 22      |
| 2                    | Site Ownership                                                                                         | 23-35   |
| 3                    | Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership. | 36      |
| 4                    | Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.                  | 37-38   |
| 5                    | Flood Plain Requirements                                                                               | 39-40   |
| 6                    | Historic Preservation Act Requirements                                                                 | 41      |
| 7                    | Project and Sources of Funds Itemization                                                               | 42      |
| 8                    | Obligation Document if required                                                                        | N/A     |
| 9                    | Cost Space Requirements                                                                                | ↓       |
| 10                   | Discontinuation                                                                                        | ↓       |
| 11                   | Background of the Applicant                                                                            | 43      |
| 12                   | Purpose of the Project                                                                                 | 44-51   |
| 13                   | Alternatives to the Project                                                                            | 52      |
| 14                   | Size of the Project                                                                                    | 53-54   |
| 15                   | Project Service Utilization                                                                            | 55      |
| 16                   | Unfinished or Shell Space                                                                              | N/A     |
| 17                   | Assurances for Unfinished/Shell Space                                                                  | ↓       |
| 18                   | Master Design Project                                                                                  | ↓       |
| 19                   | Mergers, Consolidations and Acquisitions                                                               | ↓       |
|                      | <b>Service Specific:</b>                                                                               |         |
| 20                   | Medical Surgical Pediatrics, Obstetrics, ICU                                                           | N/A     |
| 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                   | Selected Organ Transplantation                                                                         | ↓       |
| 29                   | Kidney Transplantation                                                                                 | ↓       |
| 30                   | Subacute Care Hospital Model                                                                           | ↓       |
| 31                   | Children's Community-Based Health Care Center                                                          | ↓       |
| 32                   | Community-Based Residential Rehabilitation Center                                                      | 56-100  |
| 33                   | Long Term Acute Care Hospital                                                                          | N/A     |
| 34                   | Clinical Service Areas Other than Categories of Service                                                | ↓       |
| 35                   | Freestanding Emergency Center Medical Services                                                         | ↓       |
|                      | <b>Financial and Economic Feasibility:</b>                                                             |         |
| 36                   | Availability of Funds                                                                                  | 101-148 |
| 37                   | Financial Waiver                                                                                       | N/A     |
| 38                   | Financial Viability                                                                                    | 149     |
| 39                   | Economic Feasibility                                                                                   | 150-151 |
| 40                   | Safety Net Impact Statement                                                                            | 152-153 |
| 41                   | Charity Care Information                                                                               | 153     |



*To all to whom these Presents Shall Come, Greeting:*

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

CENTER FOR COMPREHENSIVE SERVICES, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON OCTOBER 20, 1977, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE BUSINESS CORPORATION ACT OF THIS STATE RELATING TO THE PAYMENT OF FRANCHISE TAXES, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



Authentication #: 1320301640

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 22ND day of JULY A.D. 2013 .*

*Jesse White*

SECRETARY OF STATE

ATTACHMENT ① # 3

## LEASE AGREEMENT

THIS LEASE AGREEMENT ("Lease") is entered into as of June 27, 2013 by and between **SCIOTO PROPERTIES SP-16 LLC** ("Lessor") and **Center for Comprehensive Services, Inc. d/b/a NeuroRestorative Illinois**. ("Lessee").

### RECITALS

Based on Lessee's request, Lessor has acquired and owns a single-family residential home located at **707 West Helen Road, Palatine, IL 60067** ("Home"). Lessee is a provider of human services. Lessor desires to lease the Home to Lessee as housing for individuals with specialized continuing care needs ("Residents"). Lessee desires to lease the Home from Lessor on the terms and conditions set forth in this Lease.

### STATEMENT OF AGREEMENT

NOW, THEREFORE, the parties agree as follows:

#### **Section 1.** *Home:*

**Section 1.1. Use.** Lessor leases to Lessee and Lessee leases from Lessor the Home. Lessee agrees to use the Home solely to provide residential support services ("Services") to the Residents living in the Home as their personal residence, including office and administrative tasks incidental to the provision of Services. If Lessee no longer provides, or is no longer authorized to provide, Services at the Home, Lessee must promptly provide notice to Lessor, including a copy of any formal notice received by Lessee related to its inability to provide Services at the Home.

**Section 1.2. Due Diligence Process.** Lessee has the responsibility for determining whether the Home is suitable for use in providing Services to the Residents. Lessee acknowledges that Lessor has no decision making authority or responsibility for selecting the Residents or providing Services in the Home. However for the benefit of Lessee, Lessor undertook a due diligence process, at its own expense, pursuant to which Lessor obtained an appraisal, title commitment, house inspection and other information regarding the condition of the Home and, if requested by Lessee and at Lessee's expense, zoning information applicable to the Home. Lessee acknowledges that Lessor provided Lessee with the information obtained during such due diligence process to enable Lessee to make a business judgment, in its sole discretion, that the Home was suitable for providing Services to the Residents. In addition, Lessee acknowledges that Lessor purchased the Home only after Lessor was notified by Lessee that it determined the Home was suitable for use in providing Services to the Residents. Furthermore, Lessor makes no warranties, expressed or implied, with respect to the suitability or use of the Home by Lessee in providing Services to the Residents.

**Section 1.3. As Is Condition.** Lessee acknowledges that all improvements, fixtures and equipment in the Home are used. Lessor makes no warranties, express or implied, with respect to the condition, which is delivered to Lessee in "AS IS, WHERE IS" condition, subject to any items set forth on either (a) the written list of items to be repaired by Lessee pursuant to the home inspection undertaken by Lessor or (b) a written repairs and maintenance checklist that Lessee provides to Lessor within 14 days of the later of (i) the start date or (ii) date of occupancy.

ATTACHMENT 2

**Section 1.4. Good Condition.** Upon termination of this Lease for any reason, Lessee must surrender the Home in good condition, subject to ordinary wear and tear. Lessee agrees to make repairs as needed to maintain the Home in good condition and repair during the term of this Lease and upon termination of this Lease as set forth in Section 5.2.

**Section 2. Term:**

**Section 2.1. Initial Term.** The initial term begins on the start date set forth on Schedule 1. The initial term ends on the end date set forth on Schedule 1 unless sooner terminated as provided in this Lease.

**Section 2.2. Renewal Terms.** This Lease automatically renews for the number of renewal terms and periods specified on Schedule 1, unless Lessee delivers a notice to Lessor at least four months prior to the end of the then-current term that it is not renewing this Lease.

**Section 2.3. Month-to-Month Holding Over.** This Lease terminates at the end of the initial term or a renewal term if Lessee delivers a notice to Lessor that it is not renewing this Lease pursuant to Section 2.2. Should Lessee remain in the Home beyond the termination of this Lease for any reason, such holding over operates as an extension of the terms of this Lease on a month-to-month basis except as provided in Section 3.4 with respect to the monthly rent. During such holding over, either party may terminate this Lease upon 30 days prior notice to the other party. Nothing in this Section 2.3 constitutes consent by Lessor to any holding over by Lessee upon termination of this Lease.

**Section 3. Rent:**

**Section 3.1. Monthly Rent.** Subject to the annual adjustment described in Section 3.2, Lessee agrees to pay monthly rent during the term of this Lease in the amount set forth on Schedule 1. The monthly rent is payable in advance on or before the 5<sup>th</sup> business day of each month during the term of this Lease. If the start date is not the first day of a month, the monthly rent for the initial month is prorated based on the number days in such month. Lessee is to deliver the monthly rent payment to Lessor at 5940 Wilcox Place, Suite A, Dublin, Ohio 43016-6805 or such other address subsequently provided pursuant to Section 10.

**Section 3.2. Annual Rent Adjustment.** Effective on the adjustment date set forth on Schedule 1 and on each anniversary of the adjustment date during the term of this Lease, the monthly rent is increased. The percentage by which the monthly rent is increased over the monthly rent for the previous lease year is set forth on Schedule 1. No notice must be given to Lessee to adjust the monthly rent, which is automatically effective on the applicable adjustment date. The specific monthly rent for each lease year showing the annual adjustment during the initial term is set forth on Schedule 1.

**Section 3.3. Late Charge and Interest.** If the monthly rent, any amount due under Section 5 or Section 6 or any amount that Lessor advances under this Lease that Lessee is otherwise obligated to pay is not received within five business days after Lessor has given notice that such payment is past due ("Penalty Date"), Lessor incurs additional expenses. As a result, Lessee agrees to pay a late charge equal to ten percent of the unpaid amounts on the Penalty Date as additional rent. Lessee also agrees to pay interest on all unpaid amounts from the Penalty Date until the date of payment at an annual rate of (a) the prime rate listed in *The*

*Wall Street Journal* on such date plus three percent or (b) the maximum rate permitted by law, whichever is lower.

**Section 3.4. Hold Over Rent.** If Lessee remains in the Home following termination of this Lease, the monthly rent during the month-to-month holding over period described in Section 2.3 is 150 percent of the monthly rent in effect immediately before the start of the holding over period.

**Section 4. Security Deposit.** Upon the execution of this Lease, Lessee shall deposit with Lessor a security deposit in the amount set forth on Schedule 1. Lessee is to deliver the security deposit to Lessor at the same address to which the monthly rent is delivered. Upon termination of this Lease and return of the Home to Lessor, Lessor must refund all or a portion of the security deposit to Lessee within 30 days. The amount to be refunded is the difference between the security deposit and the amount deducted for damages to the Home, unpaid rent and other amounts due under Section 5 or Section 6 and other deductions permitted under this Lease and by law in accordance with this Section 4. If Lessor proposes to deduct any amount from the security deposit, Lessor must provide Lessee with prior notice and supporting documents regarding such amount and may deduct such amounts only with Lessee's prior consent, which shall not be unreasonably withheld. If Lessee objects to all or any portion of the deduction, Lessee must deliver a notice to Lessor, and Lessor shall place the disputed amount in a standalone account ("Deposit Account") pending resolution of the disputed amount, which Deposit Account must be interest-bearing if the disputed amount is in excess of \$2,500. Both parties agree to cooperate and act in good faith to resolve the disputed deductions promptly. Upon resolution of the dispute, the interest earned, if any, in the Deposit Account shall be allocated between Lessor and Lessee proportionate to the final allocation of the disputed amount held in the Deposit Account. Notwithstanding the foregoing, Lessee's consent shall be deemed to have been received if Lessee does not respond to Lessor's notice under this Section 4 within ten business days. Lessee acknowledges that Lessor is entitled to use all or any portion of the security deposit to cover losses incurred by Lessor arising from Lessee's failure to comply with the terms of this Lease, subject to the terms of this Section 4. Except as required by this Section 4 upon any dispute on return of the security deposit, no interest is accrued or paid on the security deposit. Furthermore, except as provided by this Section 4, Lessor may commingle the security deposit with other funds without any accounting to Lessee.

**Section 5. Lessee's Other Financial Obligations:**

**Section 5.1. Utilities.** During the term of this Lease, Lessee is responsible, at its own expense, for paying all charges for water, sewer, electric, heating, gas, telephone, cable, trash removal, recycling and any other utilities used with respect to the Home ("Utilities"). Lessee agrees to establish accounts for the Utilities and to pay all Utilities directly to the utility company providing the service. If Lessor receives any bill for Utilities, Lessor agrees to send promptly a copy of such bill to Lessee. If Lessee fails to timely pay for the Utilities, Lessor has the right to pay such Utilities on behalf of Lessee. In such event, Lessee agrees to reimburse Lessor promptly for such payment upon receipt of a notice requesting reimbursement for such Utilities from Lessor.

**Section 5.2. Maintenance and Repairs.** During the term of this Lease and upon termination of this Lease for any reason, Lessee is responsible, at its own expense, for all maintenance and repairs (including replacement, if necessary, upon the end of the useful life of an item) that are necessary or appropriate to maintain the Home in good condition and repair,

subject to ordinary wear and tear, in accordance with Section 1.4. The obligation under this Section 5.2 includes without limitation:

- (a) Maintaining and repairing the roof, flooring, interior and exterior walls, interior and exterior doors, windows and glass, garage, driveway, sidewalks and HVAC, electrical and plumbing systems;
- (b) Keeping the exterior free of snow, ice, rubbish and other obstructions; and
- (c) Maintaining the yard and landscaping around the Home.

Furthermore, during the term of this Lease, Lessee is responsible, at its own expense, for implementing a routine preventative maintenance program (including termite and pest control) to undertake its obligation under this Section 5.2. If Lessee fails to undertake its obligation under this Section 5.2 and such failure continues (i) for emergency repairs necessary to protect the safety of the Residents or preservation of the Home or (ii) for 30 days for all other repairs following notice to Lessee, Lessor has the right to undertake such maintenance or repairs on behalf of Lessee. In such event, Lessee agrees to reimburse Lessor promptly for such payment upon receipt of a notice requesting reimbursement for such maintenance and repairs from Lessor. Obtaining insurance coverage required under Section 6.2 does not change the obligation of Lessee to maintain the Home in good condition and repair even if the damages to the Home might be covered by such Insurance.

**Section 5.3. Regulatory Compliance.** During the term of this Lease, Lessee is responsible, at its own expense, for substantially complying with all laws, regulations and private restrictions, like homeowners' association rules, applicable to Lessee's use of the Home to provide Services to the Residents. In addition during the term of this Lease, Lessee agrees, at its own expense, to make any repairs, replacements, modifications or additions to the Home that are required by any law, regulation or private restriction applicable to Lessee's use of the Home to provide Services to the Residents. Lessee agrees to hold Lessor harmless from any cost or liability that may be imposed or assessed against Lessor or the Home in connection with Lessee's failure to comply with this Section 5.3 during the term of this Lease.

#### **Section 6. Additional Financial Obligations:**

**Section 6.1. Taxes.** During the term of this Lease, Lessee is responsible, at its own expense, for paying all real and personal property taxes and assessments, if any, and any interest and penalties for late payment (except if such late payment is due to Lessor's act or omission), assessed or accrued with respect to the Home ("Taxes"). The parties agree that the Taxes due for the calendar year in which the term of this Lease begins and ends are prorated on a per diem basis. Lessor agrees to send promptly a copy of any Tax bill that Lessor receives to Lessee. Lessee agrees to pay timely all Taxes directly to the applicable taxing authority. Lessee, upon the request of Lessor, agrees to provide evidence of payment of the Taxes to Lessor. If Lessee fails to pay timely the Taxes, Lessor has the right to pay such Taxes on behalf of Lessee. In such event, Lessee agrees to reimburse Lessor promptly for such payment upon receipt of a notice requesting reimbursement for such Taxes from Lessor. Furthermore, Lessee is responsible, at its own expense, for paying all assessments and dues to homeowners' or community associations, if any, and any interest and penalties for late payment, assessed or accrued with respect to the Home.

**Section 6.2. Insurance.** During the term of this Lease, Lessee is responsible, at its own expense, for obtaining and maintaining in full force the insurance coverage set forth on Schedule 2 attached to this Lease ("Insurance"). Unless waived in writing by Lessor, each

policy required by Lessee under this Section 6.2 must contain a provision that it may be canceled or modified by the issuing insurer only if that insurer endeavors to provide 30 days prior written notice to Lessor and, if applicable, Lessor's mortgage lender ("Lender") with respect to the Home. Lessee agrees to provide prompt notice to Lessor if Lessee receives any notice from issuing insurer that it will not be renewing any Insurance coverage required under this Section 6.2. Lessee agrees to deliver to Lessor and, if applicable, the Lender, a certificate evidencing each required policy upon execution of this Lease, upon renewal or change of each such policy or upon the request of Lessor during the term of this Lease. Furthermore, Lessee agrees to deliver to Lessor a copy of each required policy upon the request of Lessor during the term of this Lease. On each applicable policy, Lessee agrees to have (a) Lessor named as an additional insured and loss payee and (b) the Lender named as an additional insured on the liability policies and a loss payee on the property policy. If Lessee fails to obtain the Insurance required under this Section 6.2, Lessor has the right to obtain such Insurance on behalf of Lessee. In such event, Lessee agrees to reimburse Lessor promptly for such payment upon receipt of a notice requesting reimbursement for such Insurance from Lessor. The parties waive any recovery of damages against each other (including their employees and agents) for loss or damage to the Home, Lessee's improvements, fixtures, equipment, and any other personal property to the extent covered by the Insurance required under this Section 6.2. If the Insurance purchased by Lessee does not allow the insured to waive rights of recovery against others prior to loss, Lessee agrees to have such policy endorsed with a waiver of subrogation.

#### **Section 7. Changes to Home:**

**Section 7.1. Improvements.** During the term of this Lease, Lessee, at its own expense, may make modifications and additions ("Improvements") to the Home, with the prior consent of Lessor, which may not be unreasonably withheld. Any Improvements made by Lessee must be constructed of good materials and done in a good and workman like manner. In the event Lessee makes Improvements, Lessee must remove, at its own expense, such Improvements upon termination of this Lease if required by Lessor in its consent for making such Improvements. The monthly rent is not adjusted in the event Lessee makes Improvements to the Home. Every Improvement made to the Home constitutes a part of the Home and thus is Lessor's property. Lessee agrees to indemnify Lessor against any mechanic's lien or other lien arising out of any Improvements made to the Home by Lessee.

**Section 7.2. Casualty.** In the event all or any portion of the Home is damaged or destroyed by fire, windstorm, hurricane, tornado, flood or any other casualty ("Casualty"), Lessee must immediately notify Lessor of such Casualty. Lessee is responsible, at its own expense, to repair the damage or destruction caused by the Casualty so the Home is at least as great in value and functionality as it was prior to such Casualty. The monthly rent is not abated during the repair period for the Home. Subject to the right of the Lender, Lessee is entitled to use the proceeds from the Insurance for such repair. If the Lender does not consent to Lessee using such proceeds and Lessor does not advance the funds necessary for such repair (which Lessor has no obligation to do so), Lessee may terminate this Lease immediately upon notice to Lessor.

**Section 7.3. Eminent Domain.** If the event all or any portion of the Home is condemned or taken by eminent domain, then this Lease terminates as to the part so taken on the date Lessee is required to surrender possession ("Surrender Date"). As of the Surrender Date, the monthly rent is reduced proportionately based on the portion of the Home taken. If the amount of the Home taken impairs the usefulness of the Home to provide Services to the

Residents, in Lessee's reasonable judgment, then Lessee may terminate this Lease as of the Surrender Date by notice to Lessor. All compensation awarded for such taking of the fee in the Home belongs to and is the property of Lessor. Lessee assigns all its rights in such award to Lessor; provided, however, Lessor is not entitled to any portion of the award made to Lessee, including but not limited to any award made for the leasehold estate in the Home and the cost of removing its personal property from the Home.

**Section 8. Lessee's Additional Non-Financial Obligations:**

**Section 8.1. Right of Entry.** Lessee grants Lessor and its employees and agents the right, upon advance notice to Lessee, to enter the Home during normal business hours to:

- (a) With not less than 24 hours notice, inspect the Home periodically;
- (b) Make repairs as may be necessary for the safety of the Residents or preservation of the Home;
- (c) With not less than 48 hours notice, exhibit the Home as needed if Lessor is considering refinancing its indebtedness secured by the Home; or
- (d) With not less than 48 hours notice, exhibit the Home as needed if Lessee does not renew this Lease or it is within six months of the end of the term of this Lease.

Lessor agrees to exercise its rights under this Section 8.1 in a manner that does not unreasonably interfere with Lessee providing Services at the Home. Furthermore, Lessor agrees to exercise its rights in a manner that respects the privacy of the Residents living in the Home.

**Section 8.2. Environmental Covenant.** During the term of this Lease, Lessee may not cause or permit the presence, use, disposal or release of any Hazardous Substance at or around the Home. Lessee agrees not to do, or allow any other person to do, anything affecting the Home, which (a) is in violation of any Environmental Law or (b) due to the presence, use or release of a Hazardous Substance, creates a condition that adversely affects the value of the Home. The restrictions contained in this Section 8.2 do not apply to the presence, use or storage at or around the Home of small quantities of Hazardous Substances generally recognized as appropriate for normal residential uses and maintenance of the Home. Lessee agrees to promptly notify Lessor of (i) any investigation, claim or other action involving the Home and any Hazardous Substance or Environmental Law of which Lessee has actual knowledge and (ii) any condition caused by the presence, use or release of any Hazardous Substance, which adversely affects the value of the Home. For purposes of this Section 8.2, "Hazardous Substance" means those substances defined as toxic or hazardous substances, pollutants or wastes by Environmental Law and "Environmental Law" means federal laws and the laws of the jurisdiction where the Home is located that relate to health, safety and environmental protection. Lessee agrees to indemnify and hold harmless Lessor from and against any and all claims, charges, damages, fines, judgments, penalties, costs, liabilities or losses (including, without limitation, any and all sums paid for settlement of claims, reasonable attorneys' fees, consultant and expert fees) arising during or after the term of this Lease, which arise out of, are based upon or in connection with Lessee's failure to comply with the environmental covenant set forth in this Section 8.2. The indemnification contained in this Section 8.2 survives termination of this Lease.

**Section 8.3. Indemnification.** The following indemnification provisions contained in this Section 8.3 shall survive termination of this Lease:

- (a) **Lessee.** Lessee agrees to indemnify Lessor and its members, directors, officers, employees, agents and the Lender and save them harmless from and against any

and all claims, actions, damages, liabilities and expenses (including reasonable attorneys' fees) in connection with loss of life, personal injury and/or damage to property arising from the occupancy and/or use of the Home to provide Services to the Residents during the term of this Lease or from the act or omission by Lessee, any Resident or guest, except that caused by the negligence or willful misconduct of Lessor or its agents or employees. In the event Lessor, without fault on its part, is made a party to any litigation commenced by or against Lessee, then Lessee agrees to protect and hold Lessor harmless in connection with such litigation. Lessee also agrees to pay all costs and expenses (including reasonable attorneys' fees) that may be incurred or paid by Lessor in enforcing the terms of this Lease against Lessee.

- (b) *Lessor.* Lessor agrees to indemnify Lessee and its members, directors, officers, employees, agents and Residents and save them harmless from and against any and all claims, actions, damages, liabilities and expenses (including reasonable attorneys' fees) in connection with loss of life, personal injury and/or damage to property arising from Lessor's duties as a landlord under this Lease, except that caused by the negligence or willful misconduct of Lessee or its agents or employees, Residents or guests or from Lessee's failure to perform its duties and obligations related to the provision of Services at the Home. In the event Lessee, without fault on its part, is made a party to any litigation commenced by or against Lessor, then Lessor agrees to protect and hold Lessee harmless in connection with such litigation. Lessor also agrees to pay all costs and expenses (including reasonable attorneys' fees) that may be incurred or paid by Lessee in enforcing the terms of this Lease against Lessor.

**Section 8.4. Business Information.** During the term of this Lease, Lessee agrees to provide to Lessor reasonable access to information respecting Lessee's business conducted at, and the Residents' occupancy of, the Home as Lessor may reasonably request or may be requested by the Lender; provided the notice requesting such information must set out the legitimate business purpose and must comply with any federal or state privacy law, including HIPAA, applicable to the Residents, in Lessee's reasonable judgment. Lessee agrees to promptly provide such requested business information following notice from Lessor. Notwithstanding the foregoing, nothing in this Section 8.4 shall obligate Lessee to provide information about any Resident that might tend to identify such Resident. Lessor agrees to keep all information provided by Lessee under this Section 8.4 confidential unless such information is required by law or court order to be disclosed or is generally publicly available.

**Section 8.5. Representations.** The parties represent to each other as follows:

- (a) *Lessee.* Lessee represents to Lessor that (i) Lessee is a duly organized and validly existing entity under the laws of the state of its formation; (ii) Lessee possesses (or will possess at the start date of the Lease) all authorizations, approvals, certifications, licenses and permits necessary to provide Services at the Home, which are (or will be as of the start date) in full force and effect; (iii) this Lease has been duly executed and delivered by Lessee and constitutes the legal, valid and binding obligations of Lessee, enforceable in accordance with its terms; and (iv) this Lease and the consummation of the transaction contemplated under this Lease are not subject to any authorization, consent, approval or review of any governmental body, regulatory authority or any other person not already obtained or effected.

- (b) Lessor represents to Lessee that (i) Lessor is a duly organized and validly existing entity under the laws of the state of its formation; and (ii) this Lease has been duly executed and delivered by Lessor and constitutes the legal, valid and binding obligations of Lessor, enforceable in accordance with its terms.

**Section 9. Lessee's Default:**

**Section 9.1. Event of Default.** Each of the following is considered a default by Lessee ("Event of Default") under this Lease if it occurs and continues to occur following notice and the applicable cure period:

- (a) *Failure to Pay Amounts Due.* Lessee in two consecutive months fails to timely pay the monthly rent within five business days of when due or Lessee has an amount unpaid to Lessor under this Lease in excess of two times the monthly rent.
- (b) *Non-Performance.* Lessee fails to perform any of its material obligations under this Lease (other than payment of money) and such failure continues uncorrected for a period of 30 days after notice from Lessor.
- (c) *Financial Inability.* Lessee (i) becomes insolvent; (ii) admits in writing its inability to pay its debts; (iii) makes a general assignment for the benefit of creditors; (iv) files a petition in bankruptcy or other insolvency proceeding; or (v) has a petition in bankruptcy or other insolvency proceeding filed against it that is not discharged by Lessee within 60 days of such filing.

**Section 9.2. Lessor's Remedies.** Upon the occurrence of an Event of Default, without any prior notice to or demand upon Lessee, Lessor may pursue one or more of the following remedies:

- (a) *Cure Default.* Lessor may re-enter the Home and cure any default of Lessee. In such event, Lessee is obligated to reimburse Lessor for all reasonable costs that Lessor incurs to cure the default. Lessor, at its option, may use the security deposit to pay for its costs in accordance with Section 4. Lessor is not liable to Lessee for any loss or damage that Lessee may sustain due to Lessor's action, except for loss or damage caused by the negligence or willful misconduct of Lessor, its employees or agents.
- (b) *Terminate.* Lessor may terminate this Lease and declare the remaining monthly rents due under this Lease to be immediately due and payable. In such event, Lessee is obligated to pay immediately the present value (discounted using the current prime rate listed in *The Wall Street Journal*) of the remaining monthly rents due for the balance of the term of this Lease.
- (c) *Take Possession and Relet.* Lessor may, without terminating this Lease, terminate Lessee's right of possession to the Home upon notice to Lessee. Upon receipt of the notice, Lessee must immediately surrender the Home to Lessor to allow Lessor to re-enter and take possession of the Home without prejudice to any other remedy that Lessor may have. Lessor may relet the Home for a term different from the remaining term of this Lease and for rents and terms different from this Lease. In such event, Lessee is obligated to pay immediately the present value (discounted using the current prime rate listed in *The Wall Street Journal*) of the difference between the monthly rent due under this Lease and the rent under any new lease for the reletting of the Home for the balance of the term of this Lease.

Notwithstanding anything contained in this Section 9.2, and in limitation of the foregoing remedies, Lessor agrees to use commercially reasonable efforts to mitigate the damages arising from Lessee's default, including making commercially reasonable efforts to re-let or sell the Home to a third party for fair market value.

**Section 9.3. Effect of Waiver of Default.** No waiver of an Event of Default by Lessor is implied because of any omission by Lessor to take any action on account of such Event of Default if such default persists or is repeated. Any expressed waiver must be by a notice and only affects the specific Event of Default stated in the notice and only to the extent stated in such notice.

**Section 9.4. Remedies Cumulative.** All rights and remedies provided in this Lease are cumulative and none excludes any other right or remedy allowed by law or equity. Such rights and remedies may be exercised and enforced concurrently or successively by a party at its option.

**Section 10. Notices.** Each notice, request or consent required or authorized under this Lease must be in writing. Such notice, request or consent is sufficient if (a) mailed by certified mail, return receipt requested and postage prepaid; (b) delivered by a nationally recognized overnight courier service; or (c) except for a notice of default, sent by fax or email with confirmation of receipt, to the address set forth under the signature of the party. In addition, for any notice of default, a copy of such notice shall be sent to The Mentor Network, 313 Congress Street, Boston, MA 02210, Attn: General Counsel. Any notice, request or consent shall be deemed to have been served at the earlier of: (i) the time the same was received as indicated by the return receipt; (ii) three days after deposited into US mail; (iii) one day after deposited with a nationally recognized overnight carrier; or (iv) the time the same was received by fax or email as indicated on the confirmation. A party may change its address from time to time by a notice to the other party pursuant to this Section 10.

**Section 11. Miscellaneous:**

**Section 11.1. Quiet Enjoyment.** Lessor covenants to Lessee that Lessee may peacefully and quietly enjoy the Home, free of claims by or through Lessor, subject to the terms of this Lease, including, without limitation, Lessor's remedies upon an event of default.

**Section 11.2. Subordination and Attornment.** This Lease and all of the rights of Lessee under this Lease are subject and subordinate to (a) the lien of any mortgage in place now or hereafter on the Home and (b) any and all renewals, modifications, consolidations, replacements, extensions or substitutions of such mortgages. If any such mortgage is foreclosed, upon request of the mortgagee, Lessee agrees to attorn to the purchaser at such foreclosure sale. Lessee agrees to execute and deliver any instrument reasonably required by Lessor or the Lender to further evidence the obligations under this Section 11.2.

**Section 11.3. Assignment or Sublease.** Lessee may neither assign this Lease nor sublet all or any portion of the Home without the prior consent of Lessor, which may not be withheld unreasonably. However, Lessor acknowledges that the Residents to whom Lessee is providing Services may live in the Home, subject to the terms of this Lease.

**Section 11.4. Miscellaneous Property Matters.** Upon the request of either party, the parties agree to execute a Memorandum of Lease in recordable form and in accordance with applicable law. Upon request by Lessor, Lessee agrees to execute and deliver to Lessor an estoppel certificate in a form reasonably satisfactory to Lessor with respect to the status of this Lease and the compliance of Lessee with its terms. The parties acknowledge that they have properly executed the "Disclosure of Information on Lead-Based Paint and Lead-Based Paint Hazards" in accordance with federal regulations.

**Section 11.5. Relationship of the Parties.** Nothing contained in this Lease is to be deemed or construed by the parties, or by any third party, as creating the relationship of principal and agent, or of partnership, or of joint venture, or of any other relationship, except as landlord and tenant, between the parties.

**Section 11.6. Construction.** This Lease inures to the benefit of, and is binding on, each party and its successors and assigns. This Lease constitutes the entire agreement between the parties with respect to the use of the Home and supersedes all prior agreements and understandings, oral or written, between the parties with respect to the use of the Home. This Lease may be executed in one or more counterparts, and by facsimile, each of which shall be deemed an original, but all of which together constitute one and the same document. This Lease may be amended or modified only by a written document executed by the parties. This Lease is governed by, and construed under, the laws of the State in which the Home is located.

**Section 11.7. National Lease Arrangement Agreement.** The parties acknowledge that this Lease is not covered by the National Lease Arrangement Agreement dated March 1, 2008 by and between Scioto Properties LLC (an affiliate of Lessor) and National Mentor Holdings, Inc. (as affiliate of Lessee).

#### SIGNATURES

IN WITNESS WHEREOF, the parties have executed this Lease as of the date set forth above.

**LESSOR:**

**SCIOTO PROPERTIES SP-16 LLC**

By: Scioto Properties LLC, its member

By: \_\_\_\_\_

Mary Bea Eaton

Its: Chief Operating Officer

Address:

5940 Wilcox Place, Suite A

Dublin, Ohio 43016-6805

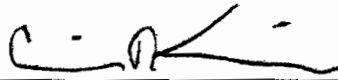
Phone: 614.889.5191

Fax: 614.889.5202

Email: [mbeaton@scioto.com](mailto:mbeaton@scioto.com)

**LESSEE:**

**Center for Comprehensive Services, Inc.  
d/b/a NeuroRestorative Illinois**

By:  \_\_\_\_\_

Chris Kozakis

Its: Vice President of Real Estate

Address:

The Mentor Network

6600 France Avenue South, Suite 500

Edina, Minnesota 55435

Phone: 952.945.4960

Fax: 952.925.8080

Email: [chns.kozakis@thementornetwork.com](mailto:chns.kozakis@thementornetwork.com)

#### GUARANTY OF LEASE

In consideration of the execution of the Lease for the Home located at 707 West Helen Road, Palatine, IL 60067, NATIONAL MENTOR HOLDINGS, INC. ("Guarantor") hereby guarantees to Lessor the prompt payment of rent and other charges and the full performance of all obligations of Lessee under the Lease. Guarantor acknowledges that this guaranty is absolute and unconditional.

NATIONAL MENTOR HOLDINGS, INC.

By:   
Chris Kozakis  
Its: Vice President of Real Estate

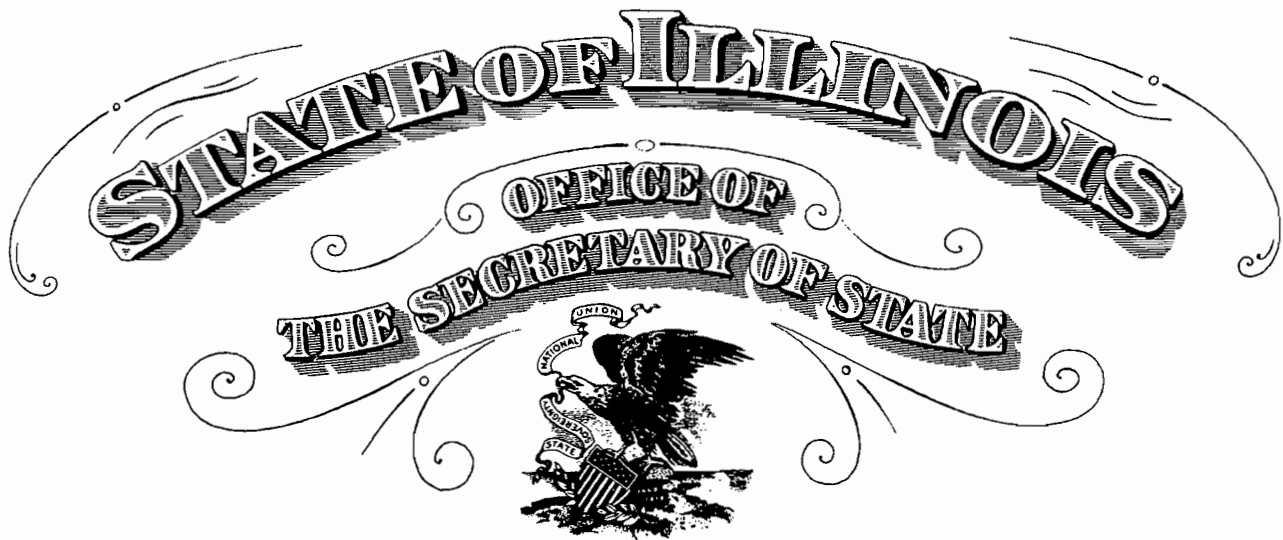
**SCHEDULE 1**  
**SPECIFIC LEASE TERMS**

|                                                                               |                                       |          |
|-------------------------------------------------------------------------------|---------------------------------------|----------|
| <b>Address:</b>                                                               | 707 W. Helen Rd., Palatine, IL, 60067 |          |
| <b>Start Date:</b>                                                            | June 27, 2013                         |          |
| <b>End Date:</b>                                                              | June 30, 2020                         |          |
| <b>Renewal Terms:</b>                                                         | Number: 2                             | Years: 5 |
| <b>Adjustment Date:</b>                                                       | July 1, 2014                          |          |
| <b>Purchase Price:</b>                                                        | \$440,000.00                          |          |
| <b>Monthly Rent (first year):</b>                                             | \$3,665.20                            |          |
| <b>Monthly Rent (year 2):</b>                                                 | \$3,738.50                            |          |
| <b>Monthly Rent (year 3):</b>                                                 | \$3,813.27                            |          |
| <b>Monthly Rent (year 4):</b>                                                 | \$3,889.54                            |          |
| <b>Monthly Rent (year 5):</b>                                                 | \$3,967.33                            |          |
| <b>Monthly Rent (year 6):</b>                                                 | \$4,046.68                            |          |
| <b>Monthly Rent (year 7):</b>                                                 | \$4,127.61                            |          |
| <b>Annual Rent Adjustment %<br/>(to be applied in any<br/>renewal terms):</b> | 2.0%                                  |          |
| <b>Security Deposit:</b>                                                      | \$3,665.20                            |          |

**SCHEDULE 2**  
**SPECIFIC INSURANCE COVERAGE**

**LESSEE'S REQUIRED INSURANCE -**

1. **Commercial Property Insurance** includes (a) *General Property Insurance* that covers the Home, fixtures, equipment and Lessee's Improvements in the Home in an amount equal to the full estimated replacement cost of the Home and other property insured and covers risks normally included in a policy for single-family residential homes; and (b) to the extent required by the Lender or requested by Lessor, *Special Property Insurance* that covers damages to the Home from flood, earthquake and/or hurricane in an amount equal to the full estimated replacement cost of the Home. Any coinsurance requirement in such policy must be eliminated through either (i) attachment of the agreed amount endorsement or (ii) activation of the agreed value option. In the event that Lessee obtains coverage for the general property insurance through a self-insurance program or a policy that has a deductible or self-retention amount in excess of \$10,000, Lessee must submit evidence, to the satisfaction of Lessor, that it has the ability to pay for any damages to the Home that may not otherwise be funded by insurance proceeds.
2. **Business Interruption Insurance** that provides business income, business interruption, extra expense or similar coverage in an amount of the monthly rent for a period of not less than six months. Lessee acknowledges that Lessor is not liable for any business interruption or consequential loss sustained by Lessee, whether or not the negligence of Lessor (and its employees and agents) cause such loss.
3. **Commercial General and Umbrella Liability Insurance** that provides comprehensive liability coverage in an amount not less than \$1,000,000 per occurrence and \$2,000,000 aggregate written on a claims made or occurrence basis. The policy must apply as primary insurance coverage maintained by Lessee for the benefit of Lessor under this Lease. Such policy must either (a) contain no endorsement or modification to make it excess over other available insurance or (b) if the policy states that it is excess or pro rata, it is endorsed to be primary with respect to the additional insured. Lessee waives all rights against Lessor (and its employees and agents) for recovery of damages to the extent these damages are covered by the coverage required under this paragraph 3. Furthermore, if the policy is written on a claims made basis Lessee must name Lessor as an additional insured and carry coverage for three years following termination of this Lease.
4. **Professional Liability Insurance** that provides professional liability coverage in such amount and type customary for entities engaged in providing Services in the state where the Home is located.
5. **Workers' Compensation Insurance** that provides the coverage required in the state where the Home is located and which is in such amount and type required by the state with respect to Lessee and its operations. Lessee may obtain the coverage through a state program, private insurance or self-insurance as required or authorized by such state.
6. **Personal Property Insurance** (optional in Lessee's discretion) that covers Lessee's personal property and contents in the Home regardless of who owns such personal property or contents. Lessee acknowledges that Lessor is not liable for any damage to, or loss of use of, personal property or contents sustained by Lessee, whether or not the negligence of Lessor (and its employees and agents) cause such loss.



*To all to whom these Presents Shall Come, Greeting:*

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

CENTER FOR COMPREHENSIVE SERVICES, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON OCTOBER 20, 1977, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE BUSINESS CORPORATION ACT OF THIS STATE RELATING TO THE PAYMENT OF FRANCHISE TAXES, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



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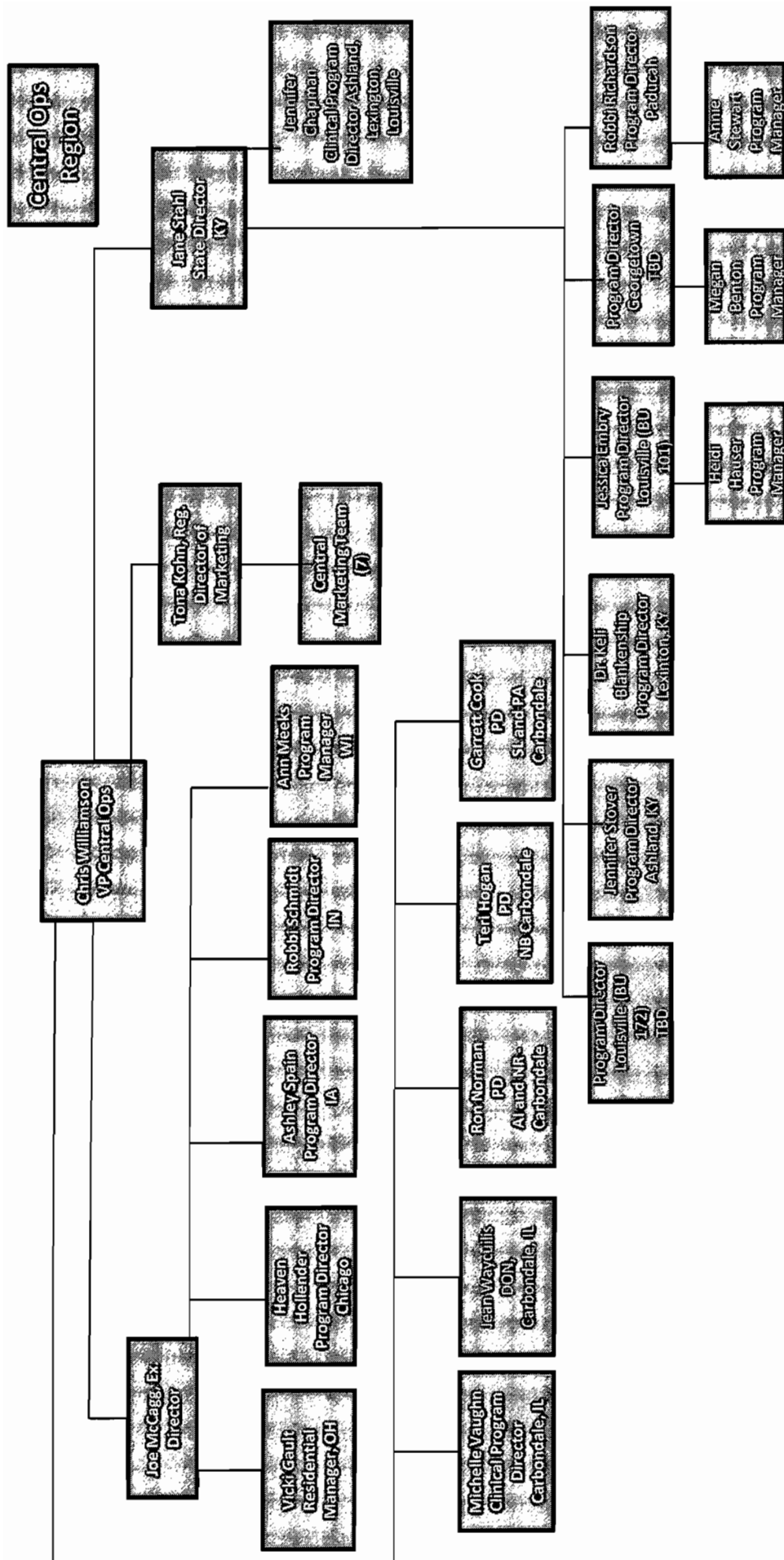
Authenticate at: <http://www.cyberdriveillinois.com>

*In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 22ND day of JULY A.D. 2013 .*

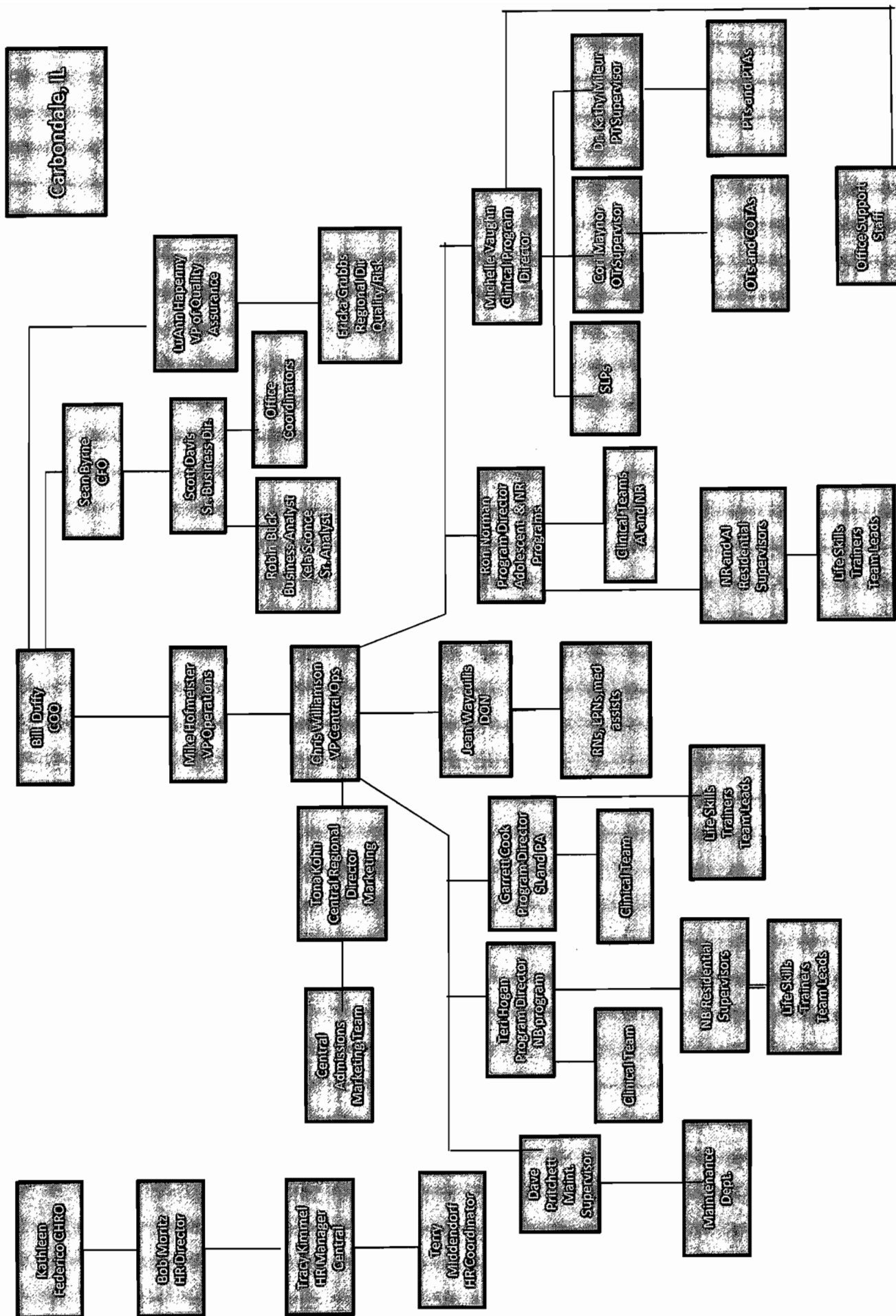
*Jesse White*

SECRETARY OF STATE

ATTACHMENT 1 #3



Attachment 4



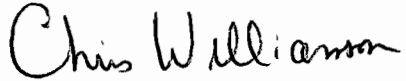
ATTACHMENT 4

## FLOOD PLAIN

The home that Center for Comprehensive Services, Inc will be leasing for the new Community Based Residential Rehabilitation Center is located on Helen Drive in Palatine, IL. As evidenced by the map, the house is not in a flood plain.

We are also not classified as a critical care facility as defined within the regulations.

Thank you,

A handwritten signature in black ink that reads "Chris Williamson". The signature is written in a cursive, flowing style.

Chris Williamson, MS

VP Central Region

ATTACHMENT 5

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Attachment 5

[illegible]

1. *Chlorophyll a* (Chl *a*)

**RESEARCH**

**Keywords:** *work, stress, coping, organizational commitment, organizational citizenship*

**Abstract**

[illegible]

11

[illegible]

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2025

and the maximum likelihood estimates of the parameters of the model are given by



Illinois Historic  
Preservation Agency

FAX (217) 782-8161

1 Old State Capitol Plaza • Springfield, Illinois 62701-1512 • [www.illinois-history.gov](http://www.illinois-history.gov)

Cook County  
Palatine

CON - New Addition and Rehabilitation to Establish a Community Based Residential  
Center  
707 W. Helen Road  
IHPA Log #011072213

August 6, 2013

Chris Williamson  
NeuroRestorative  
P.O. Box 2825  
306 W. Mill St.  
Carbondale, IL 62902

Dear Ms. Williamson:

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

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

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

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

Sincerely,

*Anne E. Haaker*

Anne E. Haaker  
Deputy State Historic  
Preservation Officer

ATTACHMENT 6

|                                                                        |                |
|------------------------------------------------------------------------|----------------|
| <b>Modernization Contracts</b>                                         | <b>489,650</b> |
| Leasehold Improvements<br>(accessibility enhancements, flooring, etc.) | 427,150        |
| Fire sprinklers and alarm system                                       | 43,500         |
| Emergency Generator                                                    | 19,000         |
| <b>Contingencies (10% of LH Improvements)</b>                          | <b>42,715</b>  |
| <b>Movable or Other Equipment</b>                                      | <b>128,000</b> |
| Furniture                                                              | 30,000         |
| Appliances                                                             | 12,000         |
| Medical and Therapy equipment                                          | 32,000         |
| Office equipment                                                       | 12,000         |
| Lift-equipped van                                                      | 42,000         |
| <b>Fair Market Value of Leased Space</b>                               | <b>440,000</b> |

July 8<sup>th</sup>, 2013

Illinois Health Facilities and Review Board  
525 West Jefferson  
Springfield, Illinois 62761

To Whom It May Concern:

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

1. Neither Center for Comprehensive Services, Inc., nor MENTOR ABI, LLC has had any adverse actions against any facility owned or operated by either Illinois entity during the three year period prior to filing the application, and
2. Center for Comprehensive Services, Inc. and MENTOR ABI, LLC authorizes the State Board Agency access to information to verify documentation or information submitted in response to the requirements of Review Criterion 1110.230.b or to obtain any documentation or information which the State Board or agency finds pertinent to the application.

If we can in any way provide assistance to your staff regarding these necessary assurances, or any other issue relevant to this application, please do not hesitate to call me. I can be reach at 618-529-3060.

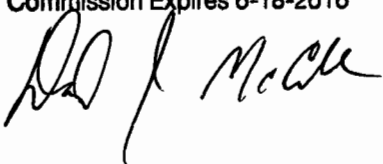
Sincerely,



Chris Williamson  
Vice President of Central Region

NOTARIZED:

**"OFFICIAL SEAL"**  
**David J. McCabe**  
Notary Public, State of Illinois  
Commission Expires 6-18-2016



ATTACHMENT 11

## PURPOSE

The purpose of the proposed project is to provide residents of the metropolitan Chicago area access to the services of an IDPH-licensed community –based residential rehabilitation center. By granting this, the health care of area residents who have acquired brain injuries will be greatly enhanced. There are only 3 facilities with this type of license in the State, two of which are operated by the applicant in Des Plaines and Palatine. The program runs at capacity and has had to turn people away for services or delay their services. The people in the home are from the Chicagoland area. The purpose is to open its 3<sup>rd</sup> home on its current Des Plaines IDPH license of 100 beds. The approval would allow us to open our third facility in the Chicago land area. The opening of the third facility will be modeled after the current Center for Comprehensive Services, Inc, d/b/a as NeuroRestorative-Illinois and NeuroRestorative-Carbondale facilities.

The goal of the program will be to return the participant to his or her optimal living situation in their home community. In addition, the program focus is to allow the individual to be as independent as possible. The individual's abilities, in terms of independence, are evaluated prior to admission, at admission, monthly, at discharge and also post discharge.

Graphs are included portraying the outcomes for Center for Comprehensive Services.

# ILLINOIS

## Overview

Neuro  
Restorative™  
Carbondale

Neuro  
Restorative  
Illinois

*Brain Injury Rehabilitation and Support Services  
for Adults, Children & Adolescents*

Together **NeuroRestorative Carbondale** and **NeuroRestorative Illinois** offer a continuum of community-based programming for adults, children and adolescents with acquired brain injuries and other neurological challenges. Founded in 1977, NeuroRestorative Carbondale was the first dedicated after-hospital rehabilitation program in the country for people with acquired brain injury and has continued as a leader in the field for more than 30 years.

### Location & Settings

Our flagship location in Carbondale, Illinois is a campus-style setting located across from Southern Illinois University, which provides a unique opportunity for collaborative research efforts and, for some participants, reintegration into post-secondary education.

Just outside of Chicago, our Des Plaines and Palatine locations offer quiet neighborhood settings with convenient access to area physicians, recreational activities and shopping.

### Programs

Each location provides individualized, outcome-driven programming and support services in the most independent setting possible.

- Neurorehabilitation
- Neurobehavioral
- Adolescent
- Supported Living
- Host Home
- Day Treatment
- Outpatient
- Respite

### Services

We offer the following array of services based on the needs and goals of each program participant.

- Physical Therapy
- Speech Language Pathology
- Cognitive Therapy
- Occupational Therapy
- Behavior Therapy
- Medication Management
- Neuropsychological Consultation
- Medical Consulting
- Case Management
- Life Skills Therapy
- Individualized Counseling
- Structured Day Rehab
- Community Reintegration
- Vocational & Productive Activities
- Social & Recreational Activities
- Nursing
- 24-Hour Emergency on Call Support
- 24-Hour Nursing
- Health & Wellness Services

Services offered throughout the state vary by each individual location. To get more information on the services offered at a particular location please visit our website.

NeuroRestorative Illinois  
NeuroRestorative Carbondale



ATT 12

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800-743-6802  
NeuroRestorative.com

# CASE STUDY: Successful Outcomes in Post-Acute Neurorehabilitation

**Why choose post-acute rehabilitation with NeuroRestorative? Successful outcomes.** We strive to help our participants **regain their independence** and improve their quality of life to reach their highest potential. **At NeuroRestorative, we see true-life success stories every day.** In the following case study, \*Angela, an 18-year-old female and recent high school graduate was injured in a car accident and sustained a traumatic brain injury (TBI). This case study highlights many aspects of the complexities of brain injury, the challenges it may cause, the **importance of treatment planning** using an **evidence-based approach** and **functional outcomes**.

## Timeline of Events

2003: Angela was involved in a car accident and sustained a TBI.

She spent 40 days in a trauma center, 57 days in an acute rehabilitation center and underwent 3 months of outpatient therapy while living at home.

Upon discharge, she exhibited neurobehavioral problems at home.

2004: Angela began post-acute rehabilitation with NeuroRestorative.

2006: She completed her rehabilitation plan with NeuroRestorative and returned home.

Once home, Angela experienced neurobehavioral changes, including depression and behavioral outbursts.

2007: Angela was readmitted to NeuroRestorative where she progressed along the continuum of care to increased levels of support and independence.

2010: Angela was discharged home and reintegrated into the community without the need for additional services.

Upon discharge, Angela resumed her own guardianship, was ambulating independently, driving, managing money, applying for employment and continuing her education at a local college.

## Participant Demographic

**Age:** 18 years old at the time of injury

**Sex:** Female

**Social:** Recent honor roll high school graduate, worked multiple jobs, involved in extracurricular school activities, significant other

**Diagnosis:** Traumatic brain injury (TBI) resulting from car accident

## Prognosis for Recovery

**Glasgow Coma Scale (level of coma ranging from 3-15):** 3 at the scene with no responsiveness (severe impairment)

**Loss of Consciousness:** > 24 hours (severe impairment)

**Post-Traumatic Amnesia:** > 4 weeks (severe impairment)

**Injury Location:** Diffuse with evidence of bleeding in the ventricular system, bruising in the temporal lobes and within the basal ganglia (deep structures needed for motor functions)

**Length of Hospitalization:** 40 days in a trauma center, 57 days in an acute rehabilitation center, approximately 3 months of outpatient therapy while living at home; participant remained functionally dependent at home and in the community

## Participant Goals

**NeuroRestorative 2004:** Medical and neurobehavioral stabilization, neurological rehabilitation for impairments related to weakness and cognitive changes.

**NeuroRestorative 2007-2010:** Medical and neurobehavioral stabilization, independent ambulation, return of guardianship to self, community living, community employment/return to school, budgeting, use of compensatory strategies, independence, driving and cognitive improvement.

## Short-term Program Outcomes

Although Angela was able to stabilize during her treatment in 2004, she was unable to sustain her progress at home due to neurobehavioral changes caused by family stresses and limited supports.

## Long-term Program Outcomes

Two years following discharge (2012), Angela continues to maintain a high quality of life and independence in the community. She is independently driving, managing her monthly expenses and healthcare needs, and is in the process of completing her education in a medical assistant program. She is able to maintain positive social relationships and is planning her wedding for 2013.

## Glasgow Coma Scale

| Eye Opening (E) | Verbal Response (V)          | Motor Response (M)      |
|-----------------|------------------------------|-------------------------|
| 4 = Spontaneous | 5 = Normal conversation      | 6 = Normal              |
| 3 = To voice    | 4 = Disoriented conversation | 5 = Localizes to pain   |
| 2 = To pain     | 3 = Words, but not coherent  | 4 = Withdraws to pain   |
| 1 = None        | 2 = No words, only sounds    | 3 = Decorticate posture |
|                 | 1 = None                     | 2 = Decerebrate         |
|                 |                              | 1 = None                |
|                 |                              | Total = E + V + M       |

ATT 12

Neuro  
Restorative™  
46

## OUTCOMES

### Mayo-Portland Adaptability Inventory - 4

The Mayo-Portland Adaptability Inventory - 4 (MPAI-4) is a measure designed to assist in the clinical evaluation of people during the post-acute period following ABI, and to assist in the evaluation of rehabilitation programs designed to serve these people. MPAI-4 items represent the range of physical, cognitive, emotional, behavioral, and social problems that people may encounter after acquired brain injury. MPAI-4 items also provide an assessment of major obstacles to community integration.

The MPAI is now in its fourth revision with highly developed and well-documented psychometric properties. The MPAI-4 has a total of 29 items divided across 3 identified underlying subscales: **Ability** (i.e., sensory, motor, and cognitive abilities); **Adjustment** (i.e., mood and interpersonal interactions); and **Participation** (i.e., social contacts, initiation, and money management). The MPAI-4 provides the rehabilitation professional or other clinician with a brief and reliable means of assessing functioning in each of these three major domains to help target areas for intervention, assess progress, and provide outcome comparisons. Scoring is a conversion from raw scores to T-scores which allows a standard method of clinical and statistical analysis. T-score interpretation: 60+ severely limited; 50-60 moderate to severely limited; 40-50 mild to moderately limited; 30-40 mildly limited; <30 no significant limitations.

NeuroRestorative has incorporated the use of the MPAI-4 to provide outcome data for their programs across the country and began changing to this measure in October of 2010.

#### Number of Participants Improving on T-Scores Admission to Discharge

| MPAI Subscale | Mean Score at Admission | Mean Score at Discharge | Mean Difference (-) |
|---------------|-------------------------|-------------------------|---------------------|
| Ability       | 60.00                   | 41.25                   | 18.75               |
| Adjustment    | 38.50                   | 35.50                   | 3.00                |
| Participation | 55.00                   | 44.75                   | 10.25               |

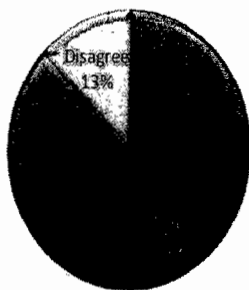
#### Participant Progress

| MPAI Subscale | Participants Improved | Participants Declined | Participants Remained the Same |
|---------------|-----------------------|-----------------------|--------------------------------|
| Ability       | 4                     | 0                     | 0                              |
| Adjustment    | 3                     | 0                     | 1                              |
| Participation | 4                     | 0                     | 0                              |

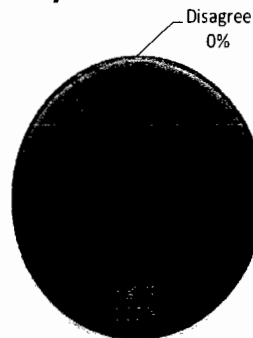
## PARTICIPANT AND FAMILY SURVEYS

Surveys are given to participants and families each quarter upon discharging to measure the effectiveness of our treatment programs. The graphs below represent the percentage of participants, family members, and funders who agree they benefited from the services provided through the programs at NeuroRestorative and the percentage of participants, family members, and funders who believe the programs met their expectations.. **The goal is set at 85% for all three groups; this goal is calculated by dividing the number who agree services were beneficial by the total number of surveys collected.**

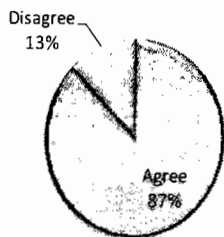
### Participants are Satisfied with Their Stays at NeuroRestorative n=7



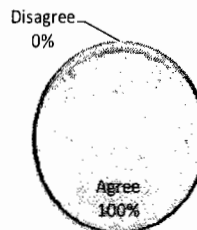
### Families are Satisfied with Their Family Member's Stay at NeuroRestorative n=5



### The Services Provided by NeuroRestorative were Accurately Described Prior to Admission According to Participants n=8



### The Services Provided by NeuroRestorative Met were Accurately Described Prior to Admission According to Families n=5



## OUTCOMES

### Mayo-Portland Adaptability Inventory - 4

The Mayo-Portland Adaptability Inventory - 4 (MPAI-4) is a measure designed to assist in the clinical evaluation of people during the post-acute period following ABI, and to assist in the evaluation of rehabilitation programs designed to serve these people. MPAI-4 items represent the range of physical, cognitive, emotional, behavioral, and social problems that people may encounter after acquired brain injury. MPAI-4 items also provide an assessment of major obstacles to community integration.

The MPAI is now in its fourth revision with highly developed and well-documented psychometric properties. The MPAI-4 has a total of 29 items divided across 3 identified underlying subscales: **Ability** (i.e., sensory, motor, and cognitive abilities); **Adjustment** (i.e., mood and interpersonal interactions); and **Participation** (i.e., social contacts, initiation, and money management). The MPAI-4 provides the rehabilitation professional or other clinician with a brief and reliable means of assessing functioning in each of these three major domains to help target areas for intervention, assess progress, and provide outcome comparisons. Scoring is a conversion from raw scores to T-scores which allows a standard method of clinical and statistical analysis. T-score interpretation: 60+ severely limited; 50-60 moderate to severely limited; 40-50 mild to moderately limited; 30-40 mildly limited; <30 no significant limitations.

NeuroRestorative has incorporated the use of the MPAI-4 to provide outcome data for their programs across the country and began changing to this measure in October of 2010.

#### Number of Participants Improving on T-Scores Admission to Discharge

| MPAI Subscale | Mean Score at Admission | Mean Score at Discharge | Mean Difference (-) |
|---------------|-------------------------|-------------------------|---------------------|
| Ability       | 56.29                   | 49.08                   | 7.21                |
| Adjustment    | 51.38                   | 45.71                   | 5.67                |
| Participation | 58.88                   | 52.63                   | 6.25                |

#### Participant Progress

| MPAI Subscale | Participants Improved | Participants Declined | Participants Remained the Same |
|---------------|-----------------------|-----------------------|--------------------------------|
| Ability       | 19                    | 1*                    | 4                              |
| Adjustment    | 22                    | 1**                   | 1                              |
| Participation | 18                    | 1**                   | 5                              |

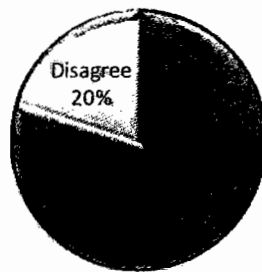
\* Participant experiencing psychiatric symptoms and experienced decline.

\*\* Participant refused to participate in programming despite clinical and environmental modifications to accommodate.

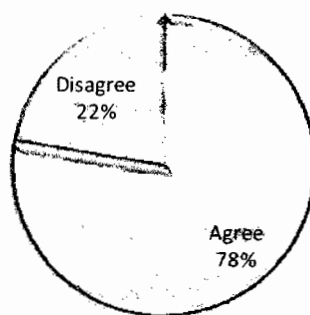
## PARTICIPANT AND FAMILY SURVEYS

Surveys are given to participants and families each quarter upon discharging to measure the effectiveness of our treatment programs. The graphs below represent the percentage of participants, family members, and funders who agree they benefited from the services provided through the programs at NeuroRestorative and the percentage of participants, family members, and funders who believe the programs met their expectations.. **The goal is set at 85% for all three groups; this goal is calculated by dividing the number who agree services were beneficial by the total number of surveys collected.**

### NeuroRestorative's Services were Described Accurately Prior to Admission According to Participants n=90



### Participants are Satisfied with Their Stay at NeuroRestorative n=94



**Note:** Family surveys were attempted to be obtained, however, families declined to return the surveys.

# SUMMARY COMPARISON OF ALTERNATIVES TO PROPOSED PROJECT

|                                                | Cost                                                                                         | Quality                 | Accessibility                                                  |
|------------------------------------------------|----------------------------------------------------------------------------------------------|-------------------------|----------------------------------------------------------------|
| <u>Alternative 1</u>                           |                                                                                              |                         |                                                                |
| Develop without a permit                       | approximately \$80,000<br>less in short-term cost<br>no long-term costs                      | likely to be identical* | less accessibility due to<br>third party payor<br>requirements |
| <u>Alternative 2</u>                           |                                                                                              |                         |                                                                |
| Open 100 beds<br>immediately for<br>renovation | approximately \$352,000<br>per year in additional<br>lease payments (short<br>and long-term) | likely to be identical* | likely to be identical*                                        |

\*identical to the proposed project

## ALTERNATIVES

The co-applicants are seeking a Permit to open a third home under their current 100 bed CON approved license in the Chicago land area. The third home under the current 100 bed CON, is intended to be operated like the current home under this CON and the model of the Carbondale based CON licensed program.

Two alternative models were considered by the co-applicants.

### Alternative One-Develop Second home without CON

This was immediately dismissed...consistent with NeuroRestorative wanting to comply with all governmental regulations and would not want to put our other licensed facilities at risk for government interventions.

### Alternative two-Open all 100 Beds Concurrently

This model is dismissed quickly as well. We already have approval of the 100 bed CON, but are simply requesting an expansion for the current 16 approved beds under the CON to add an additional 5 beds. Our model involves the renovation of existing homes for use as "residences", each of which provides between 3 to 10 beds. The homes are acquired and owned by a reputable real estate company, unrelated to the co-applicants, and NeuroRestorative enters into a lease agreement for the property.

The center will open additional homes as demand materializes and homes are acquired. As an alternative, a single 100 bed facility could be constructed or we could acquire enough homes to have 100 beds. This was dismissed as well, because our model is to acquire single family homes and provide family like residences. We want to add houses as the demand for our services expands.

Please refer to Attachment 12 for outcome data.

SIZE OF PROJECT

| DEPARTMENT/SERVICE    | PROPOSED BGSF/DGSF | STATE STANDARD | DIFFERENCE | MET STANDARD? |
|-----------------------|--------------------|----------------|------------|---------------|
| NR - Palatine - CBRRC | 4,327              | N/A            | N/A        | N/A           |

Attachment 14

## SIZE

IDPH does not maintain space standards for community-based residential rehabilitation centers. This residence to be used is a ranch-style home, with a connected 3 car garage, and consists of 3814 square feet, or 636 square feet of living space per resident bed. Once reconfigured, all bedrooms will range from ~121 square feet to ~189 square feet each, with an average of 10 square feet being dedicated closet space per room. The bath and restrooms will be 101 sq. ft, 96 sq. ft, and a half bath of 27 sq. ft for a total of 324 sq ft. of private bath and restroom space.

The home will undergo interior renovation, including the widening of corridors and doorways, the creation of a wheelchair accessible shower facility, and the conversion of the residence into a fully accessible residence, meeting and in many instances surpassing all ADA requirements. The residence will also receive installation of a full residential sprinkler system and centrally monitored alarm system to enhance life-safety features of the home.

## UTILIZATION

It has been the experience of the co-applicants that the demand for the types of high quality services provided by NeuroRestorative in its facilities, including Carbondale, Des Plaines and Palatine, far exceeds the supply. As a result, Carbondale, Des Plaines, and Palatine operate at near 100% capacity, with vacant beds for only minimal times between discharges. A similar high occupancy is expected at the new home to be opened in Palatine on Helen Drive. Utilization is expected at 95% of existing capacity, understanding that additional residences, up to a total of 100 beds will be made available over time while following licensure guidelines.

The proposed facility is an expansion under the current CON that was granted for 100 beds. Assuming an average length of stay of 120 days, it is projected that 23-24 patients will be admitted to the next home during its first year of opening based on current demand.

## STAFFING

The co-applicants are very familiar with the licensure and adequate staffings needs of IDPH, CARF, and JCAHO requirements for community based residential rehabilitation centers, and will meet or surpass all applicable requirements.

The primary methodology used to staff the facility will be the use of advertisements in selected professional journals and major Chicago newspapers, in addition to web based advertising. Staff will interviewed and hired by personnel currently employed in management positions with the co-applicants, and having an understanding of the requirements of each position to be filled.

The following table identifies the co-applicant's typical staffing plan for each residence, as being proposed, and this staffing will be implemented based on need at the propped facility.

## MANDATED SERVICES

The scope of services to be provided through the proposed community-based residential rehabilitation center will exceed those identified in 210 ILCS 3/35, and will be modeled after NeuroRestorative-Illinois. This facility also falls under this current CON as we are asking for an expansion to the CON of an additional 5 beds.

The mandated services identified in 210 ILCS 3/35 are: case management, training and assistance with activities of daily living, nursing consultation, traditional therapies(physical, occupational, and speech), funcational interventions in the residence and community(job placement, shopping, barking, recreation), counseling, self management strategies, productive activities and multiple opportunities for skill acquisition and practice throughout the day.

Below is a list of services currently offered through NeuroRestorative-Illinois, and will be dulplicated as clinically appropriate for individual clients in the proposed facility:

24 supervision by direct care staff

Medical Direction

Nursing Services

Medical Management

Physical therapy

Occupational therapy  
Life Skills training  
Neuropsychological Evaluation  
Crisis intervention  
Coordination of Physician visits  
Coordination of all Medical Equipment/Supplies  
Speech-Language Pathology  
Behavior Analysis and Therapy  
Case Management Services  
Family Education and Training  
Counseling Services  
Vocational/Productive Activities  
Job Placement and coaching  
Transportation  
Community Integration  
Coordination of Specialty Medical/Physician Consultations  
Coordination of Laboratory and Radiology as needed

Attached, and to provide additional information related to the programs and services offered is the webpage for NeuroRestorative.

ATTACHMENT 32

|                                                      |                                  |              |
|------------------------------------------------------|----------------------------------|--------------|
|                                                      | <b>Bed capacity</b>              | <b>5</b>     |
|                                                      | <b>Occupancy</b>                 | <b>90%</b>   |
|                                                      | <b>Average Daily Placements:</b> | <b>4.5</b>   |
| <b>Program and House Management</b>                  |                                  | <b>64</b>    |
| <b>Life Skills Therapists</b>                        |                                  | <b>392</b>   |
| <b>RN and LPN</b>                                    |                                  | <b>152</b>   |
| <b>PT, OT, Speech, Counseling, Behavior Therapy</b>  |                                  | <b>83</b>    |
|                                                      | <b>Total weekly direct hours</b> | <b>690.5</b> |
| <b>Average hours per calendar day, per placement</b> |                                  | <b>22</b>    |
| <b>Clerical, accounting, admissions, maintenance</b> |                                  | <b>61</b>    |
| <b>Staff Training hours per week</b>                 |                                  | <b>16</b>    |
| <b>Medical Director hours per week</b>               |                                  | <b>1</b>     |

The personnel identified above will all be direct employees or contracted therapists of the licensee. They will be supported, on a consulting basis by persons providing additional services as dictated by specific client needs. Attached are sample consulting agreements for a Social Worker and Neuropsychologist representing the nature of these third party provider arrangements.

## CONSULTING AGREEMENT

This Consulting Agreement ("Agreement") is made by and between NeuroRestorative, D/B/A Center for Comprehensive Services ("Company") and The Comprehensive Group, a consultant retained by Company as an independent contractor ("Consultant").

**Company and Consultant agree as follows:**

- 1. **Term of the Agreement:** This Agreement shall commence at 8:00 AM on July 19<sup>th</sup>, XXXX, through July 18<sup>th</sup>, XXXX and shall terminate upon thirty (30) days written notice by either party, for any or no reason. If the parties have not negotiated a new agreement or terminated the Agreement on July 19<sup>th</sup>, 2011, then the terms of this agreement will continue on a month-to-month basis until a new agreement is negotiated.
- 2. **Services to be Performed:** Consultant agrees to perform those therapy consulting services for the adult programs, as may be requested by Company. Exhibit "A" to this Agreement contains a description of the general services to be provided by Consultant to Company under this Agreement. Consultant will at all times, and notwithstanding any term or provision of this Agreement, have complete and sole discretion for the manner in which the services provided under this Agreement will be performed. Company will advise Consultant of any issues related to the work performed in order to ensure that the services are in compliance with the quality, safety and other standards established by Company.
- 3. **Qualifications of Consultant:** Consultant represents that he/she has the qualifications and skills necessary to perform the services under this Agreement in a competent, professional manner, without the advice, direction, or supervision of Company. Consultant will provide Company with all documents requested by Company to establish Consultant's qualifications and appropriate credentials and licenses for the services to be performed under this Agreement. Exhibit "B" to this Agreement sets forth the specific certifications, registrations and licenses that Consultant must establish and maintain in order to provide the services requested by Company under this Agreement. Consultant's obligations and services hereunder must be performed in compliance with all applicable Federal and State laws.
- 4. **Compensation:** Consultant will be compensated for all consulting services requested by Company and performed by Consultant at the rate of \$XX.00 per hour for on site visits on a weekly basis as needed by the Company. Consultant agrees to bill Company in hourly increments. Consultant agrees to

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Consultant: \_\_\_\_\_

Company: \_\_\_\_\_

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delineate, on the invoice, the dates of service, number of billed hours those particular dates, and times. Company and Consultant will be permitted to adjust hours or weeks worked with the prior consent of the company.

- 5. **Status as Independent Contractor:** Consultant is an independent contractor and not an employee or agent of Company.
- 6. **Control of Work:** In the performance of its consulting services, Consultant at all times has exclusive control over the manner, method and details of all services performed by Consultant without supervision by Company. Consultant will not direct, manage, supervise or control any employees of Company.
- 7. **Non-Exclusivity of Services:** During the term of this Agreement, Consultant shall be free to perform consulting services for persons and business or governmental entities other than Company; provided, however, that in no instance shall Consultant use or disclose any confidential information or trade secrets of Company or its affiliates, clients or consumers other than in the performance of consulting services on behalf of Company.
- 8. **Taxes:** Consistent with Consultant's status as an independent contractor, Company shall withhold no federal, state or local income, social security, Medicare, Medicaid, or other payroll taxes from compensation paid to Consultant under this Agreement. Consultant will obtain the necessary taxpayer identification number from the Internal Revenue Service ("IRS") and provide that number to Company. Company will provide an IRS Form 1099 for amounts paid to the Consultant for services performed during the tax year. Consultant is at all times responsible for paying when due all federal, state and local income taxes, including estimated and self-employment taxes, incurred as a result of the compensation paid by Company to Consultant for services under this Agreement. Consultant agrees to indemnify Company for any claims, costs, losses, fees, penalties, interest, or damages suffered by Company as a result of Consultant's failure to comply with this provision.
- 9. **Benefits:** By executing this Agreement, Consultant agrees that he/she is only entitled to that compensation as set forth in paragraph 4 of this Agreement, and no other payments, benefits, or other compensation of any kind, including worker's compensation and unemployment insurance benefits.
- 10. **Insurance:** Consultant agrees to maintain, throughout the term of this Agreement, professional liability insurance in the minimum amounts of

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Consultant: \_\_\_\_\_

Company: \_\_\_\_\_

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\$1,000,000.00 per occurrence and \$3,000,000.00 aggregate, and to provide evidence of such insurance to the Company at any time upon request.

- 11. **Assignments Prohibited:** This Agreement is an agreement for personal services of Consultant who is an independent contractor as contemplated under the laws of the State of Illinois and all applicable laws of the United States of America. Therefore, neither this Agreement, nor any right or obligation of Consultant may be transferred, assigned, or encumbered by Consultant without Company's prior written consent, which consent may be withheld for any or no reason. Any purported transfer, assignment or encumbrance without that consent will be void and of no force or effect.
- 12. **Waiver:** No delay or failure by either party to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right, unless otherwise expressly provided herein.
- 13. **Modification:** No modification or waiver of any provision of this Agreement will be effective unless the same is in writing and signed by the parties and then such modification or waiver will be effective only in the specific instance and for the purpose for which it was given after signed by the parties.
- 14. **Notices:** Any notice required to be given under the terms of this Agreement to a party will be in writing and sent via the United States Postal Service, postage prepaid, and addressed to the addresses under such party's signature below.
- 15. **Forum Selection, Venue, and Choice of Law:** The parties expressly agree that the laws of the State of Illinois will govern the validity, construction, interpretation, effect, and enforcement of this Agreement. Each party hereby irrevocably and unconditionally consents and submits to the personal jurisdiction of the state and Federal courts located in the State of Illinois with respect to any action relative to this Agreement and the parties hereby waive any objection to personal jurisdiction of, venue at, and service of process of any of the aforementioned Federal or state courts.
- 16. **Partial Invalidity:** In case any one or more of the provisions contained in this Agreement should be invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein will not in any way be affected or impaired thereby.
- 17. **Entire Agreement:** This Agreement contains the entire understanding between the parties with respect to the subject matter hereof. There are no

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Consultant: \_\_\_\_\_

Company: \_\_\_\_\_

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representations or promises other than those expressly set forth herein. The parties acknowledge that they are relying fully upon the contents of this Agreement and not upon any other promises, representations or warranties, expressed or implied, not contained herein concerning the subject matter hereof to induce them to execute this Agreement. The headings contained in this Agreement are for convenience only and are not intended to modify or affect the meaning of any provision of this Agreement.

CONSULTANT:

COMPANY:

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Address:

Address

Center for Comprehensive Services, Inc.  
P.O. Box 2825  
Carbondale, IL 62902-2825

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Consultant: \_\_\_\_\_

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Company: \_\_\_\_\_

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## **EXHIBIT "A"**

Company and Consultant agree that during the term of this Agreement, Consultant shall perform the following services for Company and its clients:

- ◆ Provide Speech, Physical, and Occupational therapy services to Company's program participants.
- ◆ Prepare and Provide therapy summaries
- ◆ Prepare and submit report materials, establishing clear objectives of treatment
- ◆ Prepare and submit weekly services summaries
- ◆ Participate in team and conference meetings when requested
- ◆ Assure to comply with CARF regulations
- ◆ Pursue continuing education for own position
- ◆ Communicate with payor sources when needed to assist with treatment planning and length of stay recommendations.
- ◆ Provide copies of certifications and insurance coverage as noted in Exhibit B

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Consultant: \_\_\_\_\_

Company: \_\_\_\_\_

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- ◆ Consultant will only bill the Company for professional services rendered under this agreement, unless arrangements have been made in advance with Company representatives and third party payers to bill a program participant's funding source directly. In no instance will Consultant bill the Company for professional services which have also been billed to third party payers. Company will not be held liable for any reimbursement due directly to Consultant from third party funding sources or other parties.
- ◆ Consultant will complete transfer training with NeuroRestorative Staff.

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Consultant: \_\_\_\_\_

Company: \_\_\_\_\_

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**EXHIBIT "B"**

Consultant must maintain the following in order to provide the services requested by Company under this Agreement:

Current and Valid Professional Regulation License

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Consultant: \_\_\_\_\_

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Company: \_\_\_\_\_

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## CONSULTING AGREEMENT

This Consulting Agreement ("Agreement") is made by and between NeuroRestorative ("The Company") and Dr. Arthur Skladman a consultant retained by The Company as an independent contractor ("Consultant").

**The Company and Consultant agree as follows:**

- 1. **Term of the Agreement:** This Agreement shall commence at 8:00 am on 8/16/2012, and shall terminate at 8:00 am on 8/15/2013, unless terminated earlier by either party, for any or no reason, upon thirty (30) days written notice.
- 2. **Services to be performed:** Consultant agrees to perform those consulting services for NeuroRestorative Inc, as may be requested by The Company. Exhibit "A" to this Agreement contains a description of the general services to be provided by Consultant to The Company under this Agreement. Consultant will at all times, and notwithstanding any term or provision of this Agreement, have complete and sole discretion for the manner in which the services provided under this Agreement will be performed. The Company will have the sole discretion to determine whether the work performed by Consultant is satisfactory to The Company and in compliance with the quality, safety and other standards established by The Company.
- 3. **Qualifications of Consultant:** Consultant represents that he/she has the qualifications and skills necessary to perform the services under this Agreement in a competent, professional manner, without the advice, direction, or supervision of The Company. Consultant will provide The Company with all documents requested by The Company to establish Consultant's qualifications and appropriate credentials and licenses for the services to be performed under this Agreement. Exhibit "B" to this Agreement sets forth the specific education, certification, licensure and insurance requirements that Consultant must establish and maintain in order to provide the services requested by The Company under this Agreement.
- 4. **Compensation:** Consultant will be compensated for all consulting services requested by The Company and performed by Consultant at the rates in exhibit A of this agreement.

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Consultant: \_\_\_\_\_

The Company: \_\_\_\_\_

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- 5. **Status as Independent Contractor:** Consultant is an independent contractor and not an employee or agent of The Company.
- 6. **Control of Work:** In the performance of its consulting services, Consultant at all times has exclusive control over the manner, method and details of all services performed by Consultant without supervision by The Company. Consultant will not direct, manage, supervise or control any employees of The Company.
- 7. **Non-Exclusivity of Services:** During the term of this Agreement, Consultant shall be free to perform consulting services for persons and business or governmental entities other than The Company; provided, however, that in no instance shall Consultant use or disclose any confidential information or trade secrets of The Company or its affiliates, clients or consumers other than in the performance of consulting services on behalf of The Company.
- 8. **Taxes:** Consistent with Consultant's status as an independent contractor, The Company shall withhold no federal, state or local income, social security, Medicare, Medicaid, or other payroll taxes from compensation paid to Consultant under this Agreement. Consultant will obtain the necessary taxpayer identification number from the Internal Revenue Service ("IRS") and provide that number to The Company. The Company will provide an IRS Form 1099 for amounts paid to the Consultant for services performed during the tax year. Consultant is at all times responsible for paying when due all federal, state and local income taxes, including estimated and self-employment taxes, incurred as a result of the compensation paid by The Company to Consultant for services under this Agreement. Consultant agrees to indemnify The Company for any claims, costs, losses, fees, penalties, interest, or damages suffered by The Company as a result of Consultant's failure to comply with this provision.
- 9. **Benefits:** By executing this Agreement, Consultant agrees that he/she is only entitled to that compensation as set forth in paragraph 4 of this Agreement, and no other payments, benefits, or other compensation of any kind, including worker's compensation and unemployment insurance benefits.
- 10. **Indemnification:** Consultant shall indemnify, defend and hold harmless The Company, and all of its employees, officers, agents, and assigns, from any and all claims, demands, losses, costs, expenses, obligations, liabilities, damages, and deficiencies including interest, penalties, attorney's fees, liquidated damages, and costs that The Company may incur as a result of any negligence, active or passive fault, or breach by Consultant.

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Consultant: \_\_\_\_\_

The Company: \_\_\_\_\_

- 11. **Insurance:** Consultant agrees to maintain, throughout the term of this Agreement, professional liability insurance in the minimum amounts of \$1,000,000.00 per occurrence and \$3,000,000.00 aggregate, and to provide evidence of such insurance to the Company at any time upon request.
- 12. **Assignments Prohibited:** This Agreement is an agreement for personal services of Consultant who is an independent contractor as contemplated under the laws of the State of Illinois and all applicable laws of the United States of America. Therefore, neither this Agreement, nor any right or obligation of Consultant may be transferred, assigned, or encumbered by Consultant without The Company's prior written consent, which consent may be withheld for any or no reason. Any purported transfer, assignment or encumbrance without that consent will be void and of no force or effect.
- 13. **Waiver:** No delay or failure by either party to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right, unless otherwise expressly provided herein.
- 14. **Modification:** No modification or waiver of any provision of this Agreement will be effective unless the same is in writing and signed by the parties and then such modification or waiver will be effective only in the specific instance and for the purpose for which it was given.
- 15. **Notices:** Any notice required to be given under the terms of this Agreement to a party will be in writing and sent via the United States Postal Service, postage prepaid, and addressed to the addresses under such party's signature below.
- 16. **Forum Selection, Venue, and Choice of Law:** The parties expressly agree that the laws of the State of Illinois will govern the validity, construction, interpretation, effect, and enforcement of this Agreement. Each party hereby irrevocably and unconditionally consents and submits to the personal jurisdiction of the state and Federal courts located in the State of Illinois with respect to any action relative to this Agreement and the parties hereby waive any objection to personal jurisdiction of, venue at, and service of process of any of the aforementioned Federal or state courts.
- 17. **Partial Invalidity:** In case any one or more of the provisions contained in this Agreement should be invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein will not in any way be affected or impaired thereby.

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Consultant: \_\_\_\_\_

The Company: \_\_\_\_\_

- 18. **Entire Agreement:** This Agreement contains the entire understanding between the parties with respect to the subject matter hereof. There are no representations or promises other than those expressly set forth herein. The parties acknowledge that they are relying fully upon the contents of this Agreement and not upon any other promises, representations or warranties, expressed or implied, not contained herein concerning the subject matter hereof to induce them to execute this Agreement. The headings contained in this Agreement are for convenience only and are not intended to modify or affect the meaning of any provision of this Agreement.

CONSULTANT:

THE COMPANY:

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Address:

Address:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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Consultant: \_\_\_\_\_

The Company: \_\_\_\_\_

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## EXHIBIT "A"

The Company and Consultant agree that during the term of this Agreement, Consultant shall perform the following services for The Company and its clients:

1. Serve as the program's Administrative Medical Director Consultant.
2. Review medical records prior to admission as/if requested and consult with the Program Director and/or RN regarding recommendations.
3. Advocate for medical necessity on behalf of persons referred to the program who meet admission criteria either by verbal or written communication (i.e. peer to peer contact) with the funding source representative.
4. Sign off on program medical policy and procedures and review as needed.
5. Be physician of record on license and funding contracts.
6. Participate in marketing endeavors as available (i.e. communication with potential funding sources, presentations at conferences, web-casts, etc.)

Service requests will be initiated by NeuroRestorative clinical Team and must be pre-approved by NeuroRestorative Program Director prior to services being rendered. All services to be reimbursed at the following rate:

\$ 1000 per month not to exceed 4 hours per month.

All clinical visits by participants of NeuroRestorative at the physician office of Dr. Arthur N. Skaldman, MDSC at 415 West Golf Road, Arlington Heights will be pre-authorized and billed directly by the hospital/practice directly to the funding source.

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Consultant: \_\_\_\_\_

The Company: \_\_\_\_\_

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Lodging fees, vehicle rental (including insurance), mileage (for personal vehicle use only) incurred during services provided to The Company will be reimbursed by The Company.

The Consultant shall be responsible for retaining and submitting the appropriate paperwork and receipts for reimbursement of expenses incurred during the provision of stated services in accordance of the policies of The Company.

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Consultant: \_\_\_\_\_

The Company: \_\_\_\_\_

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**EXHIBIT "B"**

The following is a listing of the specific education, certification, licensure, insurance and other requirements that Consultant must establish and maintain in order to provide the services requested by The Company under this Agreement:

Education:

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Certification:

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Licenses:

Maintenance and retention of appropriate Medical licenses as well as any other required licenses required by the states where services are provided to The Company.

Insurance (in addition to that set forth in paragraph 11 of the Agreement):

Maintenance and retention of appropriate Liability and Malpractice insurances additional to those outlined by the terms of this agreement as may be dictated by the states in which services are provided to The Company.

Other:

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Consultant: \_\_\_\_\_

The Company: \_\_\_\_\_

ATT 32

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## CONSULTING AGREEMENT

This Consulting Agreement ("Agreement") is made by and between MENTOR ABI ("Company") and \_\_\_\_\_ Neuropsychologist, a consultant retained by Company as an independent contractor ("Consultant").

**Company and Consultant agree as follows:**

- 1. **Term of the Agreement:** This Agreement shall commence at 8:00 AM on January 1st, XXXX and shall terminate at 5:00 PM on December 31st, XXXX, unless terminated earlier by either party, for any or no reason, upon thirty (30) days written notice.
- 2. **Services to be Performed:** Consultant agrees to perform those consulting services for the Mentor Network-Center for Comprehensive Services, as may be requested by Company. Exhibit "A" to this Agreement contains a description of the general services to be provided by Consultant to Company under this Agreement. Consultant will at all times, and notwithstanding any term or provision of this Agreement, have complete and sole discretion for the manner in which the services provided under this Agreement will be performed. Company will have the sole discretion to determine whether the work performed by Consultant is satisfactory to Company and in compliance with the quality, safety and other standards established by Company.
- 3. **Qualifications of Consultant:** Consultant represents that he/she has the qualifications and skills necessary to perform the services under this Agreement in a competent, professional manner, without the advice, direction, or supervision of Company. Consultant will provide Company with all documents requested by Company to establish Consultant's qualifications and appropriate credentials and licenses for the services to be performed under this Agreement. Exhibit "B" to this Agreement sets forth the specific education, certification, licensure and insurance requirements that Consultant must establish and maintain in order to provide the services requested by Company under this Agreement.
- 4. **Compensation:** Consultant will be compensated for all consulting services requested by Company and performed by Consultant at the rates in exhibit A of this agreement.

32051815.1/85721.000001

Consultant: \_\_\_\_\_

Company: \_\_\_\_\_

AT1 32091758v1

ATT 32

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- 5. **Status as Independent Contractor:** Consultant is an independent contractor and not an employee or agent of Company.
- 6. **Control of Work:** In the performance of its consulting services, Consultant at all times has exclusive control over the manner, method and details of all services performed by Consultant without supervision by Company. Consultant will not direct, manage, supervise or control any employees of Company.
- 7. **Non-Exclusivity of Services:** During the term of this Agreement, Consultant shall be free to perform consulting services for persons and business or governmental entities other than Company; provided, however, that in no instance shall Consultant use or disclose any confidential information or trade secrets of Company or its affiliates, clients or consumers other than in the performance of consulting services on behalf of Company.
- 8. **Taxes:** Consistent with Consultant's status as an independent contractor, Company shall withhold no federal, state or local income, social security, Medicare, Medicaid, or other payroll taxes from compensation paid to Consultant under this Agreement. Consultant will obtain the necessary taxpayer identification number from the Internal Revenue Service ("IRS") and provide that number to Company. Company will provide an IRS Form 1099 for amounts paid to the Consultant for services performed during the tax year. Consultant is at all times responsible for paying when due all federal, state and local income taxes, including estimated and self-employment taxes, incurred as a result of the compensation paid by Company to Consultant for services under this Agreement. Consultant agrees to indemnify Company for any claims, costs, losses, fees, penalties, interest, or damages suffered by Company as a result of Consultant's failure to comply with this provision.
- 9. **Benefits:** By executing this Agreement, Consultant agrees that he/she is only entitled to that compensation as set forth in paragraph 4 of this Agreement, and no other payments, benefits, or other compensation of any kind, including worker's compensation and unemployment insurance benefits.
- 10. **Indemnification:** Consultant shall indemnify, defend and hold harmless Company, and all of its employees, officers, agents, and assigns, from any and all claims, demands, losses, costs, expenses, obligations, liabilities, damages, and deficiencies including interest, penalties, attorney's fees, liquidated damages, and costs that Company may incur as a result of any negligence, active or passive fault, or breach by Consultant.

32051815.1/85721.000001

Consultant: \_\_\_\_\_

Company: \_\_\_\_\_

- 11. **Insurance:** Consultant agrees to maintain, throughout the term of this Agreement, professional liability insurance in the minimum amounts of \$1,000,000.00 per occurrence and \$3,000,000.00 aggregate, and to provide evidence of such insurance to the Company at any time upon request.
- 12. **Assignments Prohibited:** This Agreement is an agreement for personal services of Consultant who is an independent contractor as contemplated under the laws of the State of Illinois and all applicable laws of the United States of America. Therefore, neither this Agreement, nor any right or obligation of Consultant may be transferred, assigned, or encumbered by Consultant without Company's prior written consent, which consent may be withheld for any or no reason. Any purported transfer, assignment or encumbrance without that consent will be void and of no force or effect.
- 13. **Waiver:** No delay or failure by either party to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right, unless otherwise expressly provided herein.
- 14. **Modification:** No modification or waiver of any provision of this Agreement will be effective unless the same is in writing and signed by the parties and then such modification or waiver will be effective only in the specific instance and for the purpose for which it was given.
- 15. **Notices:** Any notice required to be given under the terms of this Agreement to a party will be in writing and sent via the United States Postal Service, postage prepaid, and addressed to the addresses under such party's signature below.
- 16. **Forum Selection, Venue, and Choice of Law:** The parties expressly agree that the laws of the State of Illinois will govern the validity, construction, interpretation, effect, and enforcement of this Agreement. Each party hereby irrevocably and unconditionally consents and submits to the personal jurisdiction of the state and Federal courts located in the State of Illinois with respect to any action relative to this Agreement and the parties hereby waive any objection to personal jurisdiction of, venue at, and service of process of any of the aforementioned Federal or state courts.
- 17. **Partial Invalidity:** In case any one or more of the provisions contained in this Agreement should be invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein will not in any way be affected or impaired thereby.

32051815.1/85721.000001

Consultant: \_\_\_\_\_

Company: \_\_\_\_\_

AT1 32091758v1

ATT 32

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- 18. **Entire Agreement:** This Agreement contains the entire understanding between the parties with respect to the subject matter hereof. There are no representations or promises other than those expressly set forth herein. The parties acknowledge that they are relying fully upon the contents of this Agreement and not upon any other promises, representations or warranties, expressed or implied, not contained herein concerning the subject matter hereof to induce them to execute this Agreement. The headings contained in this Agreement are for convenience only and are not intended to modify or affect the meaning of any provision of this Agreement.

CONSULTANT:

COMPANY:

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Address:

Address:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

32051815.1/85721.000001

Consultant: \_\_\_\_\_

Company: \_\_\_\_\_

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**EXHIBIT "A"**

Tests/Inventories requiring external scoring/interpretation (computer scoring by test publishers at Cost-receipt required) \_\_\_\_\_

*[The page contains horizontal ruling lines.]*

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**EXHIBIT "B"**

The following is a listing of the specific education, certification, licensure, insurance and other requirements that Consultant must establish and maintain in order to provide the services requested by Company under this Agreement:

Education:

Psych \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Certification:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Licenses:

IL# \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Insurance (in addition to that set forth in paragraph 11 of the Agreement):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Other:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

32051815.1/85721.000001

Consultant: \_\_\_\_\_

Company: \_\_\_\_\_

AT1 32091758v1

ATT 32

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## UNIT SIZE

The proposed community-based residential rehabilitation center consists of a total of 100 beds, 8 of which have been established/opened in Des Plaines and an additional 8 beds in Palatine. The request is for an additional 5 beds to be opened on Helen Drive in Palatine, IL. We are preparing for this approval and opening as the demand requires it.

The co-applicants acknowledge that additional residences under the 100-bed license cannot be established without the approval of the IHFSRB to do so.

ATTACHMENT 32

## UTILIZATION

It has been the experience of the co-applicants that the demand for the types of high quality services provided by NeuroRestorative in its facilities, including Carbondale, Des Plaines, and Palatine, far exceeds the supply. As a result, Carbondale, Des Plaines, and Palatine operates at near 100% capacity, with vacant beds for only minimal times between discharges. A similar high occupancy is expected at the new home to be opened in Palatine on Deer Avenue. Utilization is expected at 95% of existing capacity, understanding that additional residences, up to a total of 100 beds will be made available over time while following licensure guidelines.

The proposed facility is an expansion under the current CON that was granted for 100 beds. Assuming an average length of stay of 120 days, it is projected that 23-24 patients will be admitted to the next home during its first year of opening based on current demand.

|                   | Participant days | Percentage |
|-------------------|------------------|------------|
| First 1-12 months | 2,646            | 52%        |
| Months 13-24      | 3,612            | 77%        |

## ATTACHMENT 32

## BACKGROUND OF APPLICANT

The co-applicants operate two of the IDPH-licensed community-based residential rehabilitation center in Illinois. This request is to add an additional 5 beds under the current CON that is currently using 16 beds of the approved 100 for the Chicago-land area. The Carbondale facility, which opened in 1977 and became licensed in 1999, currently maintains a full census of the initial 100 beds approved CON.

The clients of the programs operated by the co-applicants include individuals who have experienced brain injuries as a result of trauma through work, accident or military service. Veterans are served in many of the co-applicants' programs, and it is the co-applicants' belief that there is a pressing need to provide high quality and specialized care to veterans from active service having brain injuries.

Aside from returning veterans, traumatic brain injury survivors are often young to middle aged and need extensive therapies not typically offered in nursing facilities.

ATTACHMENT 32



enhancing PEOPLE'S LIVES

www.carf.org

February 11, 2013

Ms. Ericka Grubbs  
Director of Quality Assurance  
NeuroRestorative Carbondale  
Carbondale, IL  
Ericka.Grubbs@TheMentorNetwork.com

Dear Ms. Grubbs:

This letter is in response to recent communication regarding a request to add a new site to the current CARF accreditation for NeuroRestorative Carbondale. After reviewing your request, we are pleased to inform you that your request has been approved. CARF has extended your accreditation to:

Deer House  
1158 N. Deer Avenue  
Palatine, IL 60067

This location is accredited for: MED Residential – Brain Injury Program – Adults. The new site will be included in your next scheduled site visit.

Please contact us at the CARF office if we can be of further assistance.

Sincerely,

Karen Kloter  
Resource Specialist  
Medical Rehabilitation Customer Service Unit

/kv

**CARF INTERNATIONAL**  
6951 East Southpoint Road  
Tucson, AZ 85756 USA  
Toll-free/TTY 888 281 6531 ■ Fax 520 318 1129

**CARF-CCAC**  
1730 Rhode Island Avenue, NW, Suite 209  
Washington, DC 20036 USA  
Toll-free 866 888 1122 ■ Fax 202 587 5009

**CARF CANADA**  
1400 - 10020 101A Avenue NW  
Edmonton, AB T5J 3G2 CANADA  
Toll-free 877 434 5444 ■ Fax 780 426 7274

ATT 32

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January 15, 2013

Ericka Grubbs  
NeuroRestorative Carbondale  
306 West Mill Street  
Carbondale, IL 62901

Dear Ms. Grubbs:

It is my pleasure to inform you that NeuroRestorative Carbondale has been accredited by CARF International for a period of three years for the following programs:

Home and Community Services: Brain Injury Program (Adults)  
Residential Rehabilitation Programs: Brain Injury Program (Adults)  
Residential Rehabilitation Programs: Brain Injury Program (Children and Adolescents)

This accreditation will extend through November 2015. This achievement is an indication of your organization's dedication and commitment to improving the quality of the lives of the persons served. Services, personnel, and documentation clearly indicate an established pattern of practice excellence.

Your organization should take pride in achieving this high level of accreditation. CARF will recognize this accomplishment in its listing of organizations with accreditation, and we encourage you to make this accomplishment known throughout your community. Communication of the accreditation to your referral and funding sources, the media, and local and federal government officials can promote and distinguish your organization. Enclosed are some materials that will help you publicize this achievement.

The survey report is intended to support a continuation of the quality improvement of your programs. It contains comments on your organization's strengths as well as suggestions and recommendations. A quality improvement plan (QIP) demonstrating your efforts to implement the survey recommendations must be submitted within the next 90 days to retain accreditation. Guidelines and the form for completing the QIP have been posted on Customer Connect ([customerconnect.carf.org](http://customerconnect.carf.org)), our secure, dedicated website for accredited organizations and organizations seeking accreditation. Please submit the QIP to the attention of the customer service unit identified in the QIP instructions.

Your organization's complimentary accreditation certificate will be sent separately. You may use the enclosed form to order additional certificates.

If you have any questions regarding your organization's accreditation, you are encouraged to seek support from a Resource Specialist in your customer service unit by calling extension 7174.

**CARF INTERNATIONAL**  
6951 East Southpoint Road  
Tucson, AZ 85756 USA  
Toll-free 888 281 6531  
Tel/TTY 520 325 1044  
Fax 520 318 1129

**CARF-CCAC**  
1730 Rhode Island Avenue, NW, Suite 410  
Washington, DC 20036 USA  
Toll-free 866 888 1122  
Tel 202 587 5001  
Fax 202 587 5009

**CARF CANADA**  
10665 Jasper Avenue, Suite 760  
Edmonton, AB T5J 3S9 CANADA  
Toll-free 877 434 5444  
Tel 780 429 2538  
Fax 780 426 7274

ATT 32

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We encourage your organization to continue fully and productively using the CARF standards as part of your ongoing commitment to accreditation. We commend your commitment and consistent efforts to improve the quality of your programs. We look forward to working with your organization in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian J. Boon". The signature is fluid and cursive, with the first and last names being more prominent.

Brian J. Boon, Ph.D.  
President/CEO

AEP  
Enclosures



Three-Year Accreditation

# CARF Survey Report for NeuroRestorative Carbondale

**CARF INTERNATIONAL**  
6951 East Southpoint Road  
Tucson, AZ 85756 USA  
Toll-free 888 281 6531  
Tel/TTY 520 325 1044  
Fax 520 318 1129

**CARF-CCAC**  
1730 Rhode Island Avenue, NW, Suite 410  
Washington, DC 20036 USA  
Toll-free 866 888 1122  
Tel 202 587 5001  
Fax 202 587 5009

**CARF CANADA**  
1400 - 10020 101A Avenue NW  
Edmonton, AB T5J 3G2 CANADA  
Toll-free 877 434 5444  
Tel 780 429 2538  
Fax 780 426 7274



**Three-Year Accreditation**

### **Organization**

NeuroRestorative Carbondale  
306 West Mill Street  
Carbondale, IL 62901

### **Organizational Leadership**

Ericka Grubbs, Director of Quality Assurance  
Chris Williamson, M.S., Vice President of Central Region

### **Survey Dates**

November 28-30, 2012

### **Survey Team**

Mary A. Gollinger, M.S., CRRN, NEA-BC, Administrative Surveyor  
Steven D. Mandley, PT, Program Surveyor  
Angela R. Davis (Williams), M.H.A., PT, Program Surveyor  
Katherine J. Dixon, PT, Program Surveyor  
Barbara J. Sigford, M.D., Ph.D., Program Surveyor  
Stephen Kerschke, Program Surveyor  
Stephen L. Pimm, B.Sc. (Hon.), M.Sc., Program Surveyor

### **Programs/Services Surveyed**

Home and Community Services: Brain Injury Program (Adults)  
Residential Rehabilitation Programs: Brain Injury Program (Adults)  
Residential Rehabilitation Programs: Brain Injury Program (Children and Adolescents)

### **Previous Survey**

October 21-23, 2009  
Three-Year Accreditation

## **Survey Outcome**

**Three-Year Accreditation**  
**Expiration: November 2015**

**CARF INTERNATIONAL**  
6951 East Southpoint Road  
Tucson, AZ 85756 USA  
Toll-free 888 281 6531  
Tel/TTY 520 325 1044  
Fax 520 318 1129

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1730 Rhode Island Avenue, NW, Suite 410  
Washington, DC 20036 USA  
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1400 - 10020 101A Avenue NW  
Edmonton, AB T5J 3G2 CANADA  
Toll-free 877 434 5444  
Tel 780 429 2538  
Fax 780 426 7274

## PROGRAMS/SERVICES BY LOCATION

### **NeuroRestorative Carbondale**

306 West Mill Street  
Carbondale, IL 62901

Administrative Location Only

### **Tucker House/Shawnee House**

304 West Mill Street  
Carbondale, IL 62901

Residential Rehabilitation Programs: Brain Injury Program (Adults)

### **Anderson/Campus/Concord/Pineridge/Mulberry/Liberty/Productive Activity Offices**

612 East Campus Drive, Apartments A3-6, C2-6, and C8  
Carbondale, IL 62901

Home and Community Services: Brain Injury Program (Adults)  
Residential Rehabilitation Programs: Brain Injury Program (Adults)

### **Creeside/Meadowridge**

600 East Campus Drive, Apartments 10A, 10B, 15A  
Carbondale, IL 62901

Home and Community Services: Brain Injury Program (Adults)  
Residential Rehabilitation Programs: Brain Injury Program (Adults)

### **Wood Lake**

751 Wood Road  
Carbondale, IL 62901

Residential Rehabilitation Programs: Brain Injury Program (Children and Adolescents)

### **Phoenix House**

516 South University Avenue  
Carbondale, IL 62901

Residential Rehabilitation Programs: Brain Injury Program (Adults)

### **Studio**

518 South University Avenue, Apartments 1-6  
Carbondale, IL 62901

Residential Rehabilitation Programs: Brain Injury Program (Adults)

**Lightfoot Center**

520 South University Avenue  
Carbondale, IL 62901

Administrative Location Only

**Bridge House**

606 South Terrace Drive  
Carbondale, IL 62901

Residential Rehabilitation Programs: Brain Injury Program (Children and Adolescents)

**Mill House**

306 West Mill Street, First Floor  
Carbondale, IL 62901

Residential Rehabilitation Programs: Brain Injury Program (Adults)

**Wedgewood Apartments**

1061 East Park Street, Apartments 6 and 13  
Carbondale, IL 62901

Residential Rehabilitation Programs: Brain Injury Program (Adults)

**Rigdon House**

625 Rigdon Street  
Carbondale, IL 62901

Residential Rehabilitation Programs: Brain Injury Program (Adults)

**Wedgewood Apartment**

1075 East Park Street, Apartment 2  
Carbondale, IL 62901

Residential Rehabilitation Programs: Brain Injury Program (Adults)

**Badger Den**

609 East Campus Drive, Apartments 901 and 902  
Carbondale, IL 62901

Residential Rehabilitation Programs: Brain Injury Program (Adults)

**Chippewa House**

24 Chippewa Drive  
Carbondale, IL 62901

Residential Rehabilitation Programs: Brain Injury Program (Adults)

**NeuroRestorative Ohio**

6800 Sunbury Road  
Westerville, OH 43082

Residential Rehabilitation Programs: Brain Injury Program (Adults)

**NeuroRestorative Illinois**

820 Berkshire Lane  
Des Plaines, IL 60016

Residential Rehabilitation Programs: Brain Injury Program (Adults)

**NeuroRestorative Wisconsin**

5310 Buena Park Road  
Waterford, WI 53185

Residential Rehabilitation Programs: Brain Injury Program (Adults)

**NeuroRestorative Indiana**

2020 South Arlington  
Indianapolis, IN 46203

Residential Rehabilitation Programs: Brain Injury Program (Adults)

**Pinewood House**

22 Pinewood Drive  
Carbondale, IL 62901

Residential Rehabilitation Programs: Brain Injury Program (Adults)

**Finch House**

1271B East Walnut Street  
Carbondale, IL 62901

Residential Rehabilitation Programs: Brain Injury Program (Adults)

**Cardinal House**

1271A East Walnut Street  
Carbondale, IL 62901

Residential Rehabilitation Programs: Brain Injury Program (Adults)

**Violet Lane**

101 North Violet  
Carbondale, IL 62901

Residential Rehabilitation Programs: Brain Injury Program (Adults)

**NeuroRestorative Ohio Therapy Center**

1686 Schrock Road  
Worthington, OH 43085

Residential Rehabilitation Programs: Brain Injury Program (Adults)



Pat Quinn, Governor  
LaMar Hasbrouck, MD, MPH, Director

525-535 West Jefferson Street • Springfield, Illinois 62761-0001 • [www.idph.state.il.us](http://www.idph.state.il.us)

LICENSE, PERMIT CERTIFICATION, REGISTRATION

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

Alternative Health Care Delivery Act and the Community-Based Residential Rehabilitation Center Demonstration Program Code (77Ill. Adm. Code 220)

| Licensed number of Beds | Expiration Date | License Identification |
|-------------------------|-----------------|------------------------|
| 8                       | 8/16/2013       | 4000026                |

NeuroRestorative Illinois  
820 Berkshire Lane  
DesPlaines, IL 60016

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

*Improving public health, one community at a time*

*printed on recycled paper*

ATT 32

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Pat Quinn, Governor  
LaMar Hasbrouck, MD, MPH, Director

525-535 West Jefferson Street • Springfield, Illinois 62761-0001 • [www.idph.state.il.us](http://www.idph.state.il.us)

July 25, 2012

Chris Williamson  
NeuroRestorative Illinois  
820 Berkshire Lane  
Des Plaines, IL 60016

Dear Mr. Williamson:

The Community-Based Residential Rehabilitation Center, located at 820 Berkshire, Des Plaines, Illinois is currently licensed in good standing under the authority of the Alternative Health Care Delivery Act (210 ILCS 3) and the Community-Based Residential Rehabilitation Center Demonstration Program Code (77Ill. Adm. Code 220).

Although the license for The Center for Comprehensive Services expires August 16, 2012, a survey has not yet been conducted. This delay is in no way due to any action by The Center for Comprehensive Services, its owners, or employees. The Department considers your license in good standing currently and in the future as long as no action has been taken by the Illinois Department of Public Health to revoke your license. No such action is contemplated at this time. The enclosed renewal license is for 8 beds (5 currently active) and expires August 16, 2013. Provide the Department and updated status on the 3 inactive beds.

Please contact me with questions at Illinois Department of Public Health, Division of Health Care Facilities and Programs, Central Office Operations Section, 525 West Jefferson Street, 4<sup>th</sup> Floor, Springfield, IL 62761-0001, or at 217-782-0381.

Sincerely,

Karen Senger, RN, BSN  
Supervisor, Central Office Operations Section  
Division of Health Care Facilities and Programs

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October 17, 2012

Heaven Hollender  
Neurorestorative Illinois  
1158 North Deer Ave  
Palatine, IL 60067

Re: Initial Licensure of new facility in Palatine

Dear Ms. Hollender:

The Office of Health Care Regulations surveyed the Neurorestorative Illinois on September 28, 2012 and found the facility is in substantial compliance with the Alternative Health Care Delivery Act and the Community-Based Residential Rehabilitation Center Demonstration Program Code (77Ill Adm. Code 220). The plan of correction submitted October 17, 2012 was acceptable and a license shall be issued effective 10/17/12. This license applies to 4 active and (4 pending) beds located at your facility- 1158 North Deer Ave Palatine, IL 60067.

This license is not transferable and expires October 17, 2013.

If you have any questions about this approval, please do not hesitate to call me at 217/782-0381. The Department's TTY number is 800/547-0466, for use by the hearing impaired.

Sincerely,

Karen Senger, Supervisor  
Central Office Operations Section  
Division of Health Care Facilities and Programs

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**LICENSE, PERMIT CERTIFICATION, REGISTRATION**

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

Alternative Health Care Delivery Act and the Community-Based Residential Rehabilitation Center Demonstration Program Code (77Ill. Adm. Code 220)

| Licensed number of Beds | Expiration Date | License Identification |
|-------------------------|-----------------|------------------------|
| 8                       | 10/17/13        | 4000028                |

NeuroRestorative - Palatine  
1158 North Deer Ave.  
Palatine, IL 60067

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**LICENSE, PERMIT CERTIFICATION, REGISTRATION**

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

Alternative Health Care Delivery Act and the Community-Based Residential Rehabilitation Center Demonstration Program Code (77Ill. Adm. Code 220)

| Licensed number of Beds | Expiration Date | License Identification |
|-------------------------|-----------------|------------------------|
| 100                     | 01/01/2014      | 4000021                |

NeuroRestorative – Carbondale  
306 West Mill Street  
Carbondale, IL 62901

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State of Illinois 2128652

Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

LA MAR HASBROUCK, MD, MPH  
DIRECTOR

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

| EXPIRATION DATE | CATEGORY | I.D. NUMBER |
|-----------------|----------|-------------|
| 04/25/2014      | A-3      | 5200941     |

SHARED HOUSING LICENSE  
ISSUED: 04/25/13  
6 SHARED HOUSE UNITS  
6 TOTAL UNITS

BUSINESS ADDRESS

STATUS: UNRESTRICTED  
LICENSEE BUSINESS ADDRESS

VIOLET LANE  
101 N. VIOLET LANE  
CARBONDALE IL 62901

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

← DISPLAY THIS PART IN A  
CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN  
IDENTIFICATION  
↓

State of Illinois 212865

Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATIC

| EXPIRATION DATE | CATEGORY | I.D. NUMBER |
|-----------------|----------|-------------|
| 04/25/2014      | A-3      | 5200941     |

SHARED HOUSING LICENSE  
6 SHARED HOUSE UNIT  
6 TOTAL UNITS

04/11/13

VIOLET LANE  
101 N. VIOLET LANE  
CARBONDALE IL 62901

FEE RECEIPT NO.

ATT 32

96

DISPLAY THIS PART IN A  
CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN  
IDENTIFICATION

**State of Illinois** 2122565  
**Department of Public Health**  
LICENSE, PERMIT, CERTIFICATION, REGISTRATION

|                               |                 |                      |
|-------------------------------|-----------------|----------------------|
| EXPIRATION DATE<br>02/20/2014 | CATEGORY<br>A-6 | ID NUMBER<br>5200602 |
|-------------------------------|-----------------|----------------------|

**SHARED HOUSING LICENSE**  
6 SHARED HOUSE UNITS  
6 TOTAL UNITS

02/20/13  
CHIPPEWA HOUSE  
24 CHIPPEWA  
CARBONDALE IL 62901  
FEE RECEIPT NO.

**State of Illinois** 2077333  
**Department of Public Health**  
LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

**ARTIFICIAL RESPIRATOR SALE**  
ACTING ELIGIBLE

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

|                               |                 |                      |
|-------------------------------|-----------------|----------------------|
| EXPIRATION DATE<br>02/20/2014 | CATEGORY<br>A-5 | ID NUMBER<br>5200602 |
|-------------------------------|-----------------|----------------------|

**SHARED HOUSING LICENSE**  
6 SHARED HOUSE UNITS  
6 TOTAL UNITS

**BUSINESS ADDRESS**  
STATUS: BUSINESS  
LICENSE BUSINESS ADDRESS  
CHIPPEWA HOUSE  
24 CHIPPEWA  
CARBONDALE IL 62901

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

State of Illinois  
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

Type of Facility  
CHILD WELFARE AGENCY PRINT DATE: 04/10/2012

NO.  
132627-05

LICENSE ISSUED TO

NEURORESTORATIVE CARBONDALE  
306 WEST MILL STREET  
CARBONDALE IL 62902

Effective Dates:  
10/07/2011 - 10/07/2015

Capacity  
000  
000  
000

Supervising Child Welfare Agency

Area Used for Children

Ages of Children Served

Mailing address for this facility is:

NEURORESTORATIVE CARBONDALE  
P. O. BOX 2825  
CARBONDALE IL 62902

  
Director

SA- -10

NOT TRANSFERABLE-Supersedes all prior licenses for type of care specified above.

ATT 32

98

State of Illinois  
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

GROUP HOME Type of Facility

PRINT DATE 02/01/2012

357043-05 NO

WOODLAKE RD  
751 WOOD RD  
CARBONDALE IL 62901-5408

Effective Dates  
10/19/2011 - 10/19/2015

Capacity 010  
000  
010

Supervising Child Welfare Agency

Area Used for Children  
ENTIRE BUILDING

Ages of Children Served  
DAY: 11Y TO 18Y

Mailing address for this facility is:  
WOODLAKE  
PO BOX 2825  
CARBONDALE IL 62902-2825

Acting Director

SA- -10

NOT TRANSFERABLE-Supersedes all prior licenses for type of care specified above.

State of Illinois  
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

Type of Facility

NO.

GROUP HOME

PRINT DATE: 09/10/2012

357032-07

LICENSE ISSUED TO

BRIDGE HOUSE  
606 S TERRACE DR  
CARBONDALE

IL 62901-2117

Effective Dates

Capacity

Supervising Child Welfare Agency

08/07/2012 - 08/07/2016

006

000

Area Used for Children

006

ENTIRE BUILDING

Ages of Children Served

DAY: 11Y TO 21Y

Mailing address for this facility is:

BRIDGE HOUSE  
PO BOX 2825  
CARBONDALE

IL 62902-2825



Director

SA- -10

NOT TRANSFERABLE - Supersedes all prior licenses for type of care specified above.

ATT 32

100

# National Mentor Holdings, Inc. and Subsidiaries

Consolidated Financial Statements as of  
September 30, 2012 and 2011, and for the Years  
Ended September 30, 2012, 2011, and 2010,  
Supplemental Consolidating Information for the Year  
Ended September 30, 2012, and Report of  
Independent Registered Public Accounting Firm

# NATIONAL MENTOR HOLDINGS, INC. AND SUBSIDIARIES

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Audit Committee of  
National Mentor Holdings, Inc.  
Boston, Massachusetts

We have audited the accompanying consolidated balance sheets of National Mentor Holdings, Inc. and subsidiaries (the "Company") as of September 30, 2012 and 2011, and the related consolidated statements of operations, shareholder's equity (deficit), and cash flows for each of the three years in the period ended September 30, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of National Mentor Holdings, Inc. and subsidiaries as of September 30, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 2 and 16 to the financial statements, effective October 1, 2011, the Company prospectively adopted Accounting Standard Update 2010-24 *Presentation of Insurance Claims and Related Insurance Recoveries*.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional supplemental consolidating information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the Company's management. Such information has not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we express no opinion on them.

*Deloitte & Touche LLP*

Boston, Massachusetts  
December 21, 2012

# NATIONAL MENTOR HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

AS OF SEPTEMBER 30, 2012 AND 2011

(Amounts in thousands, except share and per share amounts)

|                                                                                                             | 2012                | 2011                |
|-------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| <b>ASSETS</b>                                                                                               |                     |                     |
| CURRENT ASSETS:                                                                                             |                     |                     |
| Cash and cash equivalents                                                                                   | \$ -                | \$ 263              |
| Restricted cash                                                                                             | 1,134               | 936                 |
| Accounts receivable — net of allowances of \$9,250 and \$7,957 at September 30, 2012 and 2011, respectively | 153,991             | 134,071             |
| Deferred tax assets — net                                                                                   | 18,764              | 20,956              |
| Prepaid expenses and other current assets                                                                   | 20,104              | 9,969               |
| Total current assets                                                                                        | 193,993             | 166,195             |
| PROPERTY AND EQUIPMENT — Net                                                                                | 151,548             | 146,256             |
| INTANGIBLE ASSETS — Net                                                                                     | 372,385             | 397,514             |
| GOODWILL                                                                                                    | 234,361             | 231,015             |
| RESTRICTED CASH                                                                                             | 50,000              | 50,000              |
| OTHER ASSETS                                                                                                | 42,696              | 19,870              |
| TOTAL ASSETS                                                                                                | <u>\$ 1,044,983</u> | <u>\$ 1,010,850</u> |
| <b>LIABILITIES AND SHAREHOLDER'S DEFICIT</b>                                                                |                     |                     |
| CURRENT LIABILITIES:                                                                                        |                     |                     |
| Accounts payable                                                                                            | 33,640              | 27,059              |
| Accrued payroll and related costs                                                                           | 60,010              | 74,968              |
| Other accrued liabilities                                                                                   | 50,384              | 46,528              |
| Obligations under capital lease, current                                                                    | 461                 | 312                 |
| Current portion of long-term debt                                                                           | 24,300              | 5,300               |
| Total current liabilities                                                                                   | 168,795             | 154,167             |
| OTHER LONG-TERM LIABILITIES                                                                                 | 64,893              | 15,536              |
| DEFERRED TAX LIABILITIES — Net                                                                              | 94,760              | 111,066             |
| OBLIGATIONS UNDER CAPITAL LEASE, LESS CURRENT PORTION                                                       | 8,384               | 6,462               |
| LONG-TERM DEBT, LESS CURRENT PORTION                                                                        | 752,398             | 754,742             |
| COMMITMENTS AND CONTINGENCIES                                                                               |                     |                     |
| SHAREHOLDER'S DEFICIT                                                                                       |                     |                     |
| Common stock, \$0.01 par value; 1,000 shares authorized and 100 shares issued and outstanding               | -                   | -                   |
| Additional paid-in capital                                                                                  | 33,695              | 33,098              |
| Accumulated other comprehensive loss                                                                        | (3,358)             | (4,017)             |
| Accumulated deficit                                                                                         | (74,584)            | (60,204)            |
| Total shareholder's deficit                                                                                 | (44,247)            | (31,123)            |
| TOTAL LIABILITIES AND SHAREHOLDER'S DEFICIT                                                                 | <u>\$ 1,044,983</u> | <u>\$ 1,010,850</u> |

See accompanying notes.

# NATIONAL MENTOR HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED SEPTEMBER 30, 2012, 2011 AND 2010 (Amounts in thousands)

|                                                                                 | 2012               | 2011               | 2010              |
|---------------------------------------------------------------------------------|--------------------|--------------------|-------------------|
| NET REVENUE                                                                     | \$ 1,129,611       | \$ 1,070,610       | \$ 1,011,469      |
| COST OF REVENUE (EXCLUSIVE OF DEPRECIATION<br>EXPENSE SHOWN SEPARATELY BELOW)   | 880,196            | 829,032            | 776,656           |
| OPERATING EXPENSES:                                                             |                    |                    |                   |
| General and administrative                                                      | 140,844            | 144,516            | 133,731           |
| Depreciation and amortization                                                   | <u>61,831</u>      | <u>61,901</u>      | <u>56,413</u>     |
| Total operating expenses                                                        | <u>202,675</u>     | <u>206,417</u>     | <u>190,144</u>    |
| INCOME FROM OPERATIONS                                                          | 46,740             | 35,161             | 44,669            |
| OTHER INCOME (EXPENSE):                                                         |                    |                    |                   |
| Management fee of related party                                                 | (1,325)            | (1,271)            | (1,208)           |
| Other income (expense) — net                                                    | 1                  | (159)              | (339)             |
| Extinguishment of debt                                                          | -                  | (19,278)           | -                 |
| Gain from available for sale investment security                                | -                  | 3,018              | -                 |
| Interest income                                                                 | 332                | 22                 | 42                |
| Interest income from related party                                              | -                  | 684                | 1,921             |
| Interest expense                                                                | <u>(79,445)</u>    | <u>(61,718)</u>    | <u>(46,693)</u>   |
| LOSS FROM CONTINUING OPERATIONS BEFORE<br>INCOME TAXES                          | (33,697)           | (43,541)           | (1,608)           |
| BENEFIT FOR INCOME TAXES                                                        | <u>(19,501)</u>    | <u>(14,427)</u>    | <u>(205)</u>      |
| LOSS FROM CONTINUING OPERATIONS                                                 | (14,196)           | (29,114)           | (1,403)           |
| LOSS FROM DISCONTINUED OPERATIONS — Net of<br>tax of \$117, \$3,193 and \$3,529 | <u>(184)</u>       | <u>(5,028)</u>     | <u>(5,464)</u>    |
| NET LOSS                                                                        | <u>\$ (14,380)</u> | <u>\$ (34,142)</u> | <u>\$ (6,867)</u> |

See accompanying notes.

# NATIONAL MENTOR HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY (DEFICIT) FOR THE YEARS ENDED SEPTEMBER 30, 2012, 2011 AND 2010 (Amounts in thousands, except share and per share amounts)

|                                         | Common Stock |        | Additional<br>Paid-in<br>Capital | Accumulated<br>Other<br>Comprehensive<br>(Loss)<br>Income | Accumulated<br>Deficit | Total<br>Shareholder's<br>Equity<br>(Deficit) | Comprehensive<br>Income<br>(Loss) |
|-----------------------------------------|--------------|--------|----------------------------------|-----------------------------------------------------------|------------------------|-----------------------------------------------|-----------------------------------|
|                                         | Shares       | Amount |                                  |                                                           |                        |                                               |                                   |
| BALANCE — September 30, 2009            | 100          | \$ -   | \$ 250,038                       | \$ (7,115)                                                | \$ (19,195)            | \$ 223,728                                    |                                   |
| Other comprehensive income — net of tax | -            | -      | -                                | 7,690                                                     | -                      | 7,690                                         | 7,690                             |
| Stock-based compensation                | -            | -      | 677                              | -                                                         | -                      | 677                                           |                                   |
| Dividend to parent                      | -            | -      | (95)                             | -                                                         | -                      | (95)                                          |                                   |
| Net loss                                | -            | -      | -                                | -                                                         | (6,867)                | (6,867)                                       | (6,867)                           |
| Comprehensive income                    | -            | -      | -                                | -                                                         | -                      | -                                             | \$ 823                            |
| BALANCE — September 30, 2010            | 100          | \$ -   | \$ 250,620                       | \$ 575                                                    | \$ (26,062)            | \$ 225,133                                    |                                   |
| Other comprehensive loss — net of tax   | -            | -      | -                                | (4,592)                                                   | -                      | (4,592)                                       | (4,592)                           |
| Stock-based compensation                | -            | -      | 3,675                            | -                                                         | -                      | 3,675                                         |                                   |
| Dividend to parent                      | -            | -      | (221,197)                        | -                                                         | -                      | (221,197)                                     |                                   |
| Net                                     | -            | -      | -                                | -                                                         | (34,142)               | (34,142)                                      | (34,142)                          |
| Comprehensive loss                      | -            | -      | -                                | -                                                         | -                      | -                                             | \$ (38,734)                       |
| BALANCE — September 30, 2011            | 100          | \$ -   | \$ 33,098                        | \$ (4,017)                                                | \$ (60,204)            | \$ (31,123)                                   |                                   |
| Other comprehensive income — net of tax | -            | -      | -                                | 659                                                       | -                      | 659                                           | 659                               |
| Stock-based compensation                | -            | -      | 672                              | -                                                         | -                      | 672                                           |                                   |
| Dividend to parent                      | -            | -      | (75)                             | -                                                         | -                      | (75)                                          |                                   |
| Net loss                                | -            | -      | -                                | -                                                         | (14,380)               | (14,380)                                      | (14,380)                          |
| Comprehensive loss                      | -            | -      | -                                | -                                                         | -                      | -                                             | \$ (13,721)                       |
| BALANCE — September 30, 2012            | 100          | \$ -   | \$ 33,695                        | \$ (3,358)                                                | \$ (74,584)            | \$ (44,247)                                   |                                   |

See accompanying notes.

# NATIONAL MENTOR HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2012, 2011 AND 2010

(Amounts in thousands)

|                                                                                 | 2012        | 2011          | 2010             |
|---------------------------------------------------------------------------------|-------------|---------------|------------------|
| <b>OPERATING ACTIVITIES:</b>                                                    |             |               |                  |
| Net loss                                                                        | \$ (14,380) | \$ (34,142)   | \$ (6,867)       |
| Adjustments to reconcile net loss to net cash provided by operating activities: |             |               |                  |
| Accounts receivable allowances                                                  | 12,902      | 11,670        | 12,458           |
| Depreciation and amortization of property and equipment                         | 24,118      | 23,306        | 23,172           |
| Amortization of other intangible assets                                         | 36,885      | 39,755        | 34,903           |
| Amortization of original issue discount and initial purchasers discount         | 2,956       | 1,924         | -                |
| Amortization and write-off (in 2011) of financing costs                         | 2,395       | 10,545        | 3,190            |
| Accretion of investment in related party debt securities                        | -           | (325)         | (963)            |
| Stock-based compensation                                                        | 672         | 3,675         | 677              |
| Deferred income taxes                                                           | (14,561)    | (19,524)      | (13,876)         |
| Gain from available for sale investment security                                | -           | (3,018)       | -                |
| Loss (gain) on disposal of assets                                               | 283         | (56)          | 560              |
| Change in the fair value of contingent consideration                            | -           | (2,545)       | 1,424            |
| Non-cash impairment charge                                                      | 955         | 11,893        | 6,552            |
| Non-cash interest income from related party                                     | -           | (359)         | (958)            |
| Changes in operating assets and liabilities:                                    |             |               |                  |
| Accounts receivable                                                             | (33,092)    | (19,424)      | (16,004)         |
| Other assets                                                                    | (1,699)     | 2,928         | 1,478            |
| Accounts payable                                                                | 5,961       | (1,045)       | 6,096            |
| Accrued payroll and related costs                                               | 3,324       | 6,580         | 8,671            |
| Other accrued liabilities                                                       | 6,562       | (2,009)       | 9,351            |
| Other long-term liabilities                                                     | (4,030)     | 370           | 1,704            |
| Net cash provided by operating activities                                       | 29,251      | 30,199        | 71,568           |
| <b>INVESTING ACTIVITIES:</b>                                                    |             |               |                  |
| Cash paid for acquisitions — net of cash received                               | (16,544)    | (12,688)      | (49,337)         |
| Purchases of property and equipment                                             | (29,995)    | (20,878)      | (20,873)         |
| Changes in restricted cash                                                      | (198)       | (49,890)      | 4,146            |
| Proceeds from sale of assets                                                    | 4,075       | 914           | 1,218            |
| Net cash used in investing activities                                           | (42,662)    | (82,542)      | (64,846)         |
| <b>FINANCING ACTIVITIES:</b>                                                    |             |               |                  |
| Repayments of long-term debt                                                    | (5,300)     | (507,114)     | (3,712)          |
| Issuance of long term debt — net of original issue discount                     | -           | 760,767       | -                |
| Proceeds from borrowings under senior revolver                                  | 679,200     | 30,600        | -                |
| Repayments of borrowings under senior revolver                                  | (660,200)   | (30,600)      | -                |
| Repayments of capital lease obligations                                         | (399)       | (244)         | (117)            |
| Cash paid for contingent consideration                                          | -           | (4,975)       | -                |
| Dividend to Parent                                                              | (75)        | (207,855)     | (95)             |
| Payments of financing costs                                                     | (78)        | (14,421)      | -                |
| Net cash provided by (used in) financing activities                             | 13,148      | 26,158        | (3,924)          |
| Net (decrease) increase in cash and cash equivalents                            | (263)       | (26,185)      | 2,798            |
| Cash and cash equivalents at beginning of period                                | 263         | 26,448        | 23,650           |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                               | <b>\$ -</b> | <b>\$ 263</b> | <b>\$ 26,448</b> |

(Continued)

## NATIONAL MENTOR HOLDINGS, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2012, 2011 AND 2010 (Amounts in thousands)

|                                                           | 2012             | 2011               | 2010             |
|-----------------------------------------------------------|------------------|--------------------|------------------|
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:         |                  |                    |                  |
| Cash paid for interest                                    | <u>\$ 73,110</u> | <u>\$ 57,827</u>   | <u>\$ 43,289</u> |
| Cash paid for income taxes — net                          | <u>\$ 441</u>    | <u>\$ 1,601</u>    | <u>\$ 1,482</u>  |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES: |                  |                    |                  |
| Accrued contingent consideration                          | <u>\$ -</u>      | <u>\$ -</u>        | <u>\$ 1,617</u>  |
| Accrued property, plant and equipment                     | <u>\$ 2,093</u>  | <u>\$ 1,601</u>    | <u>\$ -</u>      |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES: |                  |                    |                  |
| Capital lease obligation incurred to acquire assets       | <u>\$ 2,434</u>  | <u>\$ 5,302</u>    | <u>\$ 37</u>     |
| Dividend to Parent                                        | <u>\$ -</u>      | <u>\$ (13,342)</u> | <u>\$ -</u>      |

See accompanying notes.

(Concluded)

# NATIONAL MENTOR HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2012, 2011, AND 2010

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### 1. BASIS OF PRESENTATION

National Mentor Holdings, Inc., through its wholly owned subsidiaries (collectively, the “Company”), is a leading provider of home and community-based health and human services to adults and children with intellectual and/or developmental disabilities, acquired brain injury and other catastrophic injuries and illnesses; and to youth with emotional, behavioral and/or medically complex challenges. Since the Company’s founding in 1980, the Company’s operations have grown to 34 states. The Company provides residential services to approximately 11,800 clients, some of whom also receive periodic services. Approximately 16,400 clients receive periodic services from the Company in non-residential settings.

The Company designs customized service plans to meet the unique needs of its clients, which it delivers in home- and community-based settings. Most of the Company’s service plans involve residential support, typically in small group homes, host home settings, or specialized community facilities, designed to improve the clients’ quality of life and to promote their independence and participation in community life. Other services offered include supported living, day and transitional programs, vocational services, case management, family-based services, post-acute treatment and neurorehabilitation, neurobehavioral rehabilitation and physical, occupational and speech therapies, among others. The Company’s customized service plans offer its clients as well as the payors of these services, an attractive, cost-effective alternative to health and human services provided in large, institutional settings.

### 2. SIGNIFICANT ACCOUNTING POLICIES

**Principles of Consolidation** — The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

**Use of Estimates** — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

These accounting policies and estimates are constantly reevaluated, and adjustments are made when facts and circumstances dictate a change.

**Cash Equivalents** — The Company considers short-term investments with maturity dates of 90 days or less at the date of purchase to be cash equivalents. Cash equivalents primarily consist of bank deposits and the carrying value of cash equivalents approximates fair value.

**Restricted Cash** — Restricted cash consists of a cash collateral account set up to support the issuance of letters of credit under the Company’s institutional letter of credit facility and funds provided from government payors restricted for client use.

**Financial Instruments** — Financial instruments include cash, accounts receivables, debt, self-insurance assets and liabilities and accounts payable. The carrying value of these instruments approximates their fair values.

**Concentrations of Credit and Other Risks** — Financial instruments that potentially subject the Company to credit risk primarily consist of cash and cash equivalents, self-insurance receivables and accounts receivable. Cash and cash equivalents are deposited with federally insured commercial banks in the United States. The Company derives approximately 87% of its revenue from state and local government payors. These entities fund a significant portion of their payments to the Company through federal matching funds, which pass through various state and local government agencies.

The Company maintains its cash in bank deposit accounts, which currently has unlimited coverage by the Federal Deposit Insurance Corporation ("FDIC") that is set to expire December 31, 2012.

**Revenue Recognition** — Revenue is reported net of allowances for unauthorized sales and estimated sales adjustments. Revenue is also reported net of any state provider taxes or gross receipts taxes levied on services the Company provides. Sales adjustments are estimated based on an analysis of historical sales adjustments and recent developments in payment trends. Revenue is recognized when evidence of an arrangement exists, the service has been provided, the price is fixed or determinable and collectibility is reasonably assured.

The Company recognizes revenue for services performed pursuant to contracts with various state and local government agencies and private health care agencies as follows: cost-reimbursement contract revenue is recognized at the time the service costs are incurred and units-of-service contract revenue is recognized at the time the service is provided. For the Company's cost-reimbursement contracts, the rate provided by the payor is based on a certain level of service and types of costs incurred in delivering the service. From time to time, the Company receives payments under cost-reimbursement contracts in excess of the allowable costs required to support those payments. In such instances, the Company estimates and records a liability for such excess payments. At the end of the contract period, any balance of excess payments is maintained as a liability until it is reimbursed to the payor. Revenue in the future may be affected by changes in rate-setting structures, methodologies or interpretations that may be enacted in states where the Company operates or by the federal government.

**Cost of Revenue** — The Company classifies expenses directly related to providing services as Cost of revenue, except for depreciation and amortization related to cost of revenue, which are shown separately in the consolidated statements of operations. Direct costs and expenses principally include salaries and benefits for service provider employees, per diem payments to independently contracted host-home caregivers ("Mentors"), residential occupancy expenses, which are primarily comprised of rent and utilities related to facilities providing direct care, certain client expenses such as food and medicine and transportation costs for clients requiring services.

**Property and Equipment** — Property and equipment are stated at cost, less accumulated depreciation. The Company provides for depreciation using straight-line methods over the estimated useful lives of the related assets. Estimated useful lives for buildings are 30 years. The useful lives for computer hardware and software are three years, the useful lives for furniture and equipment range from three to five years and the useful lives for vehicles are five years.

Leasehold improvements are depreciated on a straight-line basis over the lesser of the remaining lease term or seven years. Capital lease assets are depreciated over the lesser of the lease term or the useful life of the asset. Expenditures for maintenance and repairs are charged to operating expenses as incurred.

**Accounts Receivable** — Accounts receivable primarily consist of amounts due from government agencies, not-for-profit providers and commercial insurance companies. An estimated allowance for doubtful accounts is recorded to the extent it is probable that a portion or all of a particular account will not be collected. In evaluating the collectibility of accounts receivable, the Company considers a number of factors, including payment trends in individual states, age of the accounts and the status of ongoing disputes with third party payors. Complex rules and regulations regarding billing and timely filing requirements in various states are also a factor in our assessment of the collectibility of accounts receivable. Actual collections of accounts receivable in subsequent periods may require changes in the estimated allowance for doubtful accounts. Changes in these estimates are charged or credited to revenue as a contractual allowance in the consolidated statements of operations in the period of the change in estimate.

**Goodwill and Indefinite-lived Intangible Assets** — The Company reviews costs of purchased businesses in excess of the fair value of net assets acquired (goodwill), and indefinite-life intangible assets for impairment at least annually, unless significant changes in circumstances indicate a potential impairment may have occurred sooner. The Company conducts its annual impairment test for both goodwill and indefinite-life intangible assets on July 1 of each year.

The Company is required to test goodwill on a reporting unit basis, of which there are two for each of the Company's operating segments. The Company performs a two-step impairment test. The first step is to compare the fair value of the reporting unit with its carrying value. If the carrying amount of the reporting unit exceeds its fair value then the second step of the goodwill impairment test is performed. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill in order to determine the amount of impairment to be recognized. The excess of the carrying value of goodwill above the implied goodwill, if any, would be recognized as an impairment charge. Fair values are established using discounted cash flow and comparative market multiple methods.

The impairment test for indefinite-life intangible assets requires the determination of the fair value of the intangible asset. If the fair value of the indefinite-life intangible asset is less than its carrying value, an impairment loss is recognized in an amount equal to the difference. Fair values are established using the Relief from Royalty method.

The fair value of a reporting unit is based on discounted estimated future cash flows. The assumptions used to estimate fair value include management's best estimates of future growth, capital expenditures, discount rates and market conditions over an estimate of the remaining operating period. As such, actual results may differ from these estimates and lead to a revaluation of the Company's goodwill and indefinite-life intangible assets. If updated estimates indicate that the fair value of goodwill or any indefinite-life intangibles is less than the carrying value of the asset, an impairment charge is recorded in the consolidated statements of operations in the period of the change in estimate.

**Impairment of Long-Lived Assets** — The Company reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded.

**Income Taxes** — The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are determined by multiplying the differences between the financial reporting and tax reporting bases for assets and liabilities by the enacted tax rates expected to be in effect when such differences are recovered or settled. These deferred tax assets and liabilities are separated into current and long-term amounts based on the classification of the related assets and liabilities for financial reporting purposes and netted by jurisdiction. Valuation allowances on deferred tax assets are estimated based on the Company's assessment of its ability to realize such amounts.

The Company also recognizes the benefits of tax positions when certain criteria are satisfied. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense which is consistent with the recognition of these items in prior reporting periods.

**Derivative Financial Instruments** — The Company reports derivative financial instruments on the balance sheet at fair value and establishes criteria for designation and effectiveness of hedging relationships. Changes in the fair value of derivatives are recorded each period in current operations or in shareholder's equity (deficit) as accumulated other comprehensive income (loss) depending upon whether the derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction.

The Company, from time to time, enters into interest rate swap agreements to hedge against variability in cash flows resulting from fluctuations in the benchmark interest rate, which is LIBOR, on the Company's debt. These agreements involve the exchange of variable interest rates for fixed interest rates over the life of the swap agreement without an exchange of the notional amount upon which the payments are based. On a quarterly basis, the differential to be received or paid as interest rates change is accrued and recognized as an adjustment to interest expense in the accompanying consolidated statements of operations. In addition, on a quarterly basis the mark to market valuation is recorded as an adjustment to accumulated other comprehensive income (loss) as a change to shareholder's equity (deficit), net of tax. The related amount receivable from or payable to counterparties is included as an asset or liability, respectively, in the Company's consolidated balance sheets.

**Available-for-Sale Securities** — The Company's investments in related party marketable debt securities have been classified as available-for-sale securities and, accordingly, are valued at fair value at the end of each reporting period. Unrealized gains and losses arising from such valuation are reported, net of tax, in accumulated other comprehensive income (loss).

**Stock-Based Compensation** — NMH Investment, LLC ("NMH Investment"), the Company's indirect parent, adopted an equity-based compensation plan in 2006, and from time to time it has issued units of limited liability company interests pursuant to such plan, consisting of Class B Units, Class C Units, Class D Units, Class E Units, Class F Units, Class G Units and Class H Units. The units are limited liability company interests and are available for issuance to the Company's employees and members of the Board of Directors for incentive purposes. For purposes of determining the compensation expense associated with these grants, management values the business enterprise using a variety of widely accepted valuation techniques which considered a number of factors such as the Company's financial performance, the values of comparable companies and the lack of marketability of the Company's equity. The Company then uses the option pricing method to determine the fair value of these units at the time of grant using valuation assumptions consisting of the expected term in which the units will be realized; a risk-free interest rate equal to the U.S. federal treasury bond rate consistent with the term assumption; expected dividend yield, for which there is none; and expected volatility based on the historical data of equity instruments of comparable companies. For Class B Units, Class C Units, Class D Units, Class E Units and Class F Units, the estimated fair value of the units, less an assumed forfeiture rate, is recognized in expense on a straight-line basis over the requisite service periods of the awards. The Class G Units and Class H Units vest upon a liquidity event and/or upon the occurrence of certain investment return conditions, for which the compensation expense will then be recognized in its entirety when probable.

**Accruals for Self-Insurance** — The Company maintains professional and general liability, workers' compensation, automobile liability and health insurance with policies that include self-insured retentions. It is fully self-insured for employment practices liability claims. The Company records expenses related to claims on an incurred basis, which includes estimates of fully developed losses for both reported and unreported claims. The accruals for the health and workers' compensation, automobile, employment practices and professional and general liability programs are based on analyses performed internally by management and may take into account reports by independent third parties. Accruals relating to prior periods are periodically re-evaluated and increased or decreased based on new information.

**Self-Insurance Gross versus Net Presentation** — As of the first quarter of fiscal 2012, the Company adopted ASU 2010-24 *Presentation of Insurance Claims and Related Insurance Recoveries*, which required the Company to report insurance liabilities on a gross basis without giving effect to insurance recoveries. Anticipated insurance recoveries are presented in Prepaid expenses and other current assets and Other assets on our consolidated balance sheets. Self-insured liabilities are presented in Accrued payroll and related costs, Other accrued liabilities and Other long-term liabilities on our consolidated balance sheets. See note 16 for further detail.

**Legal Contingencies** — The Company is regularly involved in litigation and regulatory proceedings in the operation of its business. For claims that are not accounted for in its self-insurance reserves, the Company reserves for costs when a loss is probable and the amount is reasonably estimable. While the Company believes its provision for legal contingencies is adequate, the outcome of its legal proceedings is difficult to predict and it may settle legal claims or be subject to judgments for amounts that differ from its estimates. In addition, legal contingencies could have a material adverse impact on the Company's results of operations in any given future reporting period.

**Reclassifications** — During fiscal 2010 and 2011, the Company sold its home health business, closed certain Human Services operations in the state of Maryland and closed its Human Services operations in the states of Colorado, Nebraska, New Hampshire and New York. All fiscal years presented reflect the classification of these businesses as discontinued operations.

In fiscal 2011, the Company reclassified \$5.9 million of expense associated with insurance coverage for professional and general liability retentions and premiums and employment practices liability from General and administrative expense to Cost of revenue in the fiscal 2010 consolidated statements of operations. This change in classification has been made to conform to the fiscal 2012 and fiscal 2011 presentations which the Company believes more accurately reflects the direct relationship of these expenses to providing services.

### 3. RECENT ACCOUNTING PRONOUNCEMENTS

#### Recently Issued

*Presentation of Comprehensive Income* — In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* ("ASU 2011-05"). ASU 2011-05 eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. The final standard requires entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. ASU 2011-05 is effective for the Company beginning in the first quarter of fiscal 2013. The Company does not expect the adoption of this standard to have a material impact to its financial statements.

*Intangibles — Goodwill and Other* — In September 2011, the FASB issued Accounting Standards Update No. 2011-08, *Intangibles — Goodwill and Other (Topic 350): Testing Goodwill for Impairment* (“ASU 2011-08”). Under ASU 2011-08, an entity has the option to first assess qualitative factors to determine whether further impairment testing is necessary. Additionally, an entity has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the impairment test, and perform the qualitative assessment in any subsequent period. ASU 2011-08 is effective for the Company beginning fiscal 2013. The Company does not expect the adoption of this standard to have a material impact to its financial statements.

*Balance Sheet: Disclosures about Offsetting Assets and Liabilities* — In December 2011, the FASB issued Accounting Standards Update 2011-11, *Balance Sheet: Disclosures about Offsetting Assets and Liabilities*. The differences in the requirements for offsetting assets and liabilities in the presentation of financial statements prepared in accordance with U.S. GAAP and financial statements prepared in accordance with International Financial Reporting Standards (IFRS) makes the comparability of those statements difficult. The objective of this update is to facilitate comparison between those financial statements, specifically within the scope instruments and transactions eligible for offset in the form of derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. This update is effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within that fiscal year. The Company does not expect the adoption of this standard to have a material impact on its financial statements.

*Intangibles-Goodwill and Other* — In July 2012, the FASB issued Accounting Standards Update No. 2012-02, *Intangibles — Goodwill and Other (Topic 350): Testing Goodwill for Impairment* (“ASU 2012-02”). ASU 2012-02 amends the guidance in ASC 350, to provide an option to first make a qualitative assessment of whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount before applying the quantitative impairment test. An entity is required to perform the quantitative test only if it determines that it is more likely than not that the fair value of an indefinitely-lived intangible asset is less than its carrying amount. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption being permitted. The Company does not expect the adoption of this standard to have a material impact to its financial statements.

*Technical Corrections and Improvements* — In October 2012, the FASB issued Accounting Standards Update (ASU) 2012-04, “*Technical Corrections and Improvements*” in Accounting Standards Update No. 2012-04. The amendments in this update cover a wide range of Topics in the Accounting Standards Codification. These amendments include technical corrections and improvements to the Accounting Standards Codification and conforming amendments related to fair value measurements. The amendments in this update will be effective for fiscal periods beginning after December 15, 2012. The Company does not expect the adoption of this standard to have a material impact to its financial statements.

### **Recently Adopted**

*Business Combinations (Topic 805), Disclosure of Supplementary Pro Forma Information for Business Combinations* (“ASU 2010-29”). ASU 2010-29 requires a public entity to disclose pro forma revenue and earnings of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the fiscal year had been as of the beginning of the annual reporting period or the beginning of the comparable prior annual reporting period if showing comparative financial statements. ASU 2010-29 was adopted by the Company during the first quarter of fiscal 2012.

*Health Care Entities (Topic 954), Presentation of Insurance Claims and Related Insurance Recoveries* (“ASU 2010-24”). ASU 2010-24 clarifies that companies should not net insurance recoveries against related claim liabilities. Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. The Company adopted ASU 2010-24 prospectively during the first quarter of fiscal 2012.

#### 4. COMPREHENSIVE (LOSS) INCOME

The components of comprehensive (loss) income and related tax effects are as follows (in thousands):

|                                                                                                                                                                                   | Year Ended September 30, |                    |               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------|---------------|
|                                                                                                                                                                                   | 2012                     | 2011               | 2010          |
| Net loss                                                                                                                                                                          | \$ (14,380)              | \$ (34,142)        | \$ (6,867)    |
| Changes in unrealized gain (loss) on derivatives net of taxes of \$447, \$(2,727) and \$5,030 for the year ended September 30, 2012, 2011 and 2010, respectively                  | 659                      | (4,017)            | 7,408         |
| Changes in unrealized gain (loss) on available-for-sale debt securities net of taxes of \$0, \$(390) and \$191 for the year ended September 30, 2012, 2011 and 2010, respectively | -                        | (575)              | 282           |
| Comprehensive (loss) income                                                                                                                                                       | <u>\$ (13,721)</u>       | <u>\$ (38,734)</u> | <u>\$ 823</u> |

#### 5. BUSINESS COMBINATIONS

The operating results of the businesses acquired are included in the consolidated statements of operations from the date of acquisition. The Company accounted for the acquisitions under the purchase method of accounting and, as a result, the purchase price was allocated to the assets acquired and liabilities assumed based upon their respective fair values. The excess of the purchase price over the estimated fair value of net tangible assets was allocated to specifically identified intangible assets, with the residual being allocated to goodwill.

**Fiscal 2012 Acquisitions** — During the fiscal year ended September 30, 2012, the Company acquired seven companies complementary to its business for total fair value consideration of \$16.5 million.

*Families Together.* On November 30, 2011, the Company acquired the assets of Families Together, Inc. (“Families Together”) for \$3.0 million. Families Together is located in North Carolina and provides intensive in-home services, day treatment, case management, outpatient therapy and similar periodic services to children and their families. As a result of this acquisition, the Company recorded \$0.9 million of goodwill in the Human Services segment, which is expected to be deductible for tax purposes. The Company acquired \$2.1 million of intangible assets which included \$1.0 million of non-compete agreement with a useful life of five years, \$0.8 million of agency contracts with a weighted average useful life of eleven years, and \$0.3 million of licenses and permits with a weighted average useful life of ten years.

*SCVP.* On March 26, 2012, the Company acquired the assets of SCVP, Inc. (“SCVP”) for \$0.4 million. SCVP is located in Oregon and provides day program services and related services to individuals with developmental disabilities. The Company acquired \$0.3 million of agency contracts with a weighted average useful life of ten years and \$0.1 million of goodwill in the Human Services segment. The goodwill is expected to be deductible for tax purposes.

*Copper Family Community Care.* On April 5, 2012, the Company acquired the assets of Copper Family Community Care, Inc. ("Copper Family") for \$2.6 million. Copper Family is located in Wisconsin and provides group home services and related services to individuals with developmental disabilities. As a result of the acquisition, the Company recorded \$0.7 million of goodwill in the Human Services segment, which is expected to be deductible for tax purposes. The Company acquired \$0.1 million of tangible assets and \$1.8 million of intangible assets, which included \$1.4 million of agency contracts with a weighted average useful life of eleven years and \$0.4 million of licenses and permits with a weighted average useful life of ten years.

*Alpha Group Administrators.* On August 31, 2012, the Company acquired the assets of Alpha Group Administrators, Inc. ("Alpha Group") for \$2.3 million. Alpha Group is located in Arizona and provides specialized care through group home services and day treatment services for clients with complex behavioral challenges, as well as intellectual and developmental disabilities. As a result of the acquisition, the Company recorded \$0.1 million of goodwill in the Human Services segment, which is expected to be deductible for tax purposes. The Company acquired \$0.3 million of tangible assets and \$1.9 million of intangible assets, which included \$1.6 million of agency contracts with a weighted average useful life of twelve years and \$0.3 million of licenses and permits with a weighted average useful life of ten years.

*Radical Rehab Solutions.* On August 31, 2012, the Company acquired the assets of Radical Rehab Solutions, LLC ("Radical Rehab") for \$8.0 million. Radical Rehab is located in Kentucky and provides community-based, post-acute rehabilitation programs for clients with acquired brain injury. As a result of the acquisition, the Company initially recorded \$1.6 million of goodwill in the Post-Acute Specialty Rehabilitation Services segment, which is expected to be deductible for tax purposes. The Company acquired \$0.1 million of tangible assets and \$6.3 million of intangible assets which included \$5.4 million of agency contracts with a weighted average useful life of twelve years, \$0.7 million of licenses and permits with a weighted average useful life of ten years, and \$0.2 million of non-compete/non-solicit with a weighted average useful life of five years. Subsequent to September 30, 2012, the Company finalized its purchase price adjustments which resulted in an adjustment to goodwill of \$41 thousand.

*Other Acquisitions.* Additionally, during the first quarter of 2012, the Company acquired selected assets of Zumbro House, Inc., which provides group home services to individuals with developmental disabilities in the Mankato, Minnesota area and Georgia Rehabilitation Institute d/b/a Walton Rehabilitation Health System, a provider of acquired brain injury services in Georgia, for total cash of \$0.2 million, \$0.1 million of which was allocated to intangible assets.

The following table summarizes the recognized amounts of identifiable assets acquired and liabilities assumed at the date of the acquisition (in thousands):

|                                     | Families<br>Together | SCVP         | Copper<br>Family | Alpha<br>Group | Radical<br>Rehab | Other<br>Acquisitions | Total           |
|-------------------------------------|----------------------|--------------|------------------|----------------|------------------|-----------------------|-----------------|
| Identifiable intangible assets      | \$2,102              | \$291        | \$1,836          | \$1,927        | \$6,340          | \$ 89                 | \$12,585        |
| Other assets, current and long term | -                    | -            | -                | -              | 41               | -                     | 41              |
| Property and equipment              | 6                    | 5            | 116              | 288            | 62               | 20                    | 497             |
| Total identifiable net assets       | <u>\$2,108</u>       | <u>\$296</u> | <u>\$1,952</u>   | <u>\$2,215</u> | <u>\$6,443</u>   | <u>\$109</u>          | <u>\$13,123</u> |
| Goodwill                            | <u>\$ 892</u>        | <u>\$154</u> | <u>\$ 687</u>    | <u>\$ 85</u>   | <u>\$1,557</u>   | <u>\$ 46</u>          | <u>\$ 3,421</u> |

**Fiscal 2011 Acquisitions** — During fiscal 2011, the Company acquired seven companies complementary to its business for total fair value consideration of \$12.6 million.

*New Start Homes.* On October 1, 2010, the Company acquired the assets of New Start Homes, Inc. ("New Start Homes") for total fair value consideration of \$0.7 million. New Start Homes is a health facility located in California that provides congregate living inpatient services to mentally alert individuals who have spinal cord injuries, neurological illnesses or injuries or similar conditions and may be ventilator dependent. As a result of the New Start Homes acquisition, the Company recorded \$0.2 million of goodwill in the Post Acute Specialty Rehabilitation segment, which is expected to be deductible for tax purposes. The Company acquired \$0.5 million of intangible assets which included \$0.3 million in agency contracts with a weighted average useful life of eleven years and \$0.2 million in license and permits with a weighted average useful life of ten years.

*ViaQuest Behavioral Health.* On October 26, 2010, the Company acquired the assets of ViaQuest Behavioral Health of Pennsylvania, LLC ("ViaQuest") for total cash of \$1.1 million. ViaQuest provides residential and periodic services to individuals with behavioral health issues. As a result of the ViaQuest acquisition, the Company initially recorded \$0.4 million of goodwill in the Human Services segment, which is expected to be deductible for tax purposes. The Company acquired \$0.6 million of intangibles assets which primarily included \$0.5 million of agency contracts with a weighted average useful life of eleven years. The remaining purchase price was allocated to tangible assets. During fiscal 2011, the Company wrote off \$0.2 million of goodwill and \$0.2 million of intangible assets related to underperforming programs within the Viaquest operations.

*Phoenix Homes.* On December 31, 2010, the Company acquired the assets of Phoenix Homes, Inc. ("Phoenix Homes") for total cash of \$1.1 million. Phoenix Homes is a licensed child-placing agency that provides community-based, family focused therapeutic foster care to families and children in crisis or at risk in Maryland and Rhode Island. As a result of this acquisition, the Company initially recorded \$0.1 million of goodwill in the Human Services segment, which is expected to be deductible for tax purposes. The Company acquired \$1.0 million of intangibles assets which primarily included \$0.7 million of agency contracts with a weighted average useful life of eleven years. During fiscal 2012, the Company wrote off \$0.1 million of goodwill and \$0.9 million of intangible assets related to underperforming programs within the Phoenix Homes operations.

*Inclusive Solutions.* On June 1, 2011, the Company acquired the assets of MEIS, LLC and New Life Enterprises N.W. Ohio, Inc., d/b/a Inclusive Solutions ("Inclusive Solutions") for total cash of \$2.0 million. Inclusive Solutions operates in Ohio and provides community based services to individuals with developmental disabilities. As a result of this acquisition, the Company recorded \$0.6 million of goodwill in the Human Services segment, which is expected to be deductible for tax purposes. The acquired intangible assets included \$0.5 million of agency contracts with a weighted average useful life of eleven years and \$0.4 million of license and permits with a weighted average useful life of ten years. The remaining purchase price was allocated to tangible assets.

*Communicare.* On June 23, 2011, the Company acquired the assets of Communicare, LLC ("Communicare") for total fair value consideration of \$8.1 million, which initially included \$0.8 million of accrued contingent consideration. The fair value of the contingent consideration on the date of acquisition was \$0.8 million and was subsequently reduced to zero at September 30, 2011. The subsequent adjustment was recognized as an increase to earnings and included in General and administrative expenses in the consolidated statements of operations. As of June 23, 2012, the termination date of the contingency payout, the purchased entity did not meet certain earnings targets and therefore no additional earn out payment was made related to the \$0.8 million accrued contingency consideration.

Communicare provides health, rehabilitation and residential services in the state of Florida to individuals with brain injuries, neuromuscular disorders, spinal cord injuries, pulmonary disorders, congenital anomalies developmental disabilities and similar conditions. The Company recorded \$3.8 million of goodwill in the Post Acute Specialty Rehabilitation Services segment as a result of the Communicare acquisition, which is expected to be deductible for tax purposes. The Company acquired \$4.2 million of intangible assets which primarily included \$2.0 million of agency contracts with a weighted average useful life of eleven years and \$1.6 million of non-compete with an estimated useful life of five years. The remaining purchase price was allocated to tangible assets and liabilities.

*Other Acquisitions.* During fiscal 2011, the Company acquired the assets of SunnySide Homes of Redwood Falls, Inc., which consists of two group homes and TheraCare of New Jersey, Inc., a provider of behavioral health services for total cash of \$0.3 million and \$0.2 million of which was allocated to intangible assets.

The following table summarizes the recognized amounts of identifiable assets acquired and liabilities assumed at the date of the acquisition (in thousands):

|                                       | New Start<br>Homes | ViaQuest      | Phoenix      | Inclusive<br>Solutions | Communicare    | Other<br>Acquisitions | Total          |
|---------------------------------------|--------------------|---------------|--------------|------------------------|----------------|-----------------------|----------------|
| Accounts receivable                   | \$ -               | \$ 191        | \$ -         | \$ -                   | \$ -           | \$ -                  | \$ 191         |
| Other assets, current and long term   | -                  | -             | 4            | -                      | -              | -                     | 4              |
| Identifiable intangible assets        | 450                | 641           | 951          | 984                    | 4,238          | 317                   | 7,581          |
| Property and equipment                | 3                  | -             | -            | 413                    | 91             | -                     | 507            |
| Accounts payable and accrued Expenses | -                  | (116)         | -            | -                      | (800)          | -                     | (916)          |
| Total identifiable net assets         | <u>\$453</u>       | <u>\$ 716</u> | <u>\$955</u> | <u>\$1,397</u>         | <u>\$3,529</u> | <u>\$317</u>          | <u>\$7,367</u> |
| Goodwill                              | <u>\$197</u>       | <u>\$ 384</u> | <u>\$120</u> | <u>\$ 603</u>          | <u>\$3,795</u> | <u>\$122</u>          | <u>\$5,221</u> |

**Fiscal 2010 Acquisitions** — During fiscal 2010, the Company acquired seven companies complementary to its business for total fair value consideration of \$52.1 million, including \$3.0 million of contingent consideration. Since the initial estimate, the fair value of the contingent consideration increased to \$3.3 million.

*Springbrook.* On January 15, 2010, the Company acquired the assets of Springbrook, Inc. and an affiliate (together, "Springbrook") for total fair value consideration of \$6.3 million, which included \$1.6 million of initially estimated contingent consideration. Since the initial estimate, the fair value of the contingent consideration increased to \$3.3 million based on actual financial performance of Springbrook and was paid in its entirety during fiscal 2011. Adjustments to the fair value of the contingent consideration were recorded in General and administrative expenses in the consolidated statements of operations.

Springbrook operates in Arizona and Oregon and provides residential and mental health services to individuals with developmental disabilities and behavioral issues. As a result of the Springbrook acquisition, the Company recorded \$1.4 million of goodwill in the Human Services segment, which is expected to be deductible for tax purposes. The Company recorded \$6.0 million of intangible assets, \$5.2 million of which was agency contracts with a weighted average useful life of eleven years.

*Villages.* The Company acquired the assets of two California facilities (together, "Villages"), on January 29, 2010 and on February 11, 2010, engaged in neurorehabilitation services for total cash of \$7.0 million. As a result of these acquisitions, the Company recorded \$3.2 million of goodwill in the Post Acute Specialty Rehabilitation Services segment, which is expected to be deductible for tax purposes. The Company acquired \$3.8 million of intangible assets which primarily included \$3.5 million of agency contracts with a weighted average useful life of eleven years.

*NeuroRestorative.* On February 22, 2010, in a purchase of stock and assets, the Company acquired a provider of neurobehavioral and supported living programs ("NeuroRestorative") for total cash of \$16.8 million. NeuroRestorative has operations in Arkansas, Louisiana, Oklahoma and Texas and serves individuals who have sustained a traumatic brain injury. As a result of the NeuroRestorative acquisition, the Company initially recorded \$6.3 million of goodwill in the Post Acute Specialty Rehabilitation Services segment, none of which is expected to be deductible for tax purposes. The Company acquired \$13.5 million of intangible assets which primarily included \$11.4 million of agency contracts with a weighted average useful life of eleven years and \$1.4 million of licenses and permits with a weighted average useful life of ten years. During fiscal 2011, the Company wrote off \$0.5 million of goodwill and \$0.7 million of intangible assets related to underperforming programs within the NeuroRestorative operations.

*Anchor Inne.* On June 30, 2010, the Company acquired the assets of Anchor Inne, Inc. ("Anchor Inne") for total cash of \$3.4 million. Anchor Inne has operations in Pennsylvania and serves individuals who have sustained a traumatic brain injury. As a result of the Anchor Inne acquisition, the Company recorded \$1.3 million of goodwill in the Post-Acute Specialty Rehabilitation Services segment, which is expected to be deductible for tax purposes. The Company acquired \$2.1 million of intangible assets which primarily included \$1.9 million of agency contracts with a weighted average useful life of eleven years.

*Woodhill Homes.* On September 15, 2010, the Company acquired the assets of Woodhill Homes, Inc. ("Woodhill") for total cash of \$3.5 million. Woodhill operates group homes serving I/DD residents in Minnesota. As a result of the Woodhill acquisition, the Company recorded \$1.3 million of goodwill in the Human Services segment, which is expected to be deductible for tax purposes. The Company acquired \$2.1 million of intangible assets which primarily included \$2.0 million of agency contracts with a weighted average useful life of eleven years.

*Progressive Living Units Systems.* On September 24, 2010, the Company acquired the stock of *Progressive Living Units Systems-New Jersey, Inc.* ("PLUS") for total cash of \$12.1 million. PLUS has operations in New Jersey and Pennsylvania and provides supported and independent living services to individuals who have sustained a traumatic brain injury. As a result of the PLUS acquisition, the Company recorded \$5.2 million of goodwill in the Post-Acute Specialty Rehabilitation Services segment, none of which is expected to be deductible for tax purposes. The Company acquired \$10.3 million of intangible assets which primarily included \$7.6 million of agency contracts with a weighted average useful life of ten years and \$2.7 million of licenses and permits with a weighted average useful life of ten years.

The following table summarizes the recognized amounts of identifiable assets acquired and liabilities assumed (in thousands):

|                                       | Springbrook     | Villages       | Neuro           | Anchor Inne    | Woodhill       | PLUS            | Total           |
|---------------------------------------|-----------------|----------------|-----------------|----------------|----------------|-----------------|-----------------|
| Accounts receivable                   | \$ 258          | \$ -           | \$ 2,691        | \$ -           | \$ -           | \$ 799          | \$ 3,748        |
| Other assets, current and long term   | 32              | -              | 752             | -              | -              | 21              | 805             |
| Identifiable intangible assets        | 5,974           | 3,827          | 13,492          | 2,072          | 2,133          | 10,253          | 37,751          |
| Property and equipment                | 171             | 20             | 293             | 55             | 43             | 402             | 984             |
| Accounts payable and accrued expenses | (1,624)         | -              | (1,038)         | -              | -              | (451)           | (3,113)         |
| Deferred tax liabilities              | -               | -              | (5,746)         | -              | -              | (4,146)         | (9,892)         |
| Total identifiable net assets         | <u>\$ 4,811</u> | <u>\$3,847</u> | <u>\$10,444</u> | <u>\$2,127</u> | <u>\$2,176</u> | <u>\$ 6,878</u> | <u>\$30,283</u> |
| Goodwill                              | <u>\$ 1,449</u> | <u>\$3,195</u> | <u>\$ 6,336</u> | <u>\$1,299</u> | <u>\$1,324</u> | <u>\$ 5,211</u> | <u>\$18,814</u> |

**Pro forma Results of Operations** — The unaudited pro forma results of operations provided below for fiscal 2012, 2011 and 2010 are presented as though acquisitions made during fiscal 2012, 2011 and 2010 had occurred at the beginning of the periods presented. The pro forma information presented below does not intend to indicate what the Company's results of operations would have been if the acquisitions had in fact occurred at the beginning of the earliest period presented nor does it intend to be a projection of the impact on future results or trends. The Company has determined that the presentation of the results of operations for each of these acquisitions, from the date of acquisition, is impracticable due to the integration of the operations upon acquisition.

|                        | <u>Year Ended September 30, (in thousands)</u> |             |             |
|------------------------|------------------------------------------------|-------------|-------------|
|                        | <u>2012</u>                                    | <u>2011</u> | <u>2010</u> |
| Net revenue            | \$1,151,232                                    | \$1,083,088 | \$1,068,656 |
| Income from operations | 51,164                                         | 37,470      | 56,634      |

## 6. DISCONTINUED OPERATIONS

**REM Colorado** — During fiscal 2010, the Company closed its business operations in the state of Colorado ("REM Colorado") and recognized a pre-tax loss of \$3.0 million for fiscal 2010. REM Colorado was included in the Human Services Segment and the results of operations are presented as discontinued operations in the consolidated statements of operations and the prior periods have been reclassified. Loss from discontinued operations for fiscal 2010 included a \$2.5 million write-off of intangible assets and property, plant and equipment.

**REM Maryland** — Also during fiscal 2010, the Company closed certain Human Services operations in the state of Maryland ("REM Maryland") and recognized a pre-tax loss of \$5.2 million for fiscal 2010. REM Maryland was included in the Human Services Segment and the results of operations are presented as discontinued operations in the consolidated statements of operations and the prior periods have been reclassified. Loss from discontinued operations for fiscal 2010 included a \$4.2 million write-off of intangible assets and property, plant and equipment and goodwill. At September 30, 2010, there was \$1.8 million of property and equipment held for sale which was immaterial to the Company and, as a result, was not reported separately as assets held for sale in the Company's financial statements.

**RCDS** — During fiscal 2011, the Company closed its business operations in the state of New York, Rockland Child Development Services, Inc. ("RCDS") and recognized a pre-tax loss of \$8.0 million. RCDS was acquired in December 2006 and, as a result of this closure, the Company no longer provides services in New York. RCDS was included in the Human Services segment and the results of operations are reported separately as discontinued operations in the consolidated statements of operations and the prior periods have been reclassified. All assets and liabilities related to RCDS were discontinued as of September 30, 2011. Loss from discontinued operations for fiscal 2011 included a \$3.1 million write-off of goodwill and a \$2.8 million write-off of intangible assets.

**Other** — During fiscal 2011, the Company closed its Human Services operations in the states of Nebraska and New Hampshire and recognized a pre-tax loss of \$0.2 million for fiscal 2011. The results of operations are reported separately as discontinued operations in the consolidated statements of operations and the prior periods have been reclassified.

The net revenue and (income) loss before taxes for the Company's discontinued operations at September 30 (in thousands):

|                            | 2012    | 2011     | 2010      |
|----------------------------|---------|----------|-----------|
| Net revenue                | \$ (38) | \$ 6,653 | \$ 14,426 |
| (Income) loss before taxes | (301)   | 8,221    | 8,993     |

## 7. GOODWILL AND INTANGIBLE ASSETS

**Goodwill** — The changes in goodwill for the years ended September 30, 2012 and 2011 are as follows (in thousands):

|                                                        | Human<br>Services | Post Acute<br>Specialty<br>Rehabilitation<br>Services | Total             |
|--------------------------------------------------------|-------------------|-------------------------------------------------------|-------------------|
| Balance as of September 30, 2010                       | <u>\$ 169,885</u> | <u>\$ 59,872</u>                                      | <u>\$ 229,757</u> |
| Goodwill acquired through acquisitions                 | 1,229             | 3,992                                                 | 5,221             |
| Goodwill written off related to disposal of businesses | (3,296)           | (469)                                                 | (3,765)           |
| Adjustments to goodwill — net                          | <u>59</u>         | <u>(257)</u>                                          | <u>(198)</u>      |
| Balance as of September 30, 2011                       | <u>167,877</u>    | <u>63,138</u>                                         | <u>231,015</u>    |
| Goodwill acquired through acquisitions                 | 1,860             | 1,561                                                 | 3,421             |
| Goodwill written off related to disposal of businesses | <u>(75)</u>       | <u>-</u>                                              | <u>(75)</u>       |
| Balance as of September 30, 2012                       | <u>\$ 169,662</u> | <u>\$ 64,699</u>                                      | <u>\$ 234,361</u> |

During fiscal 2011, the Company wrote-off goodwill of underperforming programs which were closed as of September 30, 2011. The total charge was \$3.8 million and included \$0.5 million in Post-Acute Specialty Rehabilitation Services segment and \$3.3 million in the Human Services segment, \$3.1 million of which related to RCDS and is reported as discontinued operations. The remaining charges are included in General and administrative expense in the consolidated statements of operations. Additionally, the adjustments to goodwill in fiscal 2011 relate to the finalization of the purchase price for acquisitions during the measurement period.

*Annual Goodwill Impairment Testing* — The Company tests goodwill at least annually for possible impairment. Accordingly, the Company completes the annual testing of impairment for goodwill on July 1 of each fiscal year. In addition to its annual test, the Company regularly evaluates whether events or circumstances have occurred that may indicate a potential impairment of these assets.

The process of testing goodwill for impairment involves the determination of the fair value of the applicable reporting units. The test consists of a two-step process. The first step is the comparison of the fair value to the carrying value of the reporting unit to determine if the carrying value exceeds the fair value. The second step measures the amount of an impairment loss, and is only performed if the carrying value exceeds the fair value of the reporting unit. The Company performed its annual impairment testing for its reporting units as of July 1, 2012, its annual impairment date, and concluded based on the first step of the process that there was no goodwill impairment.

The Company has consistently employed the income approach to estimate the current fair value when testing for impairment of goodwill. A number of significant assumptions and estimates are involved in the application of the income approach to forecast operating cash flows, including revenue growth, tax rates, capital spending, discount rate and working capital changes.

Cash flow forecasts are based on business unit operating plans and historical relationships. The income approach is sensitive to changes in long-term terminal growth rates and the discount rate. The long-term terminal growth rates are consistent with the Company's historical long-term terminal growth rates, as the current economic trends are not expected to affect the long-term terminal growth rates of the Company.

In fiscal 2012, the long-term terminal growth rates for the Company's reporting units ranged from 3.2% to 14.2%. The range for the discount rates for the reporting units was 10% to 11.5%. Keeping all other variables constant, a 5% to 10% change in any one of the input assumptions for the various reporting units would still allow the Company to conclude, based on the first step of the process, that there was no impairment of goodwill.

**Intangible Assets** — Intangible assets consist of the following as of September 30, 2012 (in thousands):

| Description                                | Weighted<br>Average<br>Remaining Life | Gross<br>Carrying<br>Value | Accumulated<br>Amortization | Intangible<br>Assets, Net |
|--------------------------------------------|---------------------------------------|----------------------------|-----------------------------|---------------------------|
| Agency contracts                           | 10 years                              | \$ 467,639                 | \$ 167,976                  | \$ 299,663                |
| Non-compete/non-solicit                    | 3 years                               | 3,949                      | 1,301                       | 2,648                     |
| Relationship with contracted<br>caregivers | 4 years                               | 11,051                     | 6,831                       | 4,220                     |
| Trade names                                | 5 years                               | 3,774                      | 2,078                       | 1,696                     |
| Trade names (indefinite life)              | -                                     | 42,400                     | -                           | 42,400                    |
| Licenses and permits                       | 5 years                               | 45,194                     | 23,911                      | 21,283                    |
| Intellectual property                      | 4 years                               | 904                        | 429                         | 475                       |
|                                            |                                       | <u>\$ 574,911</u>          | <u>\$ 202,526</u>           | <u>\$ 372,385</u>         |

Intangible assets consist of the following as of September 30, 2011 (in thousands):

| Description                                | Weighted<br>Average<br>Remaining Life | Gross<br>Carrying<br>Value | Accumulated<br>Amortization | Intangible<br>Assets, Net |
|--------------------------------------------|---------------------------------------|----------------------------|-----------------------------|---------------------------|
| Agency contracts                           | 11 years                              | \$ 459,044                 | \$ 138,105                  | \$ 320,939                |
| Non-compete/non-solicit                    | 4 years                               | 2,693                      | 664                         | 2,029                     |
| Relationship with contracted<br>caregivers | 5 years                               | 11,118                     | 5,765                       | 5,353                     |
| Trade names                                | 6 years                               | 3,774                      | 1,688                       | 2,086                     |
| Trade names (indefinite life)              | -                                     | 42,400                     | -                           | 42,400                    |
| Licenses and permits                       | 5 years                               | 43,636                     | 19,532                      | 24,104                    |
| Intellectual property                      | 5 years                               | 904                        | 301                         | 603                       |
|                                            |                                       | <u>\$ 563,569</u>          | <u>\$ 166,055</u>           | <u>\$ 397,514</u>         |

For fiscal years ended 2012, 2011 and 2010, the amortization expense for continuing operations was \$37.7 million, \$38.7 million and \$33.6 million, respectively. The amortization expense for discontinued operations was \$1.0 million and \$1.3 million for fiscal years ended 2011 and 2010, respectively. There was no amortization expense related to discontinued operations for fiscal year ended 2012.

*Annual Indefinite Life Impairment Testing* — The Company tests indefinite-life intangible assets at least annually for possible impairment. Accordingly, the Company completes the annual testing of impairment for indefinite-life intangible assets on July 1 of each fiscal year. In addition to its annual test, the Company regularly evaluates whether events or circumstances have occurred that may indicate a potential impairment of these assets.

The Company has consistently employed the relief from royalty model to estimate the current fair value when testing for impairment of indefinite-life intangible assets. The impairment test consists of a comparison of the fair value of the non-amortizing intangible asset with its carrying amount. If the carrying amount of an indefinite-life intangible asset exceeds its fair value, an impairment loss in an amount equal to that excess is recognized.

In addition, the Company evaluates the remaining useful life of its indefinite-life intangible assets at least annually to determine whether events or circumstances continue to support an indefinite useful life. If events or circumstances indicate that the useful lives of indefinite-life intangible assets are no longer indefinite, the assets will be tested for impairment.

The Company performed its annual impairment testing as of July 1, 2012, its annual impairment date, and concluded that there is no impairment to its indefinite lived trade names. The fair market value of these assets was determined using management's estimates about future cash flows, which is a Level 3 financial measurement.

*Long Lived Impairment Testing* — During the assessment of long-lived assets that was performed during fiscal 2011, the Company determined that the carrying value of certain of its agency contracts, licenses and permits in the Human Services and Post-Acute Specialty Rehabilitation Services segments exceeded their fair value. As a result, the Company recorded a \$2.7 million charge primarily related to the write-off of agency contracts of underperforming programs which were closed as of September 30, 2011.

Additionally, during fiscal 2012, the Company determined that certain of its intangible assets were impaired related to underperforming programs within the Human Services segment, which primarily consisted of \$0.7 million of agency contracts and \$0.1 million of licenses and permits. The fair market value of these assets was determined using management's estimates about future cash flows, which is a Level 3 financial measurement. As a result, the Company recorded an additional amount of amortization expense of \$0.8 million related to these intangible assets. This charge is included in Depreciation and amortization expense in the accompanying consolidated statements of operations.

The estimated remaining amortization expense related to intangible assets with finite lives for each of the five succeeding years and thereafter is as follows (in thousands):

**Year Ending  
September 30**

|            |                   |
|------------|-------------------|
| 2013       | \$ 37,735         |
| 2014       | 37,057            |
| 2015       | 35,227            |
| 2016       | 33,312            |
| 2017       | 29,098            |
| Thereafter | <u>157,556</u>    |
|            | <u>\$ 329,985</u> |

**8. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at September 30 (in thousands):

|                                                | <b>2012</b>       | <b>2011</b>       |
|------------------------------------------------|-------------------|-------------------|
| Buildings and land                             | \$ 123,478        | \$ 122,602        |
| Vehicles                                       | 42,020            | 35,915            |
| Computer hardware                              | 25,233            | 21,032            |
| Leasehold improvements                         | 29,269            | 19,856            |
| Furniture and fixtures                         | 10,244            | 8,949             |
| Office and telecommunication equipment         | 8,012             | 7,640             |
| Construction in progress                       | <u>1,539</u>      | <u>654</u>        |
|                                                | 239,795           | 216,648           |
| Less accumulated depreciation and amortization | <u>(88,247)</u>   | <u>(70,392)</u>   |
| Property and equipment — net                   | <u>\$ 151,548</u> | <u>\$ 146,256</u> |

For fiscal years ended 2012, 2011 and 2010, depreciation expense for continuing operations was \$24.1 million, \$23.2 million and \$22.8 million, respectively, and depreciation expense for discontinued operations was \$0.1 million, \$0.1 million and \$0.4 million, respectively.

## 9. CERTAIN BALANCE SHEET ACCOUNTS

**Prepaid Expenses and Other Current Assets** — Prepaid expenses and other current assets consist of the following at September 30 (in thousands):

|                                           | 2012             | 2011            |
|-------------------------------------------|------------------|-----------------|
| Prepaid business expense                  | \$ 4,005         | \$ 3,572        |
| Prepaid insurance                         | 1,631            | 3,099           |
| Anticipated insurance recoveries          | 11,267           | -               |
| Other                                     | <u>3,201</u>     | <u>3,298</u>    |
| Prepaid expenses and other current assets | <u>\$ 20,104</u> | <u>\$ 9,969</u> |

**Other Accrued Liabilities** — Other accrued liabilities consist of the following at September 30 (in thousands):

|                                  | 2012             | 2011             |
|----------------------------------|------------------|------------------|
| Accrued insurance                | \$ 19,930        | \$ 14,074        |
| Accrued swap valuation liability | 5,638            | 6,744            |
| Due to third party payors        | 5,444            | 6,339            |
| Other                            | <u>19,372</u>    | <u>19,371</u>    |
| Other accrued liabilities        | <u>\$ 50,384</u> | <u>\$ 46,528</u> |

## 10. LONG-TERM DEBT

The Company's long-term debt consists of the following at September 30 (in thousands):

|                                                                                                                                          | September 30,     |                   |
|------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                                                                          | 2012              | 2011              |
| Term loan, principal and interest due in quarterly installments through February 9, 2017                                                 | \$ 522,050        | \$ 527,350        |
| Original issue discount on term loan, net of accumulated amortization                                                                    | (5,737)           | (7,081)           |
| Senior notes, due February 15, 2018; semi-annual cash interest payments due each February 15th and August 15th (interest rate of 12.50%) | 250,000           | 250,000           |
| Original issue discount and initial purchase discount on senior notes, net of accumulated amortization                                   | (8,615)           | (10,227)          |
| Senior revolver, due February 9, 2016; quarterly cash interest payments at a variable interest rate                                      | <u>19,000</u>     | <u>-</u>          |
|                                                                                                                                          | 776,698           | 760,042           |
| Less current portion                                                                                                                     | <u>24,300</u>     | <u>5,300</u>      |
| Long-term debt                                                                                                                           | <u>\$ 752,398</u> | <u>\$ 754,742</u> |

**Senior Secured Credit Facilities** — On February 9, 2011, the Company completed refinancing transactions (the “February 2011 Refinancing”) and entered into senior secured credit facilities, consisting of a (i) six-year \$530.0 million term loan facility (the “term loan”), of which \$50.0 million was deposited in a cash collateral account in support of issuance of letters of credit under an institutional letter of credit facility (the “institutional letter of credit facility”) and a (ii) \$75.0 million five-year senior secured revolving credit facility (the “senior revolver”). The Company refers to these facilities as the “senior secured credit facilities”.

In connection with the February 2011 Refinancing, the Company incurred \$19.3 million of expenses, including (i) \$10.8 million related to the tender premium and consent fees paid in connection with the repurchase of its 11.25% Senior Subordinated Notes due 2014 (the “Senior Subordinated Notes”), (ii) \$7.9 million in connection with the acceleration of deferred financing costs related to the prior indebtedness and (iii) \$0.6 million related to transaction costs. These expenses were recorded on the Company’s fiscal 2011 consolidated statements of operations as Extinguishment of debt.

In October 2012, the Company modified the terms of the senior secured credit facilities. See note 22 for details.

*Term Loan* — The \$530.0 million term loan was issued at a price equal to 98.5% of its face value and amortizes one percent per year, paid quarterly, with the remaining balance payable at maturity. The senior credit agreement also includes an annual provision for the prepayment of a portion of the outstanding term loan amounts beginning in fiscal 2011 equal to an amount ranging from 0 to 50% of a calculated amount, depending on the Company’s leverage ratio, if the Company generates certain levels of cash flow. The Company has not been required to make such a prepayment to date. As of September 30, 2012, the variable interest rate on the term loan was equal to (i) a rate equal to the greater of (a) the prime rate, (b) the federal funds rate plus 1/2 of 1% and (c) the Eurodollar rate for an interest period of one-month beginning on such day plus 100 basis points, plus 4.25%; or (ii) the Eurodollar rate (provided that the rate shall not be less than 1.75% per annum), plus 5.25%, at the Company’s option. At September 30, 2012, the variable interest rate on the term loan was 7.00%.

*Senior Revolver* — During the fiscal year ended September 30, 2012, the Company drew \$679.2 million under the senior revolver and repaid \$660.2 million during the period. At September 30, 2012, the Company had \$19 million of outstanding borrowings under the senior revolver and \$56 million of availability under the senior revolver. The Company had \$39.8 million of standby letters of credit issued under the institutional letter of credit facility primarily related to the Company’s workers’ compensation insurance coverage. Letters of credit can be issued under the Company’s institutional letter of credit facility up to the \$50.0 million limit and any in excess of that amount reduce availability under the Company’s senior revolver. The interest rates for any borrowings under the senior revolver are the same as the term loan.

The senior revolver includes borrowing capacity available for borrowings on same-day notice, referred to as the “swingline loans.” The outstanding borrowings at September 30, 2012 were borrowed under the swingline, which have maturities less than one year, and are reflected under Current portion of long-term debt on the Company’s consolidated balance sheets.

**Senior Notes** — In connection with the February 2011 Refinancing, the Company issued \$250.0 million of the senior notes at a price equal to 97.737% of their face value, for net proceeds of \$244.3 million. The net proceeds were reduced by an initial purchasers’ discount of \$5.6 million. The senior notes are the Company’s unsecured obligations and are guaranteed by certain of the Company’s existing subsidiaries.

**Covenants** — The senior credit agreement and the indenture governing the senior notes contain negative financial and non-financial covenants, including, among other things, limitations on the Company's ability to incur additional debt, transfer or sell assets, pay dividends, redeem stock or make other distributions or investments, and engage in certain transactions with affiliates. In addition, the senior credit agreement governing the Company's senior secured credit facilities contains financial covenants that require the Company to maintain a specified consolidated leverage ratio and consolidated interest coverage ratio.

The Company is restricted from paying dividends to NMH Holdings, LLC ("Parent") in excess of \$15.0 million, except for dividends used for the repurchase of equity from former officers and employees and for the payment of management fees, taxes, and certain other expenses.

**Derivatives** — The Company entered into an interest rate swap in a notional amount of \$400.0 million effective March 31, 2011, maturing on September 30, 2014. The Company entered into this interest rate swap to hedge the risk of changes in the floating rate of interest on borrowings under the term loan. Under the terms of the swap, the Company received from the counterparty a quarterly payment based on a rate equal to the greater of 3-month LIBOR and 1.75% per annum, and the Company made payments to the counterparty based on a fixed rate of 2.5% per annum, in each case on the notional amount of \$400.0 million, settled on a net payment basis. Based on the applicable margin of 5.25% under the Company's term loan, this swap effectively fixed the Company's cost of borrowing for \$400.0 million of the term loan at 7.8% per annum for the term of the swap.

In October 2012, the Company amended the terms of the swap agreement in connection with the amendment and restatement of the terms of the senior secured credit facilities. See note 22 for Subsequent Events.

The Company accounts for the interest rate swap as a cash flow hedge and the effectiveness of the hedge relationship is assessed on a quarterly basis. The fair value of the swap agreement, representing the price that would be paid to transfer the liability in an orderly transaction between market participants, was \$5.6 million or \$3.4 million after taxes at September 30, 2012 and \$6.7 million or \$4.0 million after taxes at September 30, 2011. The fair value was recorded in current liabilities (under Other accrued liabilities) on the Company's consolidated balance sheets and was determined based on pricing models and independent formulas using current assumptions. The entire change in fair market value is recorded in shareholder's equity (deficit), net of tax, on the consolidated balance sheets as accumulated other comprehensive loss.

**Annual Maturities** — Annual maturities of the Company's debt for the years ended September 30 are as follows (in thousands).

Amounts due at any year end may increase as a result of the provision in the senior credit agreement that requires a prepayment of a portion of the outstanding term loan amounts if the Company generates certain levels of cash flow.

|            |                   |
|------------|-------------------|
| 2013       | \$ 24,300         |
| 2014       | 5,300             |
| 2015       | 5,300             |
| 2016       | 5,300             |
| 2017       | 500,850           |
| Thereafter | <u>250,000</u>    |
| Total      | <u>\$ 791,050</u> |

## 11. SHAREHOLDER'S EQUITY

**Common Stock** — The holders of the Company's common stock are entitled to receive dividends when and as declared by the Company's Board of Directors. In addition, the holders of common stock are entitled to one vote per share. All of the outstanding shares of common stock are held by Parent.

**Dividends to Parent** — During fiscal 2012, 2011 and 2010, our indirect parent NMH Investment repurchased equity units from employees upon or after their departures from the Company for \$75 thousand, \$1.5 million and \$95 thousand, respectively. The Company accounted for these repurchases as dividends of \$75 thousand, \$1.5 million and \$95 thousand, respectively, to its indirect parent NMH Investment to fund these repurchases.

On February 9, 2011, as part of the February 2011 Refinancing described in note 10, the Company declared a dividend of \$219.7 million to Parent, which in turn made a distribution of \$219.7 million to its direct parent, NMH Holdings, Inc. ("NMH Holdings"). NMH Holdings used the proceeds of the distribution to (i) repurchase \$210.9 million aggregate principal amount of the Senior Floating Rate Toggle Notes due 2014 (the "NMH Holdings notes") at a premium (ii) repurchase an additional \$13.3 million principal amount of NMH Holdings notes the Company held as an investment and (iii) pay related fees and expenses.

## 12. EMPLOYEE SAVINGS AND RETIREMENT PLANS

The Company has a multi-company plan (the "Plan") which covers all of its wholly-owned subsidiaries. Under the Plan, employees may contribute a portion of their earnings, which are invested in mutual funds of their choice. After January 1, the Company makes a matching contribution for the previous calendar year on behalf of all participants employed on the last day of the year. This matching contribution vests immediately. In addition, there is a profit sharing feature of the Plan, whereby, at the discretion of management, an allocation may be made to all of the eligible employees in one or more of its business units. Profit sharing contributions vest ratably over three years with forfeitures available to cover plan costs and employer matches in future years. The Company made contributions of \$4.2 million, \$3.7 million and \$4.6 million, for fiscal years 2012, 2011 and 2010, respectively.

The Company has the following two deferred compensation plans:

*The National Mentor Holdings, LLC Executive Deferred Compensation Plan* — The National Mentor Holdings, LLC Executive Deferred Compensation Plan is an unfunded, nonqualified deferred compensation arrangement for senior management, in which the Company contributes to the executive's account a percentage of the executive's base compensation. This contribution is made at the end of the year for service rendered during the year. The Company contributed \$0.4 million, \$0.5 million, and \$0.3 million for fiscal 2012, 2011 and 2010, respectively. The unfunded accrued liability was \$2.2 million and \$1.8 million as of September 30, 2012 and 2011, respectively, and was included in Other long-term liabilities on the Company's consolidated balance sheets.

*The National Mentor Holdings, LLC Executive Deferral Plan* — The National Mentor Holdings, LLC Executive Deferral Plan, available to highly compensated employees, is a plan in which participants contribute a percentage of salary and/or bonus earned during the year. Employees contributed \$0.7 million, \$1.0 million and \$0.8 million for fiscal 2012, 2011 and 2010, respectively. The accrued liability related to this plan was \$5.0 million and \$3.8 million as of September 30, 2012 and 2011, respectively, and was included in Other long-term liabilities on the Company's consolidated balance sheets.

In connection with the National Mentor Holdings, LLC Executive Deferral Plan, the Company has purchased Company Owned Life Insurance ("COLI") policies on certain plan participants. The cash surrender value of the COLI policies is designed to provide a source for funding the accrued liability. The cash surrender value of the COLI policies was \$4.0 million and \$3.4 million as of September 30, 2012 and 2011, respectively, and was included in Other assets on the Company's consolidated balance sheets.

### 13. RELATED PARTY TRANSACTIONS

**Management Agreements** — On February 9, 2011, the Company entered into an amended and restated management agreement with Vestar Capital Partners V, L.P. ("Vestar") relating to certain advisory and consulting services for an annual management fee equal to the greater of (i) \$850 thousand or (ii) an amount equal to 1.0% of the Company's consolidated earnings before interest, taxes, depreciation, amortization and management fee for each fiscal year determined as set forth in the Company's senior credit agreement.

As part of the management agreement, the Company agreed to indemnify Vestar and its affiliates from and against all losses, claims, damages and liabilities arising out of the performance by Vestar of its services pursuant to the management agreement. The management agreement will terminate upon such time that Vestar and its partners and their respective affiliates hold, directly or indirectly in the aggregate, less than 20% of the voting power of the outstanding voting stock of the Company.

This agreement provides for the payment of reasonable and customary fees to Vestar for services in connection with a sale of the Company, an initial public offering by or involving NMH Investment, LLC ("NMH Investment") or any of its subsidiaries or any extraordinary acquisition by or involving NMH Investment or any of its subsidiaries; provided, that such fees shall only be paid with the consent of the directors of the Company who are not affiliated with or employed by Vestar. The Company recorded \$1.3 million, \$1.3 million and \$1.2 million of management fees and expenses for the years ended September 30, 2012, 2011 and 2010, respectively. The accrued liability related to the management agreement was \$0.4 million at September 30, 2012 and September 30, 2011.

**Consulting Agreements** — During fiscal 2011, the Company engaged Alvarez & Marsal Healthcare Industry Group ("Alvarez & Marsal") to provide certain transaction advisory and other services. A director of the Company, Guy Sansone, is a Managing Director at Alvarez & Marsal and the head of its Healthcare Industry Group. The engagement resulted in aggregate fees of \$1.0 million for the fiscal year ended September 30, 2011, and was approved by the Company's Audit Committee. Mr. Sansone is not a member of the Company's Audit Committee and was not personally involved in the engagement.

The Company engaged Duff & Phelps, LLC as a financial advisor in connection with the refinancing transactions described in note 9, including the repurchase of the NMH Holdings notes, and related matters. According to public filings, at the time of this transaction Vestar owned 12.4% of the Class A common stock of Duff & Phelps Corporation, the parent company of Duff & Phelps, LLC, and one of Vestar's principals served on the Board of Directors of Duff & Phelps Corporation but was not personally involved in the engagement. The engagement resulted in fees of approximately \$0.2 million during the fiscal year ended September 30, 2011 and was approved by the Company's Board of Directors, with the Vestar members abstaining from voting.

**Lease Agreements** — The Company leases several offices, homes and other facilities from its employees, or from relatives of employees, primarily in the states of Minnesota, Florida and California which have various expiration dates extending out as far as July 2016. Related party lease expense was \$1.6 million, \$3.7 million and \$3.9 million for the fiscal years ended September 30, 2012, 2011 and 2010, respectively.

**Investment in Related Party Debt Securities** — During fiscal 2009, the Company purchased \$11.5 million in aggregate principal amount of the NMH Holdings notes for \$6.6 million. The security was classified as an available-for-sale debt security and recorded on the Company's consolidated balance sheets as Investment in related party debt securities. Cash interest on the NMH Holdings notes accrued at a rate per annum, reset quarterly, equal to LIBOR plus 6.375%, and PIK Interest (defined below) accrued at the cash interest rate plus 0.75%. NMH Holdings paid all of the interest on the NMH Holdings notes entirely by increasing the principal amount of the NMH Holdings notes or issuing new notes ("PIK Interest").

In connection with the refinancing transactions on February 9, 2011, NMH Holdings repurchased the NMH Holdings notes (which the Company purchased at a discount) from the Company at a premium. As a result, the Company recorded a gain of \$3.0 million which was recorded on the consolidated statements of operations as Gain from available for sale investment security.

#### 14. FAIR VALUE MEASUREMENTS

The Company measures and reports its financial assets and liabilities on the basis of fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

A three-level hierarchy for disclosure has been established to show the extent and level of judgment used to estimate fair value measurements, as follows:

*Level 1* — Quoted market prices in active markets for identical assets or liabilities

*Level 2* — Significant other observable inputs (quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability).

*Level 3* — Significant unobservable inputs for the asset or liability. These values are generally determined using pricing models which utilize management estimates of market participant assumptions.

Valuation techniques for assets and liabilities measured using Level 3 inputs may include methodologies such as the market approach, the income approach or the cost approach, and may use unobservable inputs such as projections, estimates and management's interpretation of current market data. These unobservable inputs are only utilized to the extent that observable inputs are not available or cost-effective to obtain.

A description of the valuation methodologies used for instruments measured at fair value as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Assets and liabilities recorded at fair value at September 30, 2012 consist of (in thousands):

|                               | Total      | Quoted<br>Market Prices<br>(Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|-------------------------------|------------|--------------------------------------|--------------------------------------------------------|----------------------------------------------------|
| Interest rate swap agreements | \$ (5,638) | \$ -                                 | \$ (5,638)                                             | \$ -                                               |

Assets and liabilities recorded at fair value at September 30, 2011 consist of (in thousands):

|                               | Total      | Quoted<br>Market Prices<br>(Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|-------------------------------|------------|--------------------------------------|--------------------------------------------------------|----------------------------------------------------|
| Interest rate swap agreements | \$ (6,744) | \$ -                                 | \$ (6,744)                                             | \$ -                                               |

*Interest rate swap agreements.* The fair value of the swap agreements was recorded in current liabilities (under Other accrued liabilities) in the Company's consolidated balance sheets. The fair value of these agreements was determined based on pricing models and independent formulas using current assumptions that included swap terms, interest rates and forward LIBOR curves and the Company's credit risk.

At September 30, 2012 and September 30, 2011, the carrying values of cash, accounts receivable, accounts payable and variable rate debt approximated fair value. The carrying value and fair value of the Company's fixed rate debt instruments are set forth below (in thousands):

|                                        | September 30,      |                  |                    |                  |
|----------------------------------------|--------------------|------------------|--------------------|------------------|
|                                        | 2012               |                  | 2011               |                  |
|                                        | Carrying<br>Amount | Fair<br>Value    | Carrying<br>Amount | Fair<br>Value    |
| Senior notes (issued February 9, 2011) | <u>\$241,385</u>   | <u>\$251,875</u> | <u>\$239,773</u>   | <u>\$228,750</u> |

The fair values were estimated using calculations based on quoted market prices when available and company-specific credit risk. If the Company's long-term debt was measured at fair value, it would have been categorized as Level 2 in the fair value hierarchy.

## 15. LEASES

**Operating Leases** — The Company leases office and client residential facilities, vehicles and certain office equipment in several locations under operating lease arrangements, which expire at various dates through 2026. In addition to base rents presented below, the majority of the leases require payments for additional expenses such as taxes, maintenance and utilities. Certain of the leases contain renewal options at the Company's option and some have escalation clauses which are recognized as rent expense on a straight line basis. Total rent expense for fiscal 2012, 2011 and 2010 was \$49.2 million, \$48.0 million and \$44.3 million, respectively.

During fiscal 2012, the Company completed two sale-leaseback transactions under which it sold two properties to unrelated third parties. Net proceeds from these sales were \$2.8 million. Concurrent with these sales, the Company entered into agreements to lease the properties back from the purchasers over an initial lease term of seven and ten years, respectively, each with two, five-year renewal options. The Company classified these leases as operating leases, actively uses or plans to actively use the leased properties and considers the lease as normal leaseback for accounting purposes. The Company deferred a \$0.1 million gain on these transactions which includes both a current and non-current portion, with the current portion based on the amount that is expected to amortize over the next 12 months. The current and non-current portions are included in Accrued liabilities on the consolidated balance sheets.

In fiscal 1995, the Company entered into an initial five year operating lease agreement for its corporate office with a total expected minimum lease commitment of \$2.4 million. The lease has been extended and amended through eleven amendments, and as of September 30, 2012, the Company had total

expected minimum lease commitments of \$8.0 million over the lease term. The lease expires in 2017 and the Company has the option to extend the lease term. Total rent expense related to this lease was \$1.5 million, \$1.5 million and \$1.4 million for fiscal years 2012, 2011 and 2010, respectively.

Future minimum lease payments for noncancellable operating leases for the fiscal years ending September 30, are as follows (in thousands):

|            |                   |
|------------|-------------------|
| 2013       | \$ 43,302         |
| 2014       | 36,133            |
| 2015       | 28,918            |
| 2016       | 21,633            |
| 2017       | 17,207            |
| Thereafter | <u>45,582</u>     |
|            | <u>\$ 192,775</u> |

**Capital Leases** — The Company leases certain facilities under various non-cancellable capital leases that expire at various dates through fiscal 2025. Assets acquired under capital leases with an original cost of \$9.5 million and \$7.1 million and related accumulated amortization of \$1.3 million and \$0.7 million are included in property and equipment, net for fiscal 2012 and 2011, respectively. Amortization expense for fiscal years 2012, 2011 and 2010 was \$0.7 million, \$0.4 million and \$0.2 million, respectively.

The following is a schedule of the future minimum lease payments under the capital leases at September 30 (in thousands):

|                              |                 |
|------------------------------|-----------------|
| 2013                         | \$ 461          |
| 2014                         | 507             |
| 2015                         | 552             |
| 2016                         | 604             |
| 2017                         | 661             |
| Thereafter                   | <u>6,060</u>    |
| Total minimum lease payments | <u>\$ 8,845</u> |

Interest expense on capital leases during fiscal years 2012, 2011 and 2010 was \$0.8 million, \$0.6 million and \$0.2 million, respectively.

#### 16. ACCRUALS FOR SELF-INSURANCE AND OTHER COMMITMENTS AND CONTINGENCIES

The Company maintains insurance for professional and general liability, workers' compensation liability, automobile liability and health insurance liabilities that includes self-insured retentions. The Company intends to maintain such coverage in the future and is of the opinion that its insurance coverage is adequate to cover potential losses on asserted claims. Employment practices liability is fully self-insured.

The Company records expenses related to claims on an incurred basis, which includes estimates of fully developed losses for both reported and unreported claims. The accruals for the health, workers' compensation, automobile, employment practices liability, and professional and general liability programs are based on analyses performed by management and take into account reports by independent third parties. Accruals are periodically reevaluated and increased or decreased based on new information.

For professional and general liability claims arising from occurrences from October 1, 2010 through September 30, 2011, the Company was self-insured for \$2.0 million per claim and \$8.0 million in the aggregate, and for \$500 thousand per claim in excess of the aggregate. Commencing October 1, 2011, the Company is selfinsured for the first \$4.0 million of each and every claim with no aggregate limit. In connection with the Merger on June 29, 2006, subject to \$1.0 million per claim and up to \$2.0 million in aggregate retentions, the Company purchased additional insurance for certain claims relating to pre-Merger periods.

For workers' compensation, the Company has a \$350 thousand per claim retention with statutory limits. Automobile liability has a \$100 thousand per claim retention, with additional insurance coverage above the retention. The Company purchases specific stop loss insurance as protection against extraordinary claims liability for health insurance claims. Stop loss insurance covers claims that exceed \$300 thousand on a per member basis.

During the first quarter of fiscal 2012, the Company adopted Accounting Standards Update No 2010-24, *Health Care Entities (Topic 954), Presentation of Insurance Claims and Related Insurance Recoveries* ("ASU 2010-24"), which clarifies that companies should not net insurance recoveries against related claim liabilities. Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. The Company adopted ASU 2010-24 prospectively and the impact of the adoption is reflected on the September 30, 2012 consolidated balance sheets. Had the Company adopted ASU 2010-24 as of September 30, 2011, current assets and current liabilities would have been \$187.1 million and \$148.0 million, respectively. Total assets and liabilities would have been \$1,046.8 million and \$1,078.0 million, respectively.

A summary of the assets and liabilities related to the Company's insurance programs at September 30, 2012 and pro forma at September 30, 2011 are as follows (in thousands):

|                                   | <b>September 30</b> |                  |
|-----------------------------------|---------------------|------------------|
|                                   | <b>2012 (1)</b>     | <b>2011 (2)</b>  |
| <b>Assets</b>                     |                     |                  |
| Anticipated insurance recoveries: |                     |                  |
| Current                           | \$ 11,267           | \$ 20,872        |
| Long term                         | <u>22,276</u>       | <u>15,110</u>    |
| Total assets                      | <u>\$ 33,543</u>    | <u>\$ 35,982</u> |
| <b>Liabilities</b>                |                     |                  |
| Self-insured liabilities:         |                     |                  |
| Current                           | \$ 32,604           | \$ 36,149        |
| Long term                         | <u>53,388</u>       | <u>42,125</u>    |
| Total liabilities                 | <u>\$ 85,992</u>    | <u>\$ 78,274</u> |

(1) Anticipated insurance recoveries are presented in Prepaid expenses and other current assets and Other assets on the Company's consolidated balance sheets. Self-insured liabilities are presented in Accrued payroll and related costs, Other accrued liabilities and Other long-term liabilities on the Company's consolidated balance sheets.

(2) Pro forma — as if the Company adopted as of September 30, 2011.

The Company is in the health and human services business and, therefore, has been and continues to be subject to substantial claims alleging that the Company, its employees or its independently contracted host-home caregivers ("Mentors") failed to provide proper care for a client. The Company is also subject to claims by its clients, its employees, its Mentors or community members against the Company for negligence, intentional misconduct or violation of applicable laws. Included in the Company's recent claims are claims alleging personal injury, assault, battery, abuse, wrongful death and other charges. Regulatory agencies may initiate administrative proceedings alleging that the Company's programs, employees or agents violate statutes and regulations and seek to impose monetary penalties on the Company. The Company could be required to incur significant costs to respond to regulatory investigations or defend against civil lawsuits and, if the Company does not prevail, the Company could be required to pay substantial amounts of money in damages, settlement amounts or penalties arising from these legal proceedings.

The Company reserves for costs related to contingencies in accordance with aggregate estimates, or when a loss is not included in its estimates and the loss is probable and the amount is reasonably estimable. While the Company believes the provision for legal contingencies is adequate, the outcome of the legal proceedings is difficult to predict and the Company may settle legal claims or be subject to judgments for amounts that differ from the Company's estimates.

## 17. INCOME TAXES

The benefit for income taxes consists of the following at September 30 (in thousands):

|                             | 2012               | 2011               | 2010            |
|-----------------------------|--------------------|--------------------|-----------------|
| Current:                    |                    |                    |                 |
| Federal                     | \$ (5,267)         | \$ 439             | \$ 8,310        |
| State                       | <u>(11)</u>        | <u>1,349</u>       | <u>2,726</u>    |
| Total current taxes payable | (5,278)            | 1,788              | 11,036          |
| Net deferred tax benefit    | <u>(14,223)</u>    | <u>(16,215)</u>    | <u>(11,241)</u> |
| Income tax benefit          | <u>\$ (19,501)</u> | <u>\$ (14,427)</u> | <u>\$ (205)</u> |

The Company paid income taxes during fiscal 2012, 2011 and 2010 of \$0.4 million, \$1.6 million and \$1.5 million, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities at September 30 are as follows (in thousands):

|                                                | 2012               | 2011               |
|------------------------------------------------|--------------------|--------------------|
| Gross deferred tax assets:                     |                    |                    |
| Deferred compensation                          | \$ 1,006           | \$ 846             |
| Interest rate swap agreements                  | 2,280              | 2,726              |
| Accrued workers' compensation                  | 11,346             | 11,481             |
| Net operating loss carryforwards               | 13,075             | 11,384             |
| Allowance for bad debts                        | 3,173              | 2,650              |
| Tax credits                                    | 1,596              | -                  |
| Other                                          | <u>2,717</u>       | <u>3,122</u>       |
|                                                | 35,193             | 32,209             |
| Valuation allowance                            | <u>(7,079)</u>     | <u>(6,397)</u>     |
| Deferred tax assets                            | 28,114             | 25,812             |
| Deferred tax liabilities:                      |                    |                    |
| Depreciation                                   | (5,955)            | (13,985)           |
| Amortization of goodwill and intangible assets | (95,695)           | (101,259)          |
| Other accrued liabilities                      | <u>(2,460)</u>     | <u>(678)</u>       |
| Net deferred tax liabilities                   | <u>\$ (75,996)</u> | <u>\$ (90,110)</u> |

The Company is required to record a valuation allowance to reduce the deferred tax assets if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. After consideration of all the evidence, both positive and negative, management determined that valuation allowances at September 30, 2012 and 2011 of \$7.1 million and \$6.4 million, respectively, were necessary to reduce the deferred tax assets to the amount that will more likely than not be realized. The valuation allowances primarily related to certain state net operating loss carryforwards.

For federal purposes, the Company had \$16.1 million of net operating loss carryforwards for fiscal 2012, which expire in 2032, and \$13.5 million of net operating loss carryforwards for fiscal 2011, which expire in 2031. For state purposes, the Company had \$150.6 million of net operating loss carryforwards for fiscal 2012, which expire from 2013 through 2032, and \$136.3 million of net operating loss carryforwards for fiscal 2011, which expire from 2012 through 2031.

The following is a reconciliation between the statutory and effective income tax rates at September 30 (in thousands):

|                                                | 2012          | 2011          | 2010          |
|------------------------------------------------|---------------|---------------|---------------|
| Federal income tax at statutory rate           | 35.0 %        | 35.0 %        | 35.0 %        |
| State income taxes, net of federal tax benefit | 5.2           | 2.2           | (20.8)        |
| Nondeductible comp                             | (0.7)         | (3.2)         | (49.9)        |
| Other nondeductible expenses                   | (1.1)         | (1.4)         | (9.6)         |
| Credits                                        | -             | 0.6           | 100.5         |
| Unrecognized tax benefit                       | 16.3          | 0.1           | 0.6           |
| Other                                          | <u>3.2</u>    | <u>(0.2)</u>  | <u>(43.0)</u> |
| Effective tax rate                             | <u>57.9 %</u> | <u>33.1 %</u> | <u>12.8 %</u> |

Companies may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

As of September 30, 2011, there was \$4.9 million in total unrecognized tax benefits that was recognized during the year ended September 30, 2012. This had a \$3.8 million favorable impact on the Company's effective tax rate for fiscal 2012. The Company does not expect any significant changes to unrecognized tax benefits within the next twelve months.

The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense which is consistent with the recognition of these items in prior reporting periods. As of September 30, 2011, the Company had accrued a total of \$2.3 million in interest and penalties, which is recorded under Other accrued liabilities and the benefit was recognized during the year ended September 30, 2012. No interest and penalties were accrued as of September 30, 2012.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

|                                                 |                |
|-------------------------------------------------|----------------|
| Balance at September 30, 2010                   | \$ 4,918       |
| Reduction due to lapse of statute of limitation | <u>(61)</u>    |
| Balance at September 30, 2011                   | 4,857          |
| Reduction due to effective settlement           | <u>(4,857)</u> |
| Balance at September 30, 2012                   | <u>\$ -</u>    |

The Company files a federal consolidated return with NMH Holdings, Inc. and files various state income tax returns and, generally, the Company is no longer subject to income tax examinations by the taxing authorities for years prior to September 30, 2003. The Company believes that it has appropriate support for the income tax positions taken and to be taken on the Company's income tax returns. In addition, the Company believes its accruals for income tax liabilities are adequate for all open years based on an assessment of many factors including past experience and interpretations of the tax laws as applied to the facts of each matter.

## 18. SEGMENT INFORMATION

The Company has two reportable segments, Human Services and Post-Acute Specialty Rehabilitation Services ("SRS").

The Human Services segment delivers home and community-based human services to adults and children with intellectual and/or developmental disabilities and to youth with emotional, behavioral and/or medically complex challenges. Human Services is organized in a reporting structure composed of two operating segments which are aggregated into one reportable segment based on similarity of the economic characteristics and services provided.

The SRS segment delivers health care and community-based health and human services to individuals who have suffered acquired brain injury, spinal injuries and other catastrophic injuries and illnesses. This segment is organized in a reporting structure composed of two operating segments which are aggregated based on similarity of economic characteristics and services provided.

Activities classified as "Corporate" in the table below relate primarily to unallocated home office items.

The Company generally evaluates the performance of its operating segments based on income from operations. The following is a financial summary by reportable operating segment for the periods indicated (in thousands).

| For the Year Ended September 30,                                | Human<br>Services | Post Acute<br>Specialty<br>Rehabilitation<br>Services | Corporate | Consolidated |
|-----------------------------------------------------------------|-------------------|-------------------------------------------------------|-----------|--------------|
| <b>2012</b>                                                     |                   |                                                       |           |              |
| Net revenue                                                     | \$944,145         | \$185,466                                             | \$ -      | \$1,129,611  |
| Income (loss) from operations                                   | 79,435            | 20,376                                                | (53,071)  | 46,740       |
| Total assets                                                    | 692,015           | 216,663                                               | 136,305   | 1,044,983    |
| Depreciation and amortization                                   | 44,665            | 14,389                                                | 2,777     | 61,831       |
| Purchases of property and equipment                             | 17,659            | 10,218                                                | 2,118     | 29,995       |
| Income (loss) from continuing operations<br>before income taxes | 14,337            | 7,798                                                 | (55,832)  | (33,697)     |
| <b>2011</b>                                                     |                   |                                                       |           |              |
| Net revenue                                                     | \$895,134         | \$175,476                                             | \$ -      | \$1,070,610  |
| Income (loss) from operations                                   | 77,885            | 18,434                                                | (61,158)  | 35,161       |
| Total assets                                                    | 781,645           | 168,780                                               | 60,425    | 1,010,850    |
| Depreciation and amortization                                   | 44,641            | 13,374                                                | 3,886     | 61,901       |
| Purchases of property and equipment                             | 12,495            | 6,909                                                 | 1,474     | 20,878       |
| Income (loss) from continuing operations<br>before income taxes | 17,949            | 7,012                                                 | (68,502)  | (43,541)     |
| <b>2010</b>                                                     |                   |                                                       |           |              |
| Net revenue                                                     | \$874,528         | \$136,941                                             | \$ -      | \$1,011,469  |
| Income (loss) from operations                                   | 80,801            | 15,356                                                | (51,488)  | 44,669       |
| Depreciation and amortization                                   | 42,318            | 9,366                                                 | 4,729     | 56,413       |
| Purchases of property and equipment                             | 11,886            | 7,007                                                 | 1,980     | 20,873       |
| Income (loss) from continuing operations<br>before income taxes | 38,876            | 9,378                                                 | (49,862)  | (1,608)      |

Revenue from contracts with state and local governmental payors in the state of Minnesota, the Company's largest state, which is included in the Human Services segment, accounted for 15%, 15% and 16% of the Company's net revenue for fiscal 2012, 2011 and 2010, respectively.

## 19. STOCK-BASED COMPENSATION

Under its equity-based compensation plan adopted in 2006, NMH Investment previously issued units of limited liability company interests consisting of Class B Units, Class C Units, Class D Units and Class E Units to the Company's employees and members of the Board of Directors as incentive compensation. As of September 30, 2012, there were 192,500 Class B Units, 202,000 Class C Units, 388,881 Class D Units and 6,375 Class E Units authorized for issuance under the plan. These units derive their value from the value of the Company.

On June 15, 2011, NMH Investment issued Class F Units, a new class of non-voting common equity units of NMH Investment, as incentive compensation. Up to 5,396,388 Class F Common Units may be issued under the 2006 Unit Plan to management of the Company as equity-based compensation. In addition, the terms of the Class B, C and D Common Units were amended to accelerate the vesting of any outstanding unvested Class B, C and D Common Units so that they became 100% vested.

For participants who have been continuously employed by the Company since December 31, 2008, 75% of the Class F Common Units vested upon grant and 25% of the Class F Common Units vested on December 15, 2012 (or 18 months following the date of grant) assuming continuous employment with the Company on that date. For participants who have not been continuously employed by the Company since December 31, 2008, 50% of the Class F Common Units vested upon grant, 25% of the Class F Common Units vested on December 15, 2012 and 25% of the Class F Common Units vest on June 15, 2014 (or 36 months following the date of grant), in each case, if the participant continues to be employed by the Company on that date. Class F Common Units awarded after the initial issuances in June 2011 will vest in three equal tranches on each of the first three anniversaries of their respective issuance date.

On August 13, 2012, an amendment was made to the Amended and Restated 2006 Unit Plan that authorized the issuance of two new classes of non-voting equity units of NMH Investment of up to 130,000 Class G Common Units and up to 1,200,000 Class H Common Units. The Class G Common Units vest upon the consummation of a sale of the Company or an initial public offering of the Company. The Class H Common Units vest upon the consummation of a sale of the Company. Additionally, upon an initial public offering of the Company, the Class H Common Units vest if certain multiples of investment return are achieved by Vestar Capital Partners V, L.P. and certain of its affiliates. As a result, the Company did not recognize any stock-based compensation expense associated with the Class G Common Units or Class H Common Units as of September 30, 2012.

For purposes of determining the compensation expense associated with these grants, management valued the business enterprise using a variety of widely accepted valuation techniques which considered a number of factors such as the financial performance of the Company, the values of comparable companies and the lack of marketability of the Company's equity. The Company then used the option pricing method to determine the fair value of the units granted.

The fair value of the units issued during fiscal years 2012, 2011 and 2010 was calculated using the following assumptions:

|                         | <b>FY2012</b> | <b>FY2011</b> | <b>FY2010</b> |
|-------------------------|---------------|---------------|---------------|
| Risk-free interest rate | 0.21-0.27%    | 0.68 %        | 0.67 %        |
| Expected term           | 1.7-2.4 years | 3 years       | 1.7 years     |
| Expected volatility     | 40.0 %        | 50.0 %        | 55.0 %        |

The estimated fair value of the units, less an assumed forfeiture rate of 9.7%, was recognized as expense in the Company's consolidated financial statements on a straight-line basis over the requisite service periods of the awards with the exception of the Class G Common Units and Class H Common Units. The assumed forfeiture rate is based on an average of the Company's historical forfeiture rates, which the Company estimates is indicative of future forfeitures.

The Company recorded \$0.7 million, \$3.7 million and \$0.7 million of stock-based compensation expense for fiscal years 2012, 2011 and 2010, respectively. Stock-based compensation expense is included in General and administrative expense in the consolidated statements of operations. The summary of activity under the plan is presented below:

|                                         | <b>Units<br/>Outstanding</b> | <b>Weighted<br/>Average<br/>Grant-Date<br/>Fair Value</b> |
|-----------------------------------------|------------------------------|-----------------------------------------------------------|
| Nonvested balance at September 30, 2011 | 932,008                      | \$ 1.02                                                   |
| Granted                                 | 1,328,024                    | 0.54                                                      |
| Forfeited                               | -                            | 0.00                                                      |
| Vested                                  | <u>324,246</u>               | 1.01                                                      |
| Nonvested balance at September 30, 2012 | <u>1,935,786</u>             | 0.69                                                      |

As of September 30 2012, there was \$0.9 million of total unrecognized compensation expense related to the units. These costs are expected to be recognized over a weighted average period of 1.79 years.

## 20. VALUATION AND QUALIFYING ACCOUNTS

The following table summarizes information about the allowances for doubtful accounts and sales allowances for the years ended September 30, 2012, 2011 and 2010 (in thousands):

|                                      | <b>Balance at<br/>Beginning<br/>of Period</b> | <b>Provision</b> | <b>Write-Offs</b> | <b>Balance at<br/>End of<br/>Period</b> |
|--------------------------------------|-----------------------------------------------|------------------|-------------------|-----------------------------------------|
| Fiscal year ended September 30, 2012 | \$ 7,957                                      | \$ 12,902        | \$ (11,609)       | \$ 9,250                                |
| Fiscal year ended September 30, 2011 | 7,225                                         | 11,670           | (10,938)          | 7,957                                   |
| Fiscal year ended September 30, 2010 | 5,896                                         | 12,458           | (11,129)          | 7,225                                   |

## 21. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents consolidated statement of operations data for each of the eight quarters in the period which began December 31, 2010 and ended September 30, 2012. This information is derived from the Company's unaudited financial statements, which in the opinion of management contain all

adjustments necessary for a fair presentation of such financial data. Operating results for these periods are not necessarily indicative of the operating results for a full year. Historical results are not necessarily indicative of the results to be expected in future periods.

|                                                        | For The Quarters Ended (1) |                   |                  |                       |                      |                   |                  |                       |
|--------------------------------------------------------|----------------------------|-------------------|------------------|-----------------------|----------------------|-------------------|------------------|-----------------------|
|                                                        | December 31,<br>2010       | March 31,<br>2011 | June 30,<br>2011 | September 30,<br>2011 | December 31,<br>2011 | March 31,<br>2012 | June 30,<br>2012 | September 30,<br>2012 |
| Net revenue                                            | \$264,474                  | \$264,969         | \$269,701        | \$271,466             | \$274,433            | \$278,829         | \$285,348        | \$291,001             |
| Income (loss) from continuing operations, net of tax   | 1,722                      | (12,214)          | (8,265)          | (10,357)              | (5,015)              | (833)             | (3,083)          | (5,265)               |
| Income (loss) from discontinued operations, net of tax | 44                         | (843)             | (68)             | (4,161)               | (64)                 | (226)             | 101              | 5                     |
| Net income (loss)                                      | \$ 1,766                   | \$ (13,057)       | \$ (8,333)       | \$ (14,518)           | \$ (5,079)           | \$ (1,059)        | \$ (2,982)       | \$ (5,260)            |

- (1) The Company sold its home health business, closed certain Human Services operations in the state of Maryland and closed its Human Services operations in the states of Colorado, Nebraska, New Hampshire and New York. All fiscal years presented reflect the classification of these businesses as discontinued operations.

## 22. SUBSEQUENT EVENTS

On October 15, 2012, the Company entered into an Amendment Agreement (the "Amendment Agreement"), to amend and restate the senior credit agreement, dated as of February 9, 2011. The Amendment Agreement converted the existing term loan facility into a tranche B-1 term loan facility in aggregate principal amount of \$522.1 million (the "Tranche B-1 Term Loan"). The proceeds of the Tranche B-1 Term Loan were used to prepay the existing term loan facility and to pay the fees and expenses incurred in connection with the Amendment Agreement. The Amendment Agreement also replaced the Company's existing \$75 million revolving credit facility and the borrowings thereunder with a new \$75 million revolving credit facility. The interest rates under the Amended and Restated Credit Agreement were unchanged from the Original Credit Agreement, except that the LIBOR floor applicable to borrowings under the Amended and Restated Credit Agreement was reduced by 0.50%. In addition, if, prior to October 15, 2013, the Company prepays or reprices any portion of the Tranche B-1 Term Loan, the Company will be required to pay a prepayment premium of 1% of the loans being prepaid or repriced.

Also, on October 15, 2012, the Company amended its interest rate swap agreement. The notional amount of the interest rate swap of \$400.0 million remains unchanged with the effective date of October 15, 2012 and ending September 30, 2014. Under the new terms of this swap, the Company receives from the counterparty a quarterly payment based on a rate equal to the greater of 3-month LIBOR and 1.25% per annum, and the Company makes payments to the counterparty based on a fixed rate of 2.078% per annum, in each case on the notional amount of \$400.0 million, settled on a net payment basis.

In November 2012, the Company acquired one company complementary to its Human Services business. Aggregate consideration for the acquisition was \$0.5 million.

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## **SUPPLEMENTAL CONSOLIDATING INFORMATION**

# NATIONAL MENTOR HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATING BALANCE SHEET

AS OF SEPTEMBER 30, 2012

(Unaudited)

(Amounts in thousands)

|                                                                                           | National Mentor Services, LLC | National Mentor Healthcare, LLC | First Step Living Program, Inc. | Herrigan Code Enterprises, Inc. | Illinois Mentor, Inc. | Massachusetts Mentor, Inc. | Mentor ABI, LLC  | Ohio Mentor, Inc. | South Carolina Mentor, Inc. | Central Office     | Elimination         | Other           | Consolidated Totals |
|-------------------------------------------------------------------------------------------|-------------------------------|---------------------------------|---------------------------------|---------------------------------|-----------------------|----------------------------|------------------|-------------------|-----------------------------|--------------------|---------------------|-----------------|---------------------|
| <b>ASSETS</b>                                                                             |                               |                                 |                                 |                                 |                       |                            |                  |                   |                             |                    |                     |                 |                     |
| <b>CURRENT ASSETS:</b>                                                                    |                               |                                 |                                 |                                 |                       |                            |                  |                   |                             |                    |                     |                 |                     |
| Cash and cash equivalents                                                                 | \$ 20                         | \$ 90                           | \$ 1                            | \$ 186                          | \$ 1                  | \$ -                       | \$ 38            | \$ 231            | \$ 5                        | \$ (572)           | \$ -                | \$ -            | \$ -                |
| Restricted cash                                                                           | 1,059                         | -                               | -                               | -                               | -                     | -                          | 5                | -                 | -                           | 70                 | -                   | -               | 1,134               |
| Accounts receivable, net of allowance                                                     | 45,082                        | 62,924                          | 433                             | 2,768                           | 2,021                 | 2,418                      | 35,044           | 775               | 2,555                       | (29)               | -                   | -               | 151,991             |
| Deferred tax assets, net                                                                  | -                             | -                               | -                               | -                               | -                     | -                          | -                | -                 | -                           | 18,764             | -                   | -               | 18,764              |
| Intercompany receivables                                                                  | 3,714                         | 24,586                          | -                               | -                               | 28,889                | -                          | -                | 11,496            | -                           | -                  | (721,845)           | 1,572           | -                   |
| Prepaid expenses and other current assets                                                 | 790                           | 632                             | 7                               | 11                              | 1                     | (4)                        | 451              | 4                 | 49                          | 18,163             | -                   | -               | 20,104              |
| Total current assets                                                                      | 50,685                        | 88,332                          | 441                             | 2,965                           | 30,912                | 2,414                      | 35,538           | 12,506            | 2,609                       | 687,964            | (721,845)           | 1,572           | 193,993             |
| <b>PROPERTY AND EQUIPMENT, Net</b>                                                        | 95,129                        | 29,946                          | 72                              | 1,540                           | 242                   | 380                        | 20,533           | 79                | 647                         | 4,322              | (1,542)             | -               | 151,548             |
| <b>INTANGIBLE ASSETS, Net</b>                                                             | 114,296                       | 122,668                         | 3,227                           | 814                             | 7,281                 | 1,761                      | 65,365           | 871               | 3,839                       | 52,262             | 1                   | -               | 372,385             |
| <b>GOODWILL</b>                                                                           | 1,416                         | 27,915                          | -                               | -                               | -                     | -                          | 33,868           | -                 | -                           | 171,162            | -                   | -               | 234,361             |
| <b>RESTRICTED CASH</b>                                                                    | -                             | -                               | -                               | -                               | -                     | -                          | -                | -                 | -                           | 50,000             | -                   | -               | 50,000              |
| <b>OTHER ASSETS</b>                                                                       | 81,395                        | 1,301                           | 12                              | 106                             | 15                    | 68                         | 4,749            | 5                 | 67                          | 176,871            | (221,893)           | -               | 42,696              |
| <b>TOTAL ASSETS</b>                                                                       | <u>\$343,121</u>              | <u>\$270,062</u>                | <u>\$3,752</u>                  | <u>\$ 5,425</u>                 | <u>\$38,450</u>       | <u>\$ 4,623</u>            | <u>\$160,053</u> | <u>\$13,461</u>   | <u>\$7,162</u>              | <u>\$1,142,581</u> | <u>\$ (945,279)</u> | <u>\$ 1,572</u> | <u>\$1,044,983</u>  |
| <b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>                                               |                               |                                 |                                 |                                 |                       |                            |                  |                   |                             |                    |                     |                 |                     |
| <b>CURRENT LIABILITIES:</b>                                                               |                               |                                 |                                 |                                 |                       |                            |                  |                   |                             |                    |                     |                 |                     |
| Accounts payable                                                                          | \$ 8,308                      | \$ 9,569                        | \$ 10                           | \$ 148                          | \$ 324                | \$ 614                     | \$ 26,220        | \$ 30             | \$ 276                      | \$ 11,541          | \$ -                | \$ -            | \$ 33,640           |
| Intercompany payables                                                                     | 297,833                       | 262,527                         | 1,468                           | 19,973                          | -                     | 19,760                     | 111,657          | -                 | 2,987                       | 8,749              | (721,815)           | 861             | -                   |
| Accrued payroll and related costs                                                         | 6,605                         | 7,145                           | 44                              | 404                             | 238                   | 361                        | 2,292            | 78                | 306                         | 42,537             | -                   | -               | 60,010              |
| Other accrued liabilities                                                                 | 5,283                         | 10,412                          | 54                              | 341                             | 97                    | 555                        | 2,277            | 20                | 57                          | 32,863             | (1,575)             | -               | 50,384              |
| Obligations under capital lease, current                                                  | -                             | 461                             | -                               | -                               | -                     | -                          | -                | -                 | -                           | -                  | -                   | -               | 461                 |
| Current portion of long-term debt                                                         | -                             | -                               | -                               | -                               | -                     | -                          | -                | -                 | -                           | 24,300             | -                   | -               | 24,300              |
| Total current liabilities                                                                 | 314,229                       | 290,114                         | 1,576                           | 20,866                          | 659                   | 21,290                     | 118,846          | 128               | 3,636                       | 119,990            | (723,390)           | 861             | 168,795             |
| <b>OTHER LONG-TERM LIABILITIES</b>                                                        | 2,024                         | 1,538                           | 1                               | 98                              | 56                    | 15                         | 1,184            | 7                 | 40                          | 61,503             | (1,573)             | -               | 64,895              |
| <b>DEFERRED TAX LIABILITIES, Net</b>                                                      | -                             | -                               | -                               | -                               | -                     | -                          | -                | -                 | -                           | 94,760             | -                   | -               | 94,760              |
| <b>OBLIGATIONS UNDER CAPITAL LEASE, LESS CURRENT PORTION</b>                              | -                             | 8,384                           | -                               | -                               | -                     | -                          | -                | -                 | -                           | -                  | -                   | -               | 8,384               |
| <b>LONG-TERM DEBT, LESS CURRENT PORTION</b>                                               | -                             | -                               | -                               | -                               | -                     | -                          | -                | -                 | -                           | 752,398            | -                   | -               | 752,398             |
| <b>COMMITMENTS AND CONTINGENCIES</b>                                                      | -                             | -                               | -                               | -                               | -                     | -                          | -                | -                 | -                           | -                  | -                   | -               | -                   |
| <b>SHAREHOLDER'S EQUITY (DEFICIT):</b>                                                    |                               |                                 |                                 |                                 |                       |                            |                  |                   |                             |                    |                     |                 |                     |
| Common stock, \$0.1 par value; 1,000 shares authorized; 100 shares issued and outstanding | -                             | 15,196                          | 1,143                           | 3,757                           | 6,574                 | 3,539                      | 10,893           | 4,468             | 3,768                       | 156,652            | (255,854)           | 3,303           | 33,695              |
| Additional paid-in capital                                                                | 80,256                        | -                               | -                               | -                               | -                     | -                          | -                | -                 | -                           | (3,358)            | -                   | -               | (3,358)             |
| Accumulated other comprehensive loss, net of tax                                          | (53,188)                      | (45,169)                        | 1,032                           | (19,296)                        | 31,161                | (20,221)                   | 29,130           | 8,838             | (272)                       | (39,365)           | 35,538              | (2,592)         | (74,384)            |
| (Accumulated deficit) retained earnings                                                   | 26,868                        | (29,973)                        | 2,175                           | (15,539)                        | 37,735                | (16,682)                   | 40,023           | 13,326            | 3,496                       | 113,929            | (220,116)           | 711             | (44,247)            |
| Total shareholder's equity (deficit)                                                      | <u>\$343,121</u>              | <u>\$270,062</u>                | <u>\$3,752</u>                  | <u>\$ 5,425</u>                 | <u>\$38,450</u>       | <u>\$ 4,623</u>            | <u>\$160,053</u> | <u>\$13,461</u>   | <u>\$7,162</u>              | <u>\$1,142,581</u> | <u>\$ (945,279)</u> | <u>\$ 1,572</u> | <u>\$1,044,983</u>  |
| <b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>                                         |                               |                                 |                                 |                                 |                       |                            |                  |                   |                             |                    |                     |                 |                     |

NATIONAL MENTOR HOLDINGS, INC. AND SUBSIDIARIES  
NATIONAL MENTOR HEALTHCARE, LLC AND AFFILIATES

CONSOLIDATING BALANCE SHEET

AS OF SEPTEMBER 30, 2012

(Unaudited)

(Amounts in thousands)

|                                                   | Alabama<br>Mentor | Arizona<br>Mentor | California<br>Mentor | California Home<br>Agency, LLC | Carrollman,<br>LLC | Connections<br>Living<br>Sally, Inc. | Delaware<br>Mentor | Florida<br>Mentor | Georgia<br>Mentor | Indiana<br>Mentor | Indiana<br>Supported<br>Living | Institute of<br>Family-Centered<br>Services, Inc. | Louisiana<br>Mentor | Liberty<br>Homes, Inc. | Maryland,<br>Mentor | New<br>Hampshire<br>Mentor | North<br>Carolina<br>Mentor | Oklahoma<br>Mentor | Pennsylvania<br>Mentor | Rockland Child<br>Development<br>Services, Inc. | Rhode<br>Island<br>Mentor | Texas<br>Mentor | Transitional<br>Services,<br>LLC | Unifred<br>Quest, Inc. | Other       | Medical Mentor<br>Healthcare,<br>LLC |
|---------------------------------------------------|-------------------|-------------------|----------------------|--------------------------------|--------------------|--------------------------------------|--------------------|-------------------|-------------------|-------------------|--------------------------------|---------------------------------------------------|---------------------|------------------------|---------------------|----------------------------|-----------------------------|--------------------|------------------------|-------------------------------------------------|---------------------------|-----------------|----------------------------------|------------------------|-------------|--------------------------------------|
| <b>ASSETS</b>                                     |                   |                   |                      |                                |                    |                                      |                    |                   |                   |                   |                                |                                                   |                     |                        |                     |                            |                             |                    |                        |                                                 |                           |                 |                                  |                        |             |                                      |
| <b>CURRENT ASSETS:</b>                            |                   |                   |                      |                                |                    |                                      |                    |                   |                   |                   |                                |                                                   |                     |                        |                     |                            |                             |                    |                        |                                                 |                           |                 |                                  |                        |             |                                      |
| Cash and cash equivalents                         |                   |                   |                      |                                |                    |                                      |                    |                   |                   |                   |                                |                                                   |                     |                        |                     |                            |                             |                    |                        |                                                 |                           |                 |                                  |                        |             |                                      |
| Accounts receivable, net of allowances            | 2,785             | 4,114             | 2,162                | 2,557                          | 12,655             | 242                                  | 450                | 5,552             | 2,108             | 1,243             | 1,431                          | 2,599                                             | 354                 | 1,139                  | 1,340               | 3,380                      | 6,999                       | -                  | 7,118                  | (22)                                            | 1,424                     | 990             | 575                              | 529                    | -           | 62,924                               |
| Deferred tax assets, net                          | -                 | -                 | -                    | -                              | -                  | -                                    | -                  | -                 | -                 | -                 | -                              | -                                                 | -                   | -                      | -                   | -                          | -                           | -                  | -                      | -                                               | -                         | -               | -                                | -                      | -           | 24,506                               |
| Prepaid expenses and other current assets         | 14                | 1                 | 156                  | 4                              | 145                | 3                                    | -                  | 75                | 108               | 2                 | 824                            | 45                                                | 1                   | 25                     | 10,477              | -                          | 2                           | -                  | 2                      | 15                                              | 8                         | 2,796           | 14                               | 5                      | -           | 88,232                               |
| Total current assets                              | 2,799             | 4,117             | 2,324                | 2,561                          | 12,800             | 245                                  | 450                | 5,727             | 2,219             | 1,245             | 1,433                          | 2,644                                             | 355                 | 1,164                  | 12,417              | 3,380                      | 7,001                       | -                  | 7,120                  | (7)                                             | 1,432                     | 990             | 576                              | 534                    | -           | 88,232                               |
| PROPERTY AND EQUIPMENT, Net                       | 121               | 6,696             | 7,177                | 311                            | 3,611              | 118                                  | 216                | 2,600             | 887               | 14                | 632                            | 278                                               | 70                  | 509                    | 246                 | 743                        | 597                         | -                  | 2,467                  | -                                               | 20                        | 152             | 401                              | 260                    | -           | 29,946                               |
| INTANGIBLE ASSETS, Net                            | 2,132             | 19,873            | 3,170                | -                              | 17,662             | 584                                  | 30                 | 1,175             | 12,245            | 1,283             | 2,897                          | 5,503                                             | 57                  | 3,955                  | 8,451               | 19,069                     | 10,111                      | -                  | 5,662                  | -                                               | 701                       | 239             | 3,094                            | 3,299                  | 56          | 121,668                              |
| GOODWILL                                          | -                 | -                 | -                    | -                              | 27,915             | -                                    | -                  | -                 | -                 | -                 | -                              | -                                                 | -                   | -                      | -                   | -                          | -                           | -                  | -                      | -                                               | -                         | -               | -                                | -                      | -           | 27,915                               |
| RESTRICTED CASH                                   | -                 | -                 | -                    | -                              | -                  | -                                    | -                  | -                 | -                 | -                 | -                              | -                                                 | -                   | -                      | -                   | -                          | -                           | -                  | -                      | -                                               | -                         | -               | -                                | -                      | -           | -                                    |
| OTHER ASSETS                                      | 11                | 142               | 120                  | 31                             | 273                | 8                                    | 24                 | 250               | 32                | -                 | 4                              | 61                                                | 6                   | 8                      | 51                  | 25                         | 69                          | -                  | 41                     | 23                                              | 8                         | 26              | 16                               | 23                     | -           | 1,501                                |
| <b>TOTAL ASSETS</b>                               | <b>\$5,083</b>    | <b>\$30,828</b>   | <b>\$13,191</b>      | <b>\$3,205</b>                 | <b>\$64,294</b>    | <b>\$955</b>                         | <b>\$720</b>       | <b>\$9,943</b>    | <b>\$15,183</b>   | <b>\$5,418</b>    | <b>\$4,974</b>                 | <b>\$8,324</b>                                    | <b>\$488</b>        | <b>\$3,641</b>         | <b>\$21,165</b>     | <b>\$33,904</b>            | <b>\$17,781</b>             | <b>\$-</b>         | <b>\$15,230</b>        | <b>\$16</b>                                     | <b>\$2,161</b>            | <b>\$4,197</b>  | <b>\$4,687</b>                   | <b>\$4,118</b>         | <b>\$56</b> | <b>\$220,062</b>                     |
| <b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>       |                   |                   |                      |                                |                    |                                      |                    |                   |                   |                   |                                |                                                   |                     |                        |                     |                            |                             |                    |                        |                                                 |                           |                 |                                  |                        |             |                                      |
| <b>CURRENT LIABILITIES:</b>                       |                   |                   |                      |                                |                    |                                      |                    |                   |                   |                   |                                |                                                   |                     |                        |                     |                            |                             |                    |                        |                                                 |                           |                 |                                  |                        |             |                                      |
| Accounts payable                                  | 179               | 511               | 645                  | 292                            | 2,146              | 11                                   | 41                 | 1,294             | 508               | 63                | 83                             | 144                                               | 67                  | 57                     | 438                 | 556                        | 705                         | -                  | 460                    | 11                                              | 132                       | 310             | 159                              | 62                     | 3           | 5,569                                |
| Accounts receivable                               | 1,440             | 33,923            | 23,619               | 2,098                          | 40,500             | 2,141                                | 415                | 17,099            | 17,768            | 19                | 166                            | 9,644                                             | 481                 | 933                    | 726                 | 338                        | 3,789                       | 4,210              | 10,488                 | 8,676                                           | 2,166                     | 6,788           | 6,788                            | 4,571                  | 986         | 20,527                               |
| Accrued expenses                                  | 1,440             | 33,923            | 23,619               | 2,098                          | 40,500             | 2,141                                | 415                | 17,099            | 17,768            | 19                | 166                            | 9,644                                             | 481                 | 933                    | 726                 | 338                        | 3,789                       | 4,210              | 10,488                 | 8,676                                           | 2,166                     | 6,788           | 6,788                            | 4,571                  | 986         | 20,527                               |
| Other accrued liabilities                         | 753               | 743               | 518                  | 14                             | 1,575              | 93                                   | 32                 | 3,325             | 20                | 50                | 12                             | 290                                               | 106                 | 509                    | 578                 | 1,018                      | 601                         | -                  | 623                    | 167                                             | 39                        | 7               | 101                              | 38                     | -           | 10,412                               |
| Obligations under capital lease, current          | -                 | -                 | -                    | -                              | -                  | -                                    | -                  | -                 | -                 | -                 | -                              | -                                                 | -                   | -                      | -                   | -                          | -                           | -                  | -                      | -                                               | -                         | -               | -                                | -                      | -           | 461                                  |
| Current portion of long-term debt                 | -                 | -                 | -                    | -                              | -                  | -                                    | -                  | -                 | -                 | -                 | -                              | -                                                 | -                   | -                      | -                   | -                          | -                           | -                  | -                      | -                                               | -                         | -               | -                                | -                      | -           | -                                    |
| Total current liabilities                         | 2,507             | 35,425            | 27,919               | 2,975                          | 53,901             | 2,277                                | 560                | 23,727            | 18,512            | 132               | 167                            | 10,737                                            | 632                 | 10,031                 | 1,242               | 2,204                      | 39,705                      | 4,210              | 11,709                 | 8,851                                           | 2,645                     | 371             | 6,788                            | 4,692                  | 989         | 290,114                              |
| <b>OTHER LONG-TERM LIABILITIES</b>                |                   |                   |                      |                                |                    |                                      |                    |                   |                   |                   |                                |                                                   |                     |                        |                     |                            |                             |                    |                        |                                                 |                           |                 |                                  |                        |             |                                      |
| Deferred tax liabilities                          | 19                | 82                | 65                   | 36                             | 1,046              | 6                                    | 13                 | 42                | 39                | -                 | 6                              | 15                                                | 1                   | 13                     | 22                  | 21                         | 43                          | -                  | 12                     | -                                               | 9                         | 22              | 22                               | 4                      | -           | 1,538                                |
| <b>DEFERRED TAX LIABILITIES, Net</b>              |                   |                   |                      |                                |                    |                                      |                    |                   |                   |                   |                                |                                                   |                     |                        |                     |                            |                             |                    |                        |                                                 |                           |                 |                                  |                        |             |                                      |
| Obligations under capital lease, less             | -                 | -                 | -                    | -                              | -                  | -                                    | -                  | -                 | -                 | -                 | -                              | -                                                 | -                   | -                      | -                   | -                          | -                           | -                  | -                      | -                                               | -                         | -               | -                                | -                      | -           | -                                    |
| <b>CURRENT PORTION</b>                            |                   |                   |                      |                                |                    |                                      |                    |                   |                   |                   |                                |                                                   |                     |                        |                     |                            |                             |                    |                        |                                                 |                           |                 |                                  |                        |             |                                      |
| Long-term debt, less current portion              | -                 | -                 | -                    | -                              | -                  | -                                    | -                  | -                 | -                 | -                 | -                              | -                                                 | -                   | -                      | -                   | -                          | -                           | -                  | -                      | -                                               | -                         | -               | -                                | -                      | -           | -                                    |
| <b>COMMITMENTS AND CONTINGENCIES</b>              |                   |                   |                      |                                |                    |                                      |                    |                   |                   |                   |                                |                                                   |                     |                        |                     |                            |                             |                    |                        |                                                 |                           |                 |                                  |                        |             |                                      |
| Shareholder's equity (deficit):                   |                   |                   |                      |                                |                    |                                      |                    |                   |                   |                   |                                |                                                   |                     |                        |                     |                            |                             |                    |                        |                                                 |                           |                 |                                  |                        |             |                                      |
| Common stock, \$0.01 par value; 1,000 shares      | -                 | 2,912             | (14,089)             | -                              | -                  | -                                    | -                  | 1,578             | 2,412             | 643               | 375                            | -                                                 | -                   | 5,469                  | 3,909               | 4,445                      | (12,316)                    | 652                | 7,221                  | -                                               | 245                       | 2,282           | -                                | 1,409                  | 7,129       | 15,196                               |
| Additional paid-in capital                        | 2,552             | (2,551)           | (6,836)              | 194                            | 7,095              | (1,338)                              | 139                | (15,204)          | (5,700)           | 2,643             | (12,135)                       | (2,228)                                           | (1,445)             | (9,872)                | (15,992)            | 26,024                     | (9,031)                     | (3,082)            | (3,472)                | (8,833)                                         | (720)                     | 1,522           | (2,123)                          | (1,927)                | (6,062)     | (65,609)                             |
| Accumulated other comprehensive loss, net of tax  | -                 | -                 | -                    | -                              | -                  | -                                    | -                  | -                 | -                 | -                 | -                              | -                                                 | -                   | -                      | -                   | -                          | -                           | -                  | -                      | -                                               | -                         | -               | -                                | -                      | -           | -                                    |
| Accumulated deficit retained earnings             | 2,552             | (6,679)           | (20,923)             | 194                            | 7,095              | (1,338)                              | 139                | (18,826)          | (1,368)           | 3,286             | (11,780)                       | (2,228)                                           | (1,445)             | (9,872)                | (15,992)            | 26,024                     | (9,031)                     | (3,082)            | (3,472)                | (8,833)                                         | (720)                     | 1,522           | (2,123)                          | (1,927)                | (6,062)     | (65,609)                             |
| Total shareholder's equity (deficit)              | 2,552             | (6,679)           | (20,923)             | 194                            | 7,095              | (1,338)                              | 139                | (18,826)          | (1,368)           | 3,286             | (11,780)                       | (2,228)                                           | (1,445)             | (9,872)                | (15,992)            | 26,024                     | (9,031)                     | (3,082)            | (3,472)                | (8,833)                                         | (720)                     | 1,522           | (2,123)                          | (1,927)                | (6,062)     | (65,609)                             |
| <b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b> | <b>\$5,083</b>    | <b>\$30,828</b>   | <b>\$13,191</b>      | <b>\$3,205</b>                 | <b>\$64,294</b>    | <b>\$955</b>                         | <b>\$720</b>       | <b>\$9,943</b>    | <b>\$15,183</b>   | <b>\$5,418</b>    | <b>\$4,974</b>                 | <b>\$8,324</b>                                    | <b>\$488</b>        | <b>\$3,641</b>         | <b>\$21,165</b>     | <b>\$33,904</b>            | <b>\$17,781</b>             | <b>\$-</b>         | <b>\$15,230</b>        | <b>\$16</b>                                     | <b>\$2,161</b>            | <b>\$4,197</b>  | <b>\$4,687</b>                   | <b>\$4,118</b>         | <b>\$56</b> | <b>\$220,062</b>                     |

ATT 3C

14.3

NATIONAL MENTOR HOLDINGS, INC. AND SUBSIDIARIES  
NATIONAL MENTOR SERVICES, LLC

CONSOLIDATING BALANCE SHEET  
AS OF SEPTEMBER 30, 2012  
(Unaudited)  
(Amounts in thousands)

| ASSETS                                                                                     |                                                   |                                                   |                 |               |               |                |                            |                                          |                  |                   |                |                    |                     |                  |                      |                        |                |                |                        |                     |          |                                          |                               |  |
|--------------------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|-----------------|---------------|---------------|----------------|----------------------------|------------------------------------------|------------------|-------------------|----------------|--------------------|---------------------|------------------|----------------------|------------------------|----------------|----------------|------------------------|---------------------|----------|------------------------------------------|-------------------------------|--|
|                                                                                            | Family Advocacy Services, LLC d/b/a, FAS Virginia | Family Advocacy Services, LLC d/b/a, FAS Maryland | Missouri Mentor | Nevada Mentor | MENTOR Oregon | Colorado, Inc. | REM Community Options, LLC | REM Connecticut Community Services, Inc. | REM Health, Inc. | REM Indiana, Inc. | REM Iowa, Inc. | REM Maryland, Inc. | REM Minnesota, Inc. | REM Nevada, Inc. | REM New Jersey, Inc. | REM North Dakota, Inc. | REM Ohio, Inc. | REM Utah, Inc. | REM West Virginia, LLC | REM Wisconsin, Inc. | Other    | National Mentor Services Holding Company | National Mentor Services, LLC |  |
| CURRENT ASSETS:                                                                            |                                                   |                                                   |                 |               |               |                |                            |                                          |                  |                   |                |                    |                     |                  |                      |                        |                |                |                        |                     |          |                                          |                               |  |
| Cash and cash equivalents                                                                  | \$ -                                              | \$ -                                              | \$ -            | \$ -          | \$ -          | \$ -           | \$ -                       | \$ -                                     | \$ -             | \$ -              | \$ -           | \$ -               | \$ -                | \$ -             | \$ -                 | \$ -                   | \$ -           | \$ -           | \$ -                   | \$ -                | \$ -     | \$ -                                     | \$ -                          |  |
| Restricted cash                                                                            | -                                                 | -                                                 | -               | -             | -             | -              | -                          | -                                        | -                | -                 | -              | -                  | -                   | -                | -                    | -                      | -              | -              | -                      | -                   | -        | -                                        | -                             |  |
| Accounts receivable, net of allowance                                                      | 618                                               | 337                                               | 886             | 886           | 1,452         | 1,452          | 6,846                      | 2,041                                    | 2,041            | 1,660             | 2,905          | 12,944             | 480                 | 761              | 761                  | 1,743                  | 5,295          | 4,972          | 2,642                  | 4,972               | -        | -                                        | 45,082                        |  |
| Deferred tax assets, net                                                                   | -                                                 | -                                                 | -               | -             | -             | -              | -                          | -                                        | -                | -                 | -              | -                  | -                   | -                | -                    | -                      | -              | -              | -                      | -                   | -        | -                                        | -                             |  |
| Intercompany receivables                                                                   | -                                                 | -                                                 | -               | -             | -             | -              | -                          | -                                        | -                | -                 | -              | -                  | -                   | -                | -                    | -                      | -              | -              | -                      | -                   | -        | -                                        | -                             |  |
| Prepaid expenses and other current assets                                                  | 3                                                 | 2                                                 | 6               | 6             | 231           | 231            | 48                         | 51                                       | 51               | 44                | 9              | 63                 | 93                  | 15               | 15                   | 50                     | 102            | -              | 27                     | -                   | -        | -                                        | 3,734                         |  |
| Total current assets                                                                       | 621                                               | 339                                               | 892             | 892           | 2,743         | 2,743          | 6,894                      | 2,092                                    | 2,092            | 1,704             | 2,914          | 13,008             | 573                 | 776              | 776                  | 1,793                  | 5,401          | 5,000          | 2,669                  | 5,000               | 3,734    | -                                        | 50,685                        |  |
| PROPERTY AND EQUIPMENT, Net                                                                | 51                                                | 21                                                | 65              | 65            | 1,058         | 1,058          | 797                        | 3,331                                    | 3,331            | 6,121             | 5,334          | 972                | 58,851              | 2,249            | 3,543                | 2,430                  | 4,455          | -              | 2,102                  | 3,749               | -        | -                                        | 95,329                        |  |
| INTANGIBLE ASSETS, Net                                                                     | 6,359                                             | 3,593                                             | -               | -             | 3,082         | 3,082          | 3,486                      | 2,002                                    | 2,002            | 2,276             | 2,622          | -                  | 53,160              | 1,464            | 3,512                | 1,606                  | 14,686         | -              | 6,693                  | 9,275               | 180      | -                                        | 114,296                       |  |
| GOODWILL                                                                                   | -                                                 | -                                                 | -               | -             | -             | -              | -                          | -                                        | -                | -                 | -              | -                  | 1,416               | -                | -                    | -                      | -              | -              | -                      | -                   | -        | -                                        | 1,416                         |  |
| RESTRICTED CASH                                                                            | -                                                 | -                                                 | -               | -             | -             | -              | -                          | -                                        | -                | -                 | -              | -                  | -                   | -                | -                    | -                      | -              | -              | -                      | -                   | -        | -                                        | -                             |  |
| OTHER ASSETS                                                                               | 24                                                | 10                                                | 2               | 2             | 80            | 80             | 19                         | 49                                       | 11               | 37                | -              | 306                | 32                  | 67               | 67                   | 4                      | 65             | -              | -                      | -                   | 181      | -                                        | 81,395                        |  |
| TOTAL ASSETS                                                                               | \$ 7,055                                          | \$ 3,063                                          | \$ 959          | \$ 959        | \$ 6,963      | \$ 6,963       | \$ 11,198                  | \$ 7,074                                 | \$ 9,612         | \$ 10,907         | \$ 9,722       | \$ 126,801         | \$ 4,318            | \$ 7,898         | \$ 7,898             | \$ 5,833               | \$ 24,607      | \$ -           | \$ 11,464              | \$ 18,535           | \$ 3,914 | -                                        | \$ 343,121                    |  |
| LIABILITIES AND SHAREHOLDER'S EQUITY                                                       |                                                   |                                                   |                 |               |               |                |                            |                                          |                  |                   |                |                    |                     |                  |                      |                        |                |                |                        |                     |          |                                          |                               |  |
| CURRENT LIABILITIES:                                                                       |                                                   |                                                   |                 |               |               |                |                            |                                          |                  |                   |                |                    |                     |                  |                      |                        |                |                |                        |                     |          |                                          |                               |  |
| Accounts payable                                                                           | \$ 90                                             | \$ 83                                             | \$ 295          | \$ 295        | \$ 173        | \$ 173         | \$ 3,279                   | \$ 182                                   | \$ 182           | \$ 871            | \$ 234         | \$ 4               | \$ 1,313            | \$ 88            | \$ 553               | \$ 320                 | \$ 512         | \$ -           | \$ 122                 | \$ 389              | \$ -     | \$ -                                     | \$ 8,508                      |  |
| Intercompany payable                                                                       | 12,609                                            | 4,463                                             | 1,369           | 1,369         | 10,598        | 10,598         | 15,876                     | 7,044                                    | 7,044            | 670               | 16,423         | 6,415              | 50,045              | 6,637            | 8,963                | 5,935                  | 21,599         | 1,431          | 1,786                  | 19,484              | -        | 84,033                                   | 293,833                       |  |
| Accrued payroll and related costs                                                          | 70                                                | 20                                                | 13              | 13            | 128           | 128            | 1,276                      | 340                                      | 340              | 154               | 607            | 221                | 887                 | 36               | 158                  | 1,523                  | 496            | -              | 193                    | 705                 | -        | -                                        | 6,605                         |  |
| Other accrued liabilities                                                                  | 95                                                | 4                                                 | 31              | 31            | 660           | 660            | 15                         | 519                                      | 519              | 267               | 297            | 221                | 1,555               | 5                | 282                  | 1,032                  | 139            | -              | -                      | 159                 | -        | -                                        | 5,283                         |  |
| Obligations under capital lease, current                                                   | -                                                 | -                                                 | -               | -             | -             | -              | -                          | -                                        | -                | -                 | -              | -                  | -                   | -                | -                    | -                      | -              | -              | -                      | -                   | -        | -                                        | -                             |  |
| Current portion of long-term debt                                                          | -                                                 | -                                                 | -               | -             | -             | -              | -                          | -                                        | -                | -                 | -              | -                  | -                   | -                | -                    | -                      | -              | -              | -                      | -                   | -        | -                                        | -                             |  |
| Total current liabilities                                                                  | 12,864                                            | 4,570                                             | 1,708           | 1,708         | 11,559        | 11,559         | 20,446                     | 8,085                                    | 8,085            | 1,962             | 17,561         | 6,640              | 53,800              | 6,766            | 9,256                | 8,810                  | 24,746         | 1,431          | 2,101                  | 20,737              | -        | -                                        | 314,229                       |  |
| OTHER LONG-TERM LIABILITIES                                                                | 18                                                | -                                                 | -               | -             | 36            | 36             | 3                          | 7                                        | 1                | 80                | 15             | -                  | 78                  | 33               | 1,575                | 2                      | 111            | -              | -                      | -                   | 65       | -                                        | 2,024                         |  |
| DEFERRED TAX LIABILITIES, Net                                                              | -                                                 | -                                                 | -               | -             | -             | -              | -                          | -                                        | -                | -                 | -              | -                  | -                   | -                | -                    | -                      | -              | -              | -                      | -                   | -        | -                                        | -                             |  |
| OBLIGATIONS UNDER CAPITAL LEASE, LESS CURRENT PORTION                                      | -                                                 | -                                                 | -               | -             | -             | -              | -                          | -                                        | -                | -                 | -              | -                  | -                   | -                | -                    | -                      | -              | -              | -                      | -                   | -        | -                                        | -                             |  |
| LONG-TERM DEBT, LESS CURRENT PORTION                                                       | -                                                 | -                                                 | -               | -             | -             | -              | -                          | -                                        | -                | -                 | -              | -                  | -                   | -                | -                    | -                      | -              | -              | -                      | -                   | -        | -                                        | -                             |  |
| COMMITMENTS AND CONTINGENCIES                                                              | -                                                 | -                                                 | -               | -             | -             | -              | -                          | -                                        | -                | -                 | -              | -                  | -                   | -                | -                    | -                      | -              | -              | -                      | -                   | -        | -                                        | -                             |  |
| SHAREHOLDER'S EQUITY (DEFICIT):                                                            |                                                   |                                                   |                 |               |               |                |                            |                                          |                  |                   |                |                    |                     |                  |                      |                        |                |                |                        |                     |          |                                          |                               |  |
| Common stock, \$0.01 per value, 1,000 shares authorized, 100 shares issued and outstanding | -                                                 | -                                                 | -               | -             | -             | -              | -                          | -                                        | -                | -                 | -              | -                  | -                   | -                | -                    | -                      | -              | -              | -                      | -                   | -        | -                                        | -                             |  |
| Additional paid-in capital                                                                 | -                                                 | -                                                 | -               | -             | -             | -              | -                          | -                                        | -                | -                 | -              | -                  | -                   | -                | -                    | -                      | -              | -              | -                      | -                   | -        | -                                        | -                             |  |
| Accumulated other comprehensive loss, net of tax                                           | -                                                 | -                                                 | -               | -             | -             | -              | -                          | -                                        | -                | -                 | -              | -                  | -                   | -                | -                    | -                      | -              | -              | -                      | -                   | -        | -                                        | -                             |  |
| (Accumulated deficit) retained earnings                                                    | (5,827)                                           | (607)                                             | (749)           | (749)         | (4,632)       | (4,632)        | (9,531)                    | (1,477)                                  | (1,477)          | (6,255)           | (8,905)        | (6,526)            | 26,519              | (3,527)          | (3,879)              | (4,345)                | (4,896)        | -              | 6,131                  | (7,033)             | (3,141)  | (7,585)                                  | (5,827)                       |  |
| Total shareholder's equity (deficit)                                                       | (5,827)                                           | (607)                                             | (749)           | (749)         | (4,632)       | (4,632)        | (9,531)                    | (1,477)                                  | (1,477)          | (6,255)           | (8,905)        | (6,526)            | 26,519              | (3,527)          | (3,879)              | (4,345)                | (4,896)        | -              | 6,131                  | (7,033)             | (3,141)  | (7,585)                                  | (5,827)                       |  |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY                                                 | \$ 7,055                                          | \$ 3,063                                          | \$ 959          | \$ 959        | \$ 6,963      | \$ 6,963       | \$ 11,198                  | \$ 7,074                                 | \$ 9,612         | \$ 10,907         | \$ 9,722       | \$ 126,801         | \$ 4,318            | \$ 7,898         | \$ 7,898             | \$ 5,833               | \$ 24,607      | \$ -           | \$ 11,464              | \$ 18,535           | \$ 3,914 | -                                        | \$ 343,121                    |  |

# NATIONAL MENTOR HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATING STATEMENT OF OPERATIONS

YEAR ENDED SEPTEMBER 30, 2012

(Unaudited)

(Amounts in thousands)

|                                                                            | National<br>Mentor<br>Services, LLC | National<br>Mentor<br>Healthcare, LLC | First Step<br>Independent Living<br>Program, Inc. | Herrigan Cole<br>Enterprises,<br>Inc. | Illinois<br>Mentor, Inc. | Massachusetts<br>Mentor, Inc. | Mentor<br>ABI, LLC | Ohio<br>Mentor, Inc. | South<br>Carolina<br>Mentor, Inc. | Central<br>Office | Elimination | Other | Consolidated<br>Totals |
|----------------------------------------------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------------------|---------------------------------------|--------------------------|-------------------------------|--------------------|----------------------|-----------------------------------|-------------------|-------------|-------|------------------------|
| NET REVENUE                                                                | \$468,595                           | \$454,249                             | \$3,410                                           | \$22,548                              | \$14,881                 | \$25,683                      | \$119,647          | \$3,313              | \$19,339                          | \$ 16             | \$(2,068)   | \$ -  | \$1,129,631            |
| COST OF REVENUE (EXCLUSIVE OF DEPRECIATION EXPENSE SHOWN SEPARATELY BELOW) | 371,506                             | 355,430                               | 2,623                                             | 19,135                                | 9,651                    | 21,103                        | 83,568             | 1,709                | 15,640                            | 1,899             | (2,068)     | -     | 880,196                |
| OPERATING EXPENSES:                                                        |                                     |                                       |                                                   |                                       |                          |                               |                    |                      |                                   |                   |             |       |                        |
| General and administrative                                                 | 24,919                              | 38,894                                | 15                                                | 175                                   | 1,680                    | 2,127                         | 12,697             | 385                  | 1,135                             | 58,797            | -           | -     | 140,844                |
| General and administrative — central support allocation                    | 23,755                              | 25,941                                | 431                                               | 2,890                                 | 977                      | 1,604                         | 5,271              | 165                  | 1,124                             | (62,158)          | -           | -     | -                      |
| Depreciation and amortization                                              | 20,410                              | 21,665                                | 373                                               | 625                                   | 2,875                    | 462                           | 11,443             | 204                  | 723                               | 2,651             | -           | -     | 61,831                 |
| Total operating expenses (income)                                          | 69,504                              | 86,500                                | 819                                               | 3,690                                 | 5,532                    | 4,193                         | 29,411             | 754                  | 2,982                             | (710)             | -           | -     | 202,675                |
| INCOME (LOSS) FROM OPERATIONS                                              | 27,583                              | 12,319                                | (32)                                              | (277)                                 | (302)                    | 387                           | 6,668              | 850                  | 717                               | (1,173)           | -           | -     | 46,740                 |
| OTHER INCOME (EXPENSE):                                                    |                                     |                                       |                                                   |                                       |                          |                               |                    |                      |                                   |                   |             |       |                        |
| Management fee of related party                                            | (595)                               | (493)                                 | (4)                                               | (26)                                  | (17)                     | (28)                          | (122)              | (3)                  | (21)                              | (106)             | -           | -     | (1,325)                |
| Other (expense) income, net                                                | (163)                               | 110                                   | -                                                 | -                                     | -                        | -                             | 75                 | -                    | 7                                 | 172               | -           | -     | 1                      |
| Extinguishment of debt                                                     | -                                   | -                                     | -                                                 | -                                     | -                        | -                             | -                  | -                    | -                                 | -                 | -           | -     | -                      |
| Gain from available for sale investment security                           | -                                   | -                                     | -                                                 | -                                     | -                        | -                             | -                  | -                    | -                                 | -                 | -           | -     | -                      |
| Interest income                                                            | 127                                 | 123                                   | 1                                                 | 6                                     | 4                        | 7                             | 38                 | 1                    | 5                                 | 20                | -           | -     | 332                    |
| Interest income from related party                                         | -                                   | -                                     | -                                                 | -                                     | -                        | -                             | -                  | -                    | -                                 | -                 | -           | -     | -                      |
| Interest expense                                                           | (32,806)                            | (32,437)                              | (256)                                             | (1,639)                               | (1,095)                  | (1,827)                       | (7,858)            | (177)                | (1,341)                           | (9)               | -           | -     | (79,445)               |
| (LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX                 | (5,964)                             | (20,378)                              | (291)                                             | (1,936)                               | (1,410)                  | (1,461)                       | (1,199)            | 671                  | (633)                             | (1,096)           | -           | -     | (33,697)               |
| (BENEFIT) PROVISION FOR INCOME TAXES                                       | (3,505)                             | (11,754)                              | (168)                                             | (1,117)                               | (814)                    | (843)                         | (692)              | 387                  | (365)                             | (630)             | -           | -     | (19,501)               |
| (LOSS) INCOME FROM CONTINUING OPERATIONS                                   | (2,459)                             | (8,624)                               | (123)                                             | (819)                                 | (596)                    | (618)                         | (507)              | 284                  | (268)                             | (466)             | -           | -     | (14,196)               |
| LOSS (BENEFIT) FROM DISCONTINUED OPERATIONS, Net of tax                    | 80                                  | (264)                                 | -                                                 | -                                     | -                        | -                             | -                  | -                    | -                                 | -                 | -           | -     | (184)                  |
| NET (LOSS) INCOME                                                          | \$(2,379)                           | \$(8,888)                             | \$(123)                                           | \$(819)                               | \$(596)                  | \$(618)                       | \$(507)            | \$ 284               | \$(268)                           | \$(466)           | \$ -        | \$ -  | \$(14,380)             |

AT 3C

14.5

**NATIONAL MENTOR HOLDINGS, INC. AND SUBSIDIARIES**  
**NATIONAL MENTOR HEALTHCARE, LLC AND AFFILIATES**

**CONSOLIDATING STATEMENT OF OPERATIONS**

AS OF SEPTEMBER 30, 2012

(Unaudited)

(Amounts in thousands)

|                                                                               | Alabama<br>Mentor | Arizona<br>Mentor | California<br>Mentor | California<br>Family Home<br>Agency, LLC | CrestMentor,<br>LLC | Connections<br>Living Skills, Inc. | Oklahoma<br>Mentor | Florida<br>Mentor | Georgia<br>Mentor | Indiana<br>Mentor | Indiana<br>Supported<br>Living | Institute<br>of Family<br>Centers<br>Services, Inc. | Louisiana<br>Mentor | Loyola<br>Liberty<br>Home, Inc. | Mentor<br>Maryland, Inc. | New<br>Hampshire<br>Mentor | New<br>Jersey<br>Mentor | North<br>Carolina<br>Mentor | Oklahoma<br>Mentor | Pennsylvania<br>Mentor | Rockstar<br>Child<br>Development<br>Services, Inc. | Rhode<br>Island<br>Mentor | Texas<br>Mentor | Transitional<br>Services, LLC | Unlimited<br>Quest, Inc. | Other  | National<br>Mentor<br>Healthcare, LLC |
|-------------------------------------------------------------------------------|-------------------|-------------------|----------------------|------------------------------------------|---------------------|------------------------------------|--------------------|-------------------|-------------------|-------------------|--------------------------------|-----------------------------------------------------|---------------------|---------------------------------|--------------------------|----------------------------|-------------------------|-----------------------------|--------------------|------------------------|----------------------------------------------------|---------------------------|-----------------|-------------------------------|--------------------------|--------|---------------------------------------|
| NET REVENUE                                                                   | \$10,096          | \$41,072          | \$39,558             | \$5,966                                  | \$65,819            | \$1,870                            | \$4,021            | \$56,526          | \$18,242          | \$2,853           | \$21,698                       | \$27,121                                            | \$3,068             | \$9,465                         | \$18,491                 | \$-                        | \$11,825                | \$37,629                    | \$-                | \$29,564               | \$-                                                | \$3,575                   | \$10,438        | \$9,169                       | \$4,262                  | \$20   | \$184,210                             |
| COST OF REVENUE (EXCLUSIVE OF DEPRECIATION<br>EXPENSE SHOWN SEPARATELY BELOW) | 6,266             | 35,691            | 32,399               | 5,991                                    | 47,088              | 1,702                              | 3,165              | 45,595            | 15,157            | 2,278             | 19,109                         | 19,358                                              | 2,459               | 8,019                           | 13,086                   | -                          | 21,452                  | 30,346                      | -                  | 23,522                 | -                                                  | 3,575                     | 8,597           | 7,567                         | 3,325                    | 3      | 335,410                               |
| OPERATING EXPENSES:                                                           |                   |                   |                      |                                          |                     |                                    |                    |                   |                   |                   |                                |                                                     |                     |                                 |                          |                            |                         |                             |                    |                        |                                                    |                           |                 |                               |                          |        |                                       |
| General and administrative                                                    | 1,034             | 1,945             | 3,816                | 266                                      | 7,349               | 32                                 | 170                | 3,490             | 1,644             | 434               | 1,011                          | 6,041                                               | 357                 | 178                             | 1,436                    | -                          | 1,621                   | 3,764                       | -                  | 2,691                  | -                                                  | -                         | 721             | 366                           | 19                       | 7      | 38,894                                |
| Depreciation and amortization                                                 | 581               | 2,324             | (1,977)              | 211                                      | 2,953               | 256                                | 225                | 3,364             | 1,297             | 205               | 2,339                          | 1,813                                               | 206                 | 1,202                           | 1,013                    | -                          | 1,706                   | 2,394                       | -                  | 1,762                  | -                                                  | 286                       | 677             | 971                           | 552                      | 1      | 25,941                                |
| Central support allocation                                                    | 744               | 2,981             | 1,297                | 40                                       | 2,946               | 112                                | 98                 | 1,570             | 1,316             | 112               | 486                            | 1,141                                               | 44                  | 384                             | 1,380                    | -                          | 2,013                   | 1,331                       | -                  | 1,076                  | -                                                  | 967                       | 135             | 946                           | 409                      | 15     | 21,665                                |
| Total operating expenses                                                      | 2,359             | 7,170             | 4,716                | 517                                      | 13,248              | 400                                | 493                | 8,424             | 4,257             | 751               | 3,836                          | 8,995                                               | 607                 | 1,964                           | 3,829                    | -                          | 5,342                   | 7,489                       | -                  | 5,539                  | -                                                  | 1,755                     | 1,531           | 2,283                         | 880                      | 23     | 86,500                                |
| INCOME (LOSS) FROM OPERATIONS                                                 | 1,871             | (1,269)           | 2,443                | 458                                      | 5,483               | (212)                              | 363                | 2,597             | (1,172)           | (176)             | (1,247)                        | (1,412)                                             | 2                   | (518)                           | 1,579                    | -                          | 5,031                   | (206)                       | -                  | 513                    | -                                                  | (1,277)                   | 338             | (681)                         | (243)                    | (6)    | 12,319                                |
| OTHER INCOME (EXPENSE):                                                       |                   |                   |                      |                                          |                     |                                    |                    |                   |                   |                   |                                |                                                     |                     |                                 |                          |                            |                         |                             |                    |                        |                                                    |                           |                 |                               |                          |        |                                       |
| Gain from sale of investment security                                         | -                 | (10)              | (43)                 | -                                        | (68)                | (2)                                | (4)                | (63)              | (22)              | (3)               | (26)                           | (33)                                                | -                   | (1)                             | (19)                     | -                          | (30)                    | (42)                        | -                  | (33)                   | -                                                  | (5)                       | (11)            | (12)                          | (5)                      | -      | (483)                                 |
| Extinguishment of debt                                                        | -                 | -                 | -                    | -                                        | -                   | -                                  | -                  | -                 | -                 | -                 | -                              | -                                                   | -                   | -                               | -                        | -                          | -                       | -                           | -                  | -                      | -                                                  | -                         | -               | -                             | (1)                      | -      | 110                                   |
| Gain from available for sale investment security                              | -                 | -                 | -                    | -                                        | -                   | -                                  | -                  | -                 | -                 | -                 | -                              | -                                                   | -                   | -                               | -                        | -                          | -                       | -                           | -                  | -                      | -                                                  | -                         | -               | -                             | -                        | -      | -                                     |
| Interest income from related party                                            | -                 | 2                 | 11                   | -                                        | 17                  | 1                                  | 1                  | 16                | 5                 | 1                 | 7                              | 8                                                   | -                   | 3                               | 4                        | -                          | 8                       | 11                          | -                  | 8                      | -                                                  | 1                         | 3               | 3                             | 1                        | -      | 123                                   |
| Interest expense                                                              | (620)             | (3,019)           | (2,283)              | -                                        | (4,659)             | (135)                              | (255)              | (4,026)           | (1,382)           | (220)             | (1,671)                        | (2,057)                                             | (221)               | (751)                           | (1,209)                  | -                          | (1,944)                 | (2,727)                     | -                  | (2,103)                | -                                                  | (325)                     | (721)           | (755)                         | (321)                    | (2)    | (32,437)                              |
| INCOME (LOSS) FROM CONTINUING OPERATIONS<br>BEFORE INCOME TAXES               | 1,240             | (4,231)           | (872)                | 458                                      | 773                 | (388)                              | 104                | (1,454)           | (2,327)           | (398)             | (2,393)                        | (3,524)                                             | (222)               | (1,277)                         | 371                      | -                          | 3,069                   | (2,964)                     | -                  | (1,604)                | -                                                  | (1,566)                   | (391)           | (1,447)                       | (569)                    | (7)    | (20,378)                              |
| PROVISION (BENEFIT) FOR INCOME TAXES                                          | 717               | (2,453)           | (953)                | 264                                      | 446                 | (224)                              | 60                 | (839)             | (1,458)           | (230)             | (2,090)                        | (2,033)                                             | (128)               | (737)                           | 214                      | -                          | 1,771                   | (1,314)                     | -                  | (926)                  | -                                                  | (903)                     | (225)           | (835)                         | (328)                    | -      | (11,754)                              |
| INCOME (LOSS) FROM CONTINUING OPERATIONS                                      | 523               | (1,798)           | (1,669)              | 194                                      | 327                 | (164)                              | 44                 | (615)             | (1,069)           | (168)             | (843)                          | (1,491)                                             | (94)                | (340)                           | 157                      | -                          | 1,298                   | (1,650)                     | -                  | (678)                  | -                                                  | (663)                     | (166)           | (612)                         | (241)                    | (7)    | (8,624)                               |
| LOSS FROM DISCONTINUED OPERATIONS, Net of tax                                 | -                 | -                 | -                    | -                                        | -                   | -                                  | -                  | -                 | -                 | -                 | -                              | -                                                   | -                   | -                               | -                        | -                          | -                       | -                           | -                  | -                      | (264)                                              | -                         | -               | -                             | -                        | -      | (264)                                 |
| NET INCOME (LOSS)                                                             | \$ 326            | \$(1,798)         | \$(1,669)            | \$ 194                                   | \$ 327              | \$(164)                            | \$ 44              | \$(615)           | \$(1,069)         | \$(168)           | \$(843)                        | \$(1,491)                                           | \$(94)              | \$(340)                         | \$ 157                   | \$ -                       | \$ 1,298                | \$(1,650)                   | \$ -               | \$(678)                | \$(264)                                            | \$(663)                   | \$(166)         | \$(612)                       | \$(241)                  | \$(17) | \$(8,888)                             |

NATIONAL MENTOR HOLDINGS, INC. AND SUBSIDIARIES  
NATIONAL MENTOR SERVICES, LLC

CONSOLIDATING STATEMENT OF OPERATIONS  
YEAR ENDED SEPTEMBER 30, 2012  
(Unaudited)

(Amounts in thousands)

|                                                                               | Family<br>Advocacy<br>Services,<br>LLC -<br>d.b.a. FAS<br>Maryland | Family<br>Advocacy<br>Services,<br>LLC -<br>d.b.a. FAS<br>Virginia | Missouri<br>Mentor | Nebraska<br>Mentor | MENTOR<br>Oregon | REM<br>Colorado,<br>Inc. | REM<br>Community<br>Options,<br>LLC | REM<br>Connecticut<br>Community<br>Services,<br>Inc. | REM<br>Indiana,<br>Inc. | REM<br>Iowa,<br>Inc. | REM<br>Maryland,<br>Inc. | REM<br>Minnesota,<br>Inc. | REM<br>Nebraska,<br>Inc. | REM<br>New Jersey,<br>Inc. | REM<br>North<br>Dakota,<br>Inc. | REM<br>Ohio,<br>Inc. | REM<br>Utah,<br>Inc. | REM<br>West<br>Virginia,<br>LLC | REM<br>Wisconsin,<br>Inc. | REM<br>Elimination<br>Company | National<br>Mentor<br>Services,<br>LLC |
|-------------------------------------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------|--------------------|--------------------|------------------|--------------------------|-------------------------------------|------------------------------------------------------|-------------------------|----------------------|--------------------------|---------------------------|--------------------------|----------------------------|---------------------------------|----------------------|----------------------|---------------------------------|---------------------------|-------------------------------|----------------------------------------|
| NET REVENUE                                                                   | \$ 5,490                                                           | \$2,401                                                            | \$7,280            | \$ -               | \$20,093         | \$ -                     | \$70,500                            | \$15,766                                             | \$18,812                | \$31,691             | \$ -                     | \$166,135                 | \$5,467                  | \$5,297                    | \$20,334                        | \$43,055             | \$ -                 | \$9,197                         | \$47,075                  | \$ -                          | \$468,593                              |
| COST OF REVENUE (EXCLUSIVE OF DEPRECIATION<br>EXPENSE SHOWN SEPARATELY BELOW) | 4,849                                                              | 1,845                                                              | 6,202              | -                  | 16,889           | -                        | 53,574                              | 13,087                                               | 15,698                  | 26,717               | -                        | 124,313                   | 4,628                    | 5,570                      | 17,918                          | 36,222               | -                    | 5,957                           | 38,034                    | 3                             | 371,506                                |
| OPERATING EXPENSES:                                                           |                                                                    |                                                                    |                    |                    |                  |                          |                                     |                                                      |                         |                      |                          |                           |                          |                            |                                 |                      |                      |                                 |                           |                               |                                        |
| General and administrative                                                    | 378                                                                | 121                                                                | 354                | -                  | 1,710            | -                        | 2,789                               | 590                                                  | 1,546                   | 1,977                | -                        | 7,664                     | 387                      | 610                        | 755                             | 2,919                | -                    | 511                             | 2,588                     | -                             | 24,919                                 |
| General and administrative - Central support allocation                       | 412                                                                | 146                                                                | 470                | -                  | 1,267            | -                        | 3,250                               | 958                                                  | (401)                   | 1,748                | -                        | 8,326                     | 313                      | 458                        | 1,156                           | 2,431                | -                    | 768                             | 2,453                     | -                             | 23,755                                 |
| Depreciation and amortization                                                 | 958                                                                | 329                                                                | 34                 | -                  | 925              | -                        | 710                                 | 547                                                  | 717                     | 880                  | -                        | 10,040                    | 296                      | 726                        | 378                             | 2,116                | -                    | 734                             | 1,420                     | -                             | 20,810                                 |
| Total operating expenses                                                      | 1,748                                                              | 596                                                                | 858                | -                  | 3,922            | -                        | 6,749                               | 2,095                                                | 1,862                   | 4,605                | -                        | 26,030                    | 996                      | 1,794                      | 2,289                           | 7,486                | -                    | 2,013                           | 6,461                     | -                             | 69,504                                 |
| INCOME (LOSS) FROM OPERATIONS                                                 | (1,107)                                                            | (40)                                                               | 220                | -                  | (718)            | -                        | 10,177                              | 584                                                  | 1,252                   | 369                  | -                        | 15,792                    | (157)                    | (2,067)                    | 127                             | (653)                | -                    | 1,227                           | 2,580                     | (3)                           | 27,583                                 |
| OTHER INCOME (EXPENSE):                                                       |                                                                    |                                                                    |                    |                    |                  |                          |                                     |                                                      |                         |                      |                          |                           |                          |                            |                                 |                      |                      |                                 |                           |                               |                                        |
| Management fee of related party                                               | (8)                                                                | (3)                                                                | (8)                | -                  | (23)             | -                        | (72)                                | (17)                                                 | (21)                    | (16)                 | -                        | (170)                     | (6)                      | (8)                        | (24)                            | (49)                 | -                    | (10)                            | (50)                      | -                             | (505)                                  |
| Other expense, net                                                            | 3                                                                  | -                                                                  | -                  | -                  | 10               | -                        | -                                   | -                                                    | 17                      | (6)                  | -                        | (5)                       | (310)                    | -                          | 4                               | (89)                 | 10                   | -                               | 3                         | -                             | (163)                                  |
| Extinguishment of debt                                                        | -                                                                  | -                                                                  | -                  | -                  | -                | -                        | -                                   | -                                                    | -                       | -                    | -                        | -                         | -                        | -                          | -                               | -                    | -                    | -                               | -                         | -                             | -                                      |
| Gain from available for sale investment security                              | -                                                                  | -                                                                  | -                  | -                  | -                | -                        | -                                   | -                                                    | -                       | -                    | -                        | -                         | -                        | -                          | -                               | -                    | -                    | -                               | -                         | -                             | -                                      |
| Interest income                                                               | 2                                                                  | 1                                                                  | 2                  | -                  | 6                | -                        | 18                                  | 4                                                    | 5                       | 9                    | -                        | 43                        | 2                        | 2                          | 6                               | 12                   | -                    | 2                               | 13                        | -                             | 127                                    |
| Interest income from related party                                            | -                                                                  | -                                                                  | -                  | -                  | -                | -                        | -                                   | -                                                    | -                       | -                    | -                        | (10,953)                  | (408)                    | (512)                      | (1,518)                         | (3,164)              | -                    | (619)                           | (3,444)                   | -                             | (32,806)                               |
| Interest expense                                                              | (495)                                                              | (174)                                                              | (500)              | -                  | (1,506)          | -                        | (4,615)                             | (1,228)                                              | (1,363)                 | (2,300)              | -                        | (10,953)                  | (408)                    | (512)                      | (1,518)                         | (3,164)              | -                    | (619)                           | (3,444)                   | -                             | (32,806)                               |
| (LOSS) INCOME FROM CONTINUING OPERATIONS<br>BEFORE INCOME TAXES               | (1,605)                                                            | (216)                                                              | (286)              | -                  | (2,231)          | -                        | 5,508                               | (657)                                                | (110)                   | (1,964)              | -                        | 4,707                     | (879)                    | (2,592)                    | (1,405)                         | (3,943)              | 10                   | 600                             | (898)                     | (3)                           | (5,964)                                |
| (BENEFIT) PROVISION FOR INCOME TAXES                                          | (926)                                                              | (125)                                                              | (165)              | -                  | (1,287)          | -                        | 3,178                               | (379)                                                | (192)                   | (1,133)              | (200)                    | 2,756                     | (407)                    | (857)                      | (1,322)                         | (2,274)              | -                    | 346                             | (518)                     | -                             | (3,505)                                |
| (LOSS) INCOME FROM CONTINUING OPERATIONS                                      | (679)                                                              | (91)                                                               | (121)              | -                  | (944)            | -                        | 2,330                               | (278)                                                | 82                      | (831)                | 200                      | 1,951                     | (472)                    | (1,735)                    | (83)                            | (1,669)              | 10                   | 254                             | (380)                     | (3)                           | (2,459)                                |
| (LOSS) INCOME FROM DISCONTINUED<br>OPERATIONS, Net of tax                     | -                                                                  | -                                                                  | -                  | -                  | -                | (1)                      | -                                   | -                                                    | -                       | -                    | (53)                     | -                         | 91                       | -                          | -                               | -                    | -                    | -                               | -                         | -                             | 80                                     |
| NET (LOSS) INCOME                                                             | (679)                                                              | (91)                                                               | (121)              | \$ -               | (944)            | \$ (1)                   | \$ 2,330                            | \$ (278)                                             | \$ 82                   | \$ (831)             | \$ 147                   | \$ 1,951                  | \$ (381)                 | \$ (1,735)                 | \$ (83)                         | \$ (1,669)           | \$ 10                | \$ 254                          | \$ (380)                  | \$ (3)                        | \$ (2,379)                             |

## NATIONAL MENTOR HOLDINGS, INC. AND SUBSIDIARIES

### NOTES TO SUPPLEMENTAL CONSOLIDATING INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2012

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The Central Office consolidating column is comprised of National Mentor Holdings, Inc. activity that is not allocated to the subsidiaries.

Certain general and administrative expenses (as defined below) and the management fee (see Note 13) have been allocated to each of the subsidiaries of the Company based on the percentage of each subsidiary's total costs (cost of revenues and operating expenses) to the Company's total costs. These are determined as of an interim date during each respective period. This allocation is reflected as either (i) general and administrative expenses — central support allocation; or (ii) management fee of related party. The general and administrative expenses allocated represent administrative support services provided to the subsidiaries of the

Company, including executive management, accounting, marketing, information technology, public relations, human resource advisory, and new business development research and operating support services, including integration and coordination of clinical services, strategic programmatic advisory, programmatic staff training, and staff advisory.

Interest income has been allocated to each one of the subsidiaries of the Company based on the percentage of each subsidiary's total costs to the Company's total costs as defined above.

Interest expense (see Note 10 to the consolidated financial statements) has been allocated to each of the subsidiaries of the Company based on the percentage of each subsidiary's total costs to the Company's total costs as defined above.

Income tax expense (benefit) has been calculated for the subsidiaries of the Company at the consolidated rate.

ATTACHMENT 3C

Fiscal Year end September 30  
(amounts in thousands)

NMHH Holdings, Inc. - Parent

Cash and cash equivalents

note: majority of cash 'swept' daily and held by Central Office

|  | NMHH, Inc.<br>FY10 | NMHH, Inc.<br>FY11 | NMHH, Inc.<br>FY12 | NMHH, Inc.<br>FY14 |
|--|--------------------|--------------------|--------------------|--------------------|
|  | 27,494             | 51,199             | 51,134             | 66,730             |

This project will be financed by cash only.

NMHH Holdings, Inc. - Parent

Days Cash on Hand

Operating Expense

Depreciation Expense

Op Exp minus Depreciation

Divided by 365

|                           | NMHH, Inc.<br>FY10 | NMHH, Inc.<br>FY11 | NMHH, Inc.<br>FY12 | NMHH, Inc.<br>FY14 |
|---------------------------|--------------------|--------------------|--------------------|--------------------|
| Days Cash on Hand         | 11.8               | 20.5               | 19.5               | 25.5               |
| Operating Expense         | 910,387            | 973,548            | 1,021,040          | 1,017,245          |
| Depreciation Expense      | 56,413             | 61,901             | 61,831             | 63,138             |
| Op Exp minus Depreciation | 853,974            | 911,647            | 959,209            | 954,107            |
| Divided by 365            | 2,340              | 2,498              | 2,628              | 2,614              |

| CCS, Inc.                                             |         |         |         |         |
|-------------------------------------------------------|---------|---------|---------|---------|
| Assets                                                | FY10    | FY11    | FY12    | FY14    |
| Current assets                                        |         |         |         |         |
| Cash and cash equivalents                             | 100     | 23      | 38      | 27      |
| Restricted cash                                       | -       | 6       | 5       | 5       |
| Accounts receivable, net of allowance                 | 22,360  | 30,601  | 35,044  | 28,831  |
| Deferred tax assets, net                              | 0       | 0       | 0       | 0       |
| Intercompany receivables                              | 0       | 0       | 0       | 0       |
| Prepaid expenses and other current assets             | 193     | 268     | 451     | 296     |
| Total current assets                                  | 22,653  | 30,898  | 35,538  | 29,159  |
| Property and equipment, net                           | 17,509  | 18,530  | 20,533  | 21,784  |
| Intangible assets, net                                | 68,456  | 65,720  | 65,365  | 59,954  |
| Goodwill                                              | 8,587   | 13,789  | 33,868  | 33,909  |
| Other assets                                          | 1,272   | 2,399   | 4,749   | 4,370   |
| Total assets                                          | 118,477 | 131,336 | 160,053 | 149,176 |
| Liabilities and shareholder's (deficit) equity        |         |         |         |         |
| Current liabilities:                                  |         |         |         |         |
| Accounts payable                                      | 1,738   | 2,020   | 2,620   | 2,294   |
| Intercompany payables                                 | 70,418  | 83,345  | 111,657 | 104,353 |
| Accrued payroll and related costs                     | 1,600   | 1,386   | 2,292   | 883     |
| Other accrued liabilities                             | 2,013   | 2,842   | 2,277   | 2,037   |
| Obligations under capital lease, current              | 30      | 0       | 0       | 0       |
| Current portion of long-term debt                     | 0       | 0       | 0       | 0       |
| Total current liabilities                             | 75,799  | 89,593  | 118,846 | 109,567 |
| Other long-term liabilities                           | 1,183   | 1,182   | 1,184   | 1,111   |
| Deferred tax liabilities, net                         | 0       | 0       | 0       | 0       |
| Obligations under capital lease, less current portion | 12      | 0       | 0       | 0       |
| Long-term debt, less current portion                  | 0       | 0       | 0       | 0       |
| Commitments and contingencies                         | 0       | 0       | 0       | 0       |
| Shareholder's (deficit) equity                        |         |         |         |         |
| Common stock                                          | 0       | 0       | 0       | 0       |
| Parent Company Equity                                 | 0       | 0       | 0       | 0       |
| Additional paid-in capital                            | 10,893  | 10,893  | 10,893  | 10,893  |
| Accumulated other comprehensive loss, net of tax      | 0       | 0       | 0       | 0       |
| (Accumulated deficit) retained earnings               | 30,590  | 29,668  | 29,130  | 27,605  |
| Total shareholder's (deficit) equity                  | 41,483  | 40,561  | 40,023  | 38,498  |
| Total liabilities and shareholder's (deficit) equity  | 118,477 | 131,336 | 160,053 | 149,176 |

|                        | CCS, Inc.<br>FY10 | CCS, Inc.<br>FY11 | CCS, Inc.<br>FY12 | CCS, Inc.<br>FY14 |
|------------------------|-------------------|-------------------|-------------------|-------------------|
| Current Ratio          | 1.6               | 1.5               | 1.3               | 1.4               |
| Net Margin             | 1.2%              | -1.2%             | -0.4%             | -1.7%             |
| Debt to Capitalization |                   |                   | No long term debt |                   |
| Debt Service Coverage  |                   |                   | No long term debt |                   |
| Cushion Ratio          |                   |                   | No long term debt |                   |

|                               | NMHH Holdings, Inc. - Parent<br>FY10 | NMHH, Inc.<br>FY11 | NMHH, Inc.<br>FY12 | NMHH, Inc.<br>FY14 |
|-------------------------------|--------------------------------------|--------------------|--------------------|--------------------|
| Cost of revenues              | 776,656                              | 829,032            | 880,196            | 871,591            |
| General and administrative    | 133,731                              | 144,516            | 140,844            | 145,654            |
| Depreciation and amortization | 56,413                               | 61,901             | 61,831             | 63,138             |

|                                              | CCS, Inc.<br>FY10 | CCS, Inc.<br>FY11 | CCS, Inc.<br>FY12 | CCS, Inc.<br>FY14 |
|----------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Net revenues                                 | 83,929            | 113,519           | 119,647           | 134,124           |
| Cost of revenues                             | 56,301            | 79,913            | 83,568            | 96,534            |
| Gross profit                                 | 27,628            | 33,606            | 36,079            | 37,590            |
| Operating expenses:                          |                   |                   |                   |                   |
| General and administrative                   | 11,700            | 12,628            | 12,697            | 14,391            |
| G&A - Central support allocation             | 3,660             | 4,812             | 5,271             | 5,717             |
| Stock Option settlement                      |                   |                   |                   |                   |
| Transaction costs                            |                   |                   |                   |                   |
| Depreciation and amortization                | 7,077             | 10,784            | 11,443            | 12,411            |
| Total operating expenses                     | 22,437            | 28,224            | 29,411            | 32,519            |
| Income (loss) from operations                | 5,191             | 5,382             | 6,668             | 5,071             |
| Other income (expense):                      |                   |                   |                   |                   |
| Management fee of related party              | (86)              | (128)             | (122)             | (132)             |
| Other (expense) income, net                  | 11                | -300              | 75                | 81                |
| Interest income                              | 3                 | 2                 | 38                | 41                |
| Interest expense                             | (3,503)           | (7,013)           | (7,859)           | (8,523)           |
| Income from continuing ops before income tax | 1,616             | (2,057)           | (1,199)           | (3,462)           |
| Provision (benefit) for income taxes         | 621               | (700)             | (692)             | (1,177)           |
| (Loss) income from continuing operations     | 995               | (1,357)           | (507)             | (2,285)           |
| Loss from discontinued operations            | 0                 | 0                 | 0                 | 0                 |
| Net (loss) income                            | 995               | (1,357)           | (507)             | (2,285)           |

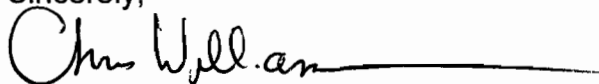
Calculation of Financial Viability Ratios

|               | CCS, Inc.<br>FY10 | CCS, Inc.<br>FY11 | CCS, Inc.<br>FY12 | CCS, Inc.<br>FY14 |
|---------------|-------------------|-------------------|-------------------|-------------------|
| Current Ratio | 118,477           | 131,336           | 160,053           | 149,176           |
|               | 75,799            | 89,593            | 118,846           | 109,567           |
| Net Margin    | 995               | (1,357)           | (507)             | (2,285)           |
|               | 83,929            | 113,519           | 119,647           | 134,124           |

## REASONABLENESS OF FINANCIAL ARRANGEMENTS

- 1) The letter is to attest that all estimated project and related costs will be funded in total cash and equivalents through Center for Comprehensive Services, Inc and MENTOR ABI, LLC

Sincerely,



Chris Williamson, MS

VP of Central Region



Notarized

"OFFICIAL SEAL"  
David J. McCabe  
Notary Public, State of Illinois  
Commission Expires 6-18-2016

ATTACHMENT 39

**NR - Palatine  
FIRST FULL YEAR OF OPERATION**

**PROJECTED OPERATING COSTS**

|              |       |
|--------------|-------|
| Bed capacity | 5     |
| Placements:  | 4.5   |
| Patient Days | 1,643 |

|                            |           |
|----------------------------|-----------|
| Direct salary and benefits | 1,042,412 |
| Supplies                   | 42,125    |
| TOTAL                      | 1,084,536 |

|                                              |           |
|----------------------------------------------|-----------|
| Operating cost per patient day               | \$ 660.30 |
| (Direct salary, benefits and supplies, only) |           |

**PROJECTED CAPITAL COSTS**

|                               |        |
|-------------------------------|--------|
| Interest expense              | 8,501  |
| Depreciation and Amortization | 48,965 |
| TOTAL                         | 57,466 |

|                                      |           |
|--------------------------------------|-----------|
| Facility capital cost per day        | \$ 157.44 |
| Project capital cost per patient day | \$ 34.99  |

\* for inpatient/residential units, unadjusted patient days are used

## SAFETY NET IMPACT STATEMENT

Community –based residential rehabilitation centers do not provide acute care services. The proposed facility, however, will be Center for Comprehensive Services, Inc., second group home.

The co-applicants operate two of Illinois IDPH-licensed community-based residential rehabilitation center, Center for Comprehensive Services-Carbondale and Center for Comprehensive Services-Des Plaines. Identified below is the amount of Medicaid services provided by those facilities, during each of the last three fiscal years:

|        |            |
|--------|------------|
| FY2012 | 17,938,933 |
| FY2011 | 18,946,351 |
| FY2010 | 18,010,234 |

Medicaid services increased by nearly 12% over the past two years.

Center for Comprehensive Services, Inc does have a mechanism to track Charity Care. The amounts over the following years are FY12 183,480, FY11 \$198,175, and FY10 \$295,586. These amounts reflect care provided to individuals unable to pay due to an indigent status.

In addition, the co-applicants work closely with the United States Veteran's Administration on programming for military personnel acquiring traumatic brain injuries through active service. Last, and due in major part to CCS's unique programming, the Carbondale center serves as a research site for a variety of studies, offers joint programs with Southern Illinois University, and provides externship opportunities for a number of area universities.

**Attachment 40**

Safety Net Information per PA 96-0031

**CHARITY CARE**

Charity (# of patients)

FY12 FY11 FY10

Inpatient

5

4

4

Outpatient

residential program

Total

5

4

4

Charity (cost in dollars)

Inpatient \$ 183,480 \$ 190,248 \$ 283,763

Outpatient residential program

Total \$ 183,480 \$ 190,248 \$ 283,763

**MEDICAID**

Medicaid (# of patients)

FY10

Inpatient

79

85

81

Outpatient

residential program

Total

79

85

81

Medicaid (revenue)

Inpatient \$ 17,939,933 \$ 18,946,351 \$ 18,010,234

Outpatient residential program

Total \$ 17,939,933 \$ 18,946,351 \$ 18,010,234

**Attachment 41****CHARITY CARE**

Net Patient Revenue

\$ 26,202,247

\$ 28,918,833

\$ 29,062,456

Amount of Charity Care (charges)

\$ 183,480

\$ 198,175

\$ 295,586

Cost of Charity Care

\$ 176,141

\$ 190,248

\$ 283,763

includes direct and indirect expenses