E-059-16

ORIGINAL

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR EXEMPTION FOR THE
CHANGE OF OWNERSHIP FOR AN EXISTING HEALTH CARE FACILITY

RECEIVED

OCT 1 7 2016

HEALTH FACILITIES & SERVICES REVIEW BOARD

1. **INFORMATION FOR EXISTING FACILITY**

Current Facility Name Foot and Ankle Surgery Facility dba Regenerative Surgery Center
Address 1455 Golf Road Suite 134
City Des Plaines Zip Code 60016 County Cook
Name of current licensed entity for the facility Foot and Ankle Surgery Facility
Does the current licensee: own this facility ______ OR lease this facility X (if leased, check if sublease ☐)
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
______ Not-for-Profit Corporation X For Profit Corporation ______ Partnership ______ Governmental
______ Limited Liability Company ______ Other, specify ______
Illinois State Senator for the district where the facility is located: Sen. Laura M. Murphy
State Senator District Number 28 Mailing address of the State Senator 350 S. Northwest Highway Suite 300 Park Ridge, IL 60068
Illinois State Representative for the district where the facility is located: Rep. Martin J. Moylan
State Representative District Number 55 Mailing address of the State Representative 24 S. Des Plaines River Rd. Suite 400 Des Plaines, IL 60068

2. **OUTSTANDING PERMITS.** Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes ☐ No ☑. If yes, refer to Section 1130.520(f), and indicate the projects by Project # ______

3. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).

Exact Legal Name of Applicant: Northwest Community Health Services, Inc.
Address 800 West Central Road
City, State, & Zip Code Arlington Heights, IL 60005
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
______ Not-for-Profit Corporation X For Profit Corporation ______ Partnership ______ Governmental
______ Limited Liability Company ______ Other, specify, ______

4. **NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.**

Exact Legal Name of Entity to be Licensed: Northwest Community Foot and Ankle Center LLC
Address 1455 Golf Road Suite 134
City, State, & Zip Code Des Plaines, IL 60016
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
______ Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ______ Governmental
X Limited Liability Company ______ Other, specify, ______

5. **BUILDING/SITE OWNERSHIP. NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND MORTAR" (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY**

Exact Legal Name of Entity That Will Own the Site: Golf-River Professional Building
Address 1455 Golf Road
City, State, & Zip Code Des Plaines, IL 60016
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
______ Not-for-Profit Corporation X For Profit Corporation ______ Partnership ______ Governmental
______ Limited Liability Company ______ Other, specify, ______

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
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1. INFORMATION FOR EXISTING FACILITY

Current Facility Name ______
Address ______
City ______ Zip Code ______ County ______
Name of current licensed entity for the facility ______
Does the current licensee: own this facility ______ OR lease this facility ______ (if leased, check if sublease □)
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
______ Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ______ Governmental
______ Limited Liability Company ______ Other, specify ______

Illinois State Senator for the district where the facility is located: Sen. ______
State Senator District Number ______ Mailing address of the State Senator ______
______

Illinois State Representative for the district where the facility is located: Rep. ______
State Representative District Number ______ Mailing address of the State Representative ______
______

2. OUTSTANDING PERMITS. Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes □ No □. If yes, refer to Section 1130.520(f), and indicate the projects by Project # ______

3. NAME OF APPLICANT (complete this information for each co-applicant and insert after this page).

<u>Exact</u> Legal Name of Applicant: Northwest Community Healthcare
Address 800 West Central Road
City, State, & Zip Code Arlington Heights, IL 60005
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
__X__ Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ______ Governmental
______ Limited Liability Company ______ Other, specify, ______

4. NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.

<u>Exact</u> Legal Name of Entity to be Licensed: ______
Address ______
City, State, & Zip Code ______
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
______ Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ______ Governmental
______ Limited Liability Company ______ Other, specify, ______

5. BUILDING/SITE OWNERSHIP. NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND MORTAR" (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY

<u>Exact</u> Legal Name of Entity That Will Own the Site: ______
Address ______
City, State, & Zip Code ______
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
______ Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ______ Governmental
______ Limited Liability Company ______ Other, specify, ______

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
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Current Facility Name ____________________
Address ____________________
City ____________ Zip Code ________ County ____________
Name of current licensed entity for the facility ____________________
Does the current licensee: own this facility ________ OR lease this facility ________ (if leased, check if sublease □)
Type of ownership of the current licensed entity (check one of the following:) ________ Sole Proprietorship
________ Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ________ Governmental
________ Limited Liability Company _____ Other, specify ____________________
Illinois State Senator for the district where the facility is located: Sen. ____________________
State Senator District Number ________ Mailing address of the State Senator ____________________

Illinois State Representative for the district where the facility is located: Rep. ____________________
State Representative District Number ______ Mailing address of the State Representative ____________________

2. OUTSTANDING PERMITS.

Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes □ No □. If yes, refer to Section 1130.520(f), and indicate the projects by Project # ____________________

3. NAME OF APPLICANT

(complete this information for each co-applicant and insert after this page).

Exact Legal Name of Applicant: Foot & Ankle Surgery Facility, Ltd. dba Regenerative Surgery Center
Address 1455 Golf Road Suite 134
City, State, & Zip Code Des Plaines, IL 60016
Type of ownership of the current licensed entity (check one of the following:) ________ Sole Proprietorship
______ Not-for-Profit Corporation _X_ For Profit Corporation _____ Partnership _____ Governmental
______ Limited Liability Company _____ Other, specify, ____________________

4. NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.

Exact Legal Name of Entity to be Licensed: ____________________
Address ____________________
City, State, & Zip Code ____________________
Type of ownership of the current licensed entity (check one of the following:) ________ Sole Proprietorship
______ Not-for-Profit Corporation ______ For Profit Corporation _____ Partnership _____ Governmental
______ Limited Liability Company _____ Other, specify, ____________________

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Exact Legal Name of Entity That Will Own the Site: ____________________
Address ____________________
City, State, & Zip Code ____________________
Type of ownership of the current licensed entity (check one of the following:) ________ Sole Proprietorship
______ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
______ Limited Liability Company _____ Other, specify, ____________________

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
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1. INFORMATION FOR EXISTING FACILITY

Current Facility Name ____________________
Address ____________________
City ____________ Zip Code ______ County ____________
Name of current licensed entity for the facility ____________________
Does the current licensee: own this facility ________ OR lease this facility ______ (if leased, check if sublease □)
Type of ownership of the current licensed entity (check one of the following:) ____________ Sole Proprietorship
______ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership __________ Governmental
______ Limited Liability Company _____ Other, specify ____________________
Illinois State Senator for the district where the facility is located: Sen. ____________
State Senator District Number ______ Mailing address of the State Senator ____________
____

Illinois State Representative for the district where the facility is located: Rep. ____________
State Representative District Number _____ Mailing address of the State Representative ____________
____

2. OUTSTANDING PERMITS.

Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes □ No □. If yes, refer to Section 1130.520(f), and indicate the projects by Project # ____________________

3. NAME OF APPLICANT (complete this information for each co-applicant and insert after this page).

Exact Legal Name of Applicant: Northwest Community Foot and Ankle Center, LLC
Address 1455 Golf Road Suite 134
City, State, & Zip Code Des Plaines, IL 60016
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
_____ Not-for-Profit Corporation _X_ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify, ____________________

4. NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.

Exact Legal Name of Entity to be Licensed: ____________________
Address ____________________
City, State, & Zip Code ____________________
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
_____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify, ____________________

5. BUILDING/SITE OWNERSHIP. NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND MORTAR" (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY

Exact Legal Name of Entity That Will Own the Site: ____________________
Address ____________________
City, State, & Zip Code ____________________
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
_____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify, ____________________

6. **TRANSACTION TYPE. CHECK THE FOLLOWING THAT APPLY TO THE TRANSACTION:**
   - o Purchase resulting in the issuance of a license to an entity different from current licensee;
   - o Lease resulting in the issuance of a license to an entity different from current licensee;
   - o Stock transfer resulting in the issuance of a license to a different entity from current licensee;
   - o Stock transfer resulting in no change from current licensee;
   - o Assignment or transfer of assets resulting in the issuance of a license to an entity different from the current licensee;
   - o Assignment or transfer of assets not resulting in the issuance of a license to an entity different from the current licensee;
   - o Change in membership or sponsorship of a not-for-profit corporation that is the licensed entity;
   - o Change of 50% or more of the voting members of a not-for-profit corporation's board of directors that controls a
   - o health care facility's operations, license, certification or physical plant and assets;
   - o Change in the sponsorship or control of the person who is licensed, certified or owns the physical plant and assets of a governmental health care facility;
   - o Sale or transfer of the physical plant and related assets of a health care facility not resulting in a change of current licensee;
   - o Any other transaction that results in a person obtaining control of a health care facility's operation or physical plant
   - o and assets, and explain in "Attachment 3 Narrative Description"

7. **APPLICATION FEE.** Submit the application fee in the form of a check or money order for $2,500 payable to the Illinois Department of Public Health and append as **ATTACHMENT #1.**

8. **FUNDING.** Indicate the type and source of funds which will be used to acquire the facility (e.g., mortgage through Health Authority; cash gift from parent company, etc.) and append as **ATTACHMENT #2.**

9. **ANTICIPATED ACQUISITION PRICE:** $ 1,816,620 (51%)

10. **FAIR MARKET VALUE OF THE FACILITY:** $ 3,562,000
    (to determine fair market value, refer to 77 IAC 1130.140)

11. **DATE OF PROPOSED TRANSACTION:** November 15, 2016

12. **NARRATIVE DESCRIPTION.** Provide a narrative description explaining the transaction, and append it to the application as **ATTACHMENT #3**.

13. **BACKGROUND OF APPLICANT** (co-applicants must also provide this information). Corporations and Limited Liability Companies must provide a current Certificate of Good Standing from the Illinois Secretary of State. Limited Liability Companies and Partnerships must provide the name and address of each partner/ member and specify the percentage of ownership of each. Append this information to the application as **ATTACHMENT #4.**

14. **TRANSACTION DOCUMENTS.** Provide a copy of the complete transaction document(s) including schedules and exhibits which detail the terms and conditions of the proposed transaction (purchase, lease, stock transfer, etc.) Applicants should note that the document(s) submitted should reflect the applicant's (and co-applicant's, if applicable) involvement in the transaction. The document must be signed by both parties and contain language stating that the transaction is contingent upon approval of the Illinois Health Facilities and Services Review Board. Append this document(s) to the application as **ATTACHMENT #5.**

15. **FINANCIAL STATEMENTS.** (Co-applicants must also provide this information) Provide a copy of the applicants latest audited financial statements, and append to it this application as **ATTACHMENT #6.** If the applicant is a newly formed entity and financial statements are not available, please indicate by checking YES XX , and indicate the date the entity was formed June 24, 2016 .

16. **PRIMARY CONTACT PERSON.** Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

Name:	Bradford Buxton
Address:	800 West Central Road
City, State & Zip Code:	Arlington Heights, IL 60005
Telephone ( ) Ext.	847-618-5020

17. **ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.**

Name:	Ralph Weber
Address:	920 Hoffman Lane
City, State & Zip Code:	Riverwoods, IL 60015
Telephone ( ) Ext.	847-791-0830

18. **CERTIFICATION**

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer [signature]

Typed or Printed Name of Authorized Officer Michael C. Hartke

Title of Authorized Officer Executive Vice President and Chief Operating Officer
Northwest Community Health Services Inc.

Address: 800 West Central Road

City, State & Zip Code: Arlington Heights, IL 60005

Telephone (847) 618-5004 Date: 10/13/16

NOTE: complete a separate signature page for each co-applicant and insert following this page.

16. **PRIMARY CONTACT PERSON.** Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

Name:	Bradford Buxton
Address:	800 West Central Road
City, State & Zip Code:	Arlington Heights, IL 60005
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Name:	Ralph Weber
Address:	920 Hoffman Lane
City, State & Zip Code:	Riverwoods, IL 60015
Telephone ( ) Ext.	847-791-0830

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Signature of Authorized Officer ______

Typed or Printed Name of Authorized Officer Michael C. Hartke

Title of Authorized Officer Executive Vice President and Chief Operating Officer
Northwest Community Healthcare

Address: 800 West Central Road

City, State & Zip Code: Arlington Heights, IL 60005

Telephone (847) 618-5004 Date: 10/13/16

NOTE: complete a separate signature page for each co-applicant and insert following this page.

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Name:	Bradford Buxton
Address:	800 West Central Road
City, State & Zip Code:	Arlington Heights, IL 60005
Telephone ( ) Ext.	847-618-5020

17. **ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.**

Name:	Ralph Weber
Address:	920 Hoffman Lane
City, State & Zip Code:	Riverwoods, IL 60015
Telephone ( ) Ext.	847-791-0830

18. **CERTIFICATION**

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer ______

Typed or Printed Name of Authorized Officer Lowell Scott Weil, Sr., DPM

Title of Authorized Officer Chief Executive Officer and Medical Director
Foot and Ankle Surgery Facility, dba Regenerative Surgery Center

Address: 1455 Golf Road Suite 134

City, State & Zip Code: Des Plaines, IL 60016

Telephone (847) 390-7666 Date: 10|13|16

NOTE: complete a separate signature page for each co-applicant and insert following this page.

16. PRIMARY CONTACT PERSON. Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

Name:	Bradford Buxton
Address:	800 West Central Road
City, State & Zip Code:	Arlington Heights, IL 60005
Telephone ( ) Ext.	847-618-5020

17. ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.

Name:	Ralph Weber
Address:	920 Hoffman Lane
City, State & Zip Code:	Riverwoods, IL 60015
Telephone ( ) Ext.	847-791-0830

18. CERTIFICATION

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent ~~upon approval~~ approval by the State Board.

Signature of Authorized Officer

Typed or Printed Name of Authorized Officer Lowell Scott Weil, Sr., DPM

Title of Authorized Officer Administrator and Medical Director
Northwest Community Foot and Ankle Center, LLC

Address: 1455 Golf Road Suite 134

City, State & Zip Code: Des Plaines, IL 60016

Telephone (847) 390-7666 Date: 10/13/16

NOTE: **complete a separate signature page for each co-applicant and insert following this page.**

Change of Ownership Application Fee

Attached is check in the amount of $2500 to the Illinois Department of Public Health.

Attachment 1

Source of Funding

Northwest Community Health Services, Inc will use existing cash as the source of funds for its purchase of the controlling interest in the new operating entity, Northwest Community Foot and Ankle Center LLC.

Attachment 2

NARRATIVE DESCRIPTION

Through a change of ownership, Northwest Community Health Services, Inc will acquire a controlling interest in the existing Foot and Ankle Surgery Facility dba Regenerative Surgery Center at 1455 Golf Road, Des Plaines. The new licensee will be Northwest Community Foot and Ankle Center, LLC.

Co-applicants for this Certificate of Exemption are:

1) Northwest Community Health Services, Inc
2) Northwest Community Healthcare, parent company of Northwest Community Health Services, Inc
3) Foot and Ankle Surgery Facility dba Regenerative Surgery Center
4) Northwest Community Foot and Ankle Center LLC

Northwest Community Health Services, Inc will purchase a 51% controlling interest through the expenditure of $1,816,620. The Fair Market Value of the facility is $3,562,000.

The existing multi-specialty surgical center is a fully licensed ambulatory surgical treatment center, with three operating rooms. It provides orthopedic, podiatry and pain management services. The new licensee will continue the three ORs and the same surgical services.

The date of the proposed transaction is November 15, 2016.

Background of the Applicant

The applicants are:

1) Northwest Community Health Services, Inc
2) Northwest Community Healthcare, parent company of Northwest Community Health Services, Inc
3) the existing ASTC Foot & Ankle Surgery Facility, Ltd dba Regenerative Surgery Center
4) the newly formed licensee, Northwest Community Foot and Ankle Center LLC.

Certificates of Good Standing for these organizations are included in this attachment. Also included are the IDPH license and CMS Clinical Laboratory Improvement Amendments – Certificate of Waiver.

The percentage ownership of the new Northwest Community Foot and Ankle Center LLC will be as follows:

Northwest Community Health Services, Inc		51%
Foot and Ankle Surgery Facility, Ltd (dba Regenerative Surgery Center)		49%
Lowell Scott Weil, Sr., DPM 750 Glendale Drive Glenview, IL 60025	29.25%	
Lowell S. Weil, Jr., DPM, MBA 1007 Hawthorne Place Lake Forest, IL 60045	12.01%	
Wendy Weil, DPM 1007 Hawthorne Place Lake Forest, IL 60045	4.80%	
Gregory Amarantos, DPM 1291 Lawrence Avenue Lake Forest, IL 60045	2.94%	
Subtotal	49.00%	
Total Ownership		100%

File Number 5348-385-2

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

NORTHWEST COMMUNITY HEALTH SERVICES, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JUNE 06, 1984, 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.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 19TH *day of* SEPTEMBER *A.D.* 2016 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1626302562 verifiable until 09/19/2017
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

Attachment 4

File Number 5229-793-1

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

NORTHWEST COMMUNITY HEALTHCARE, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON FEBRUARY 11, 1981, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 1ST *day of* SEPTEMBER *A.D.* 2016 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1624502218 verifiable until 09/01/2017
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

Attachment 4

File Number 5703-020-8

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

FOOT & ANKLE SURGERY FACILITY, LTD., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON OCTOBER 16, 1992, ADOPTED THE ASSUMED NAME REGENERATIVE SURGERY CENTER ON NOVEMBER 30, 2011, 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.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 1ST *day of* SEPTEMBER *A.D.* 2016 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1624502396 verifiable until 09/01/2017
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

Attachment 4

File Number 0583243-8

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

NORTHWEST COMMUNITY FOOT AND ANKLE CENTER LLC, HAVING ORGANIZED IN THE STATE OF ILLINOIS ON JUNE 24, 2016, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A DOMESTIC LIMITED LIABILITY COMPANY IN THE STATE OF ILLINOIS.

SEAL OF THE STATE OF ILLINOIS AUG. 26th 1818

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 1ST *day of* SEPTEMBER *A.D.* 2016 .

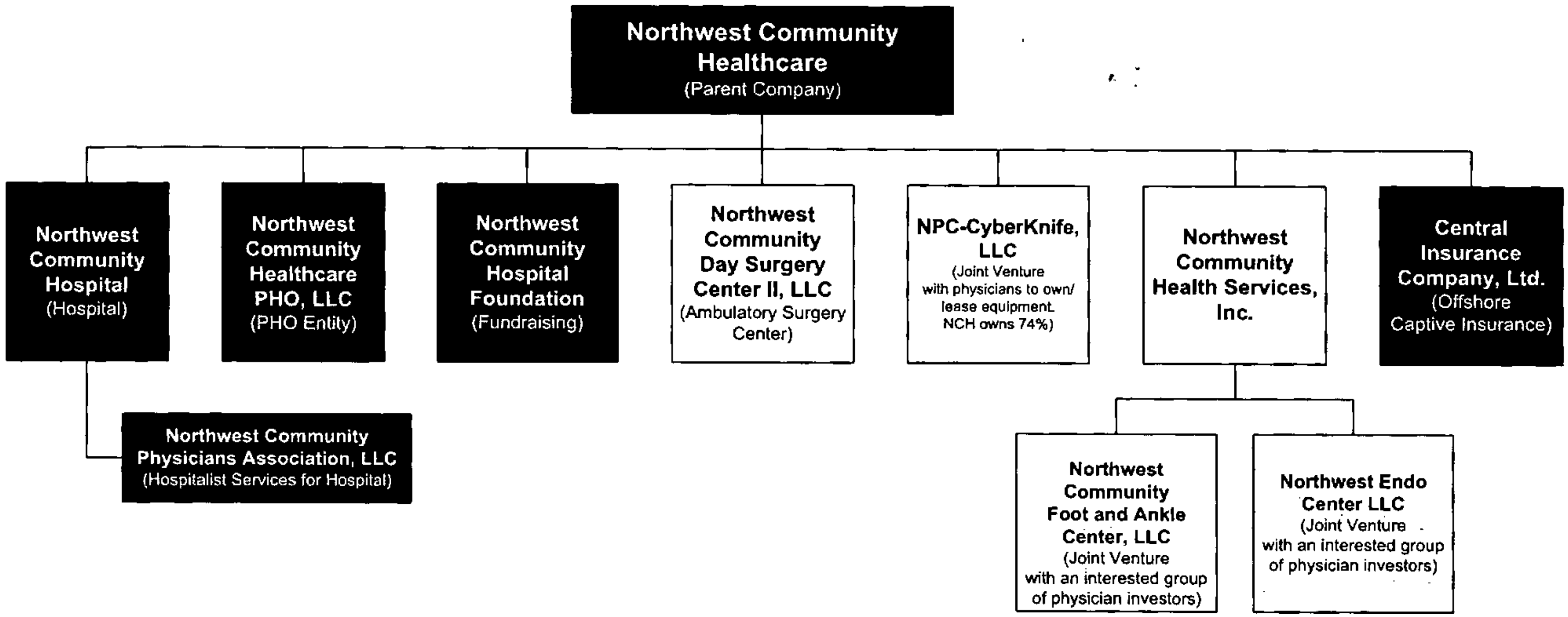
Authentication #: 1624502320 verifiable until 09/01/2017
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

Attachment 4

Northwest Community Healthcare & Subsidiaries

Corporate Organizational Chart



Non-Profit Entity | For-Profit Entity

November 2016

nch Northwest Community Healthcare

Attachment 4

HF110937

Illinois 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.

Nirav D. Shah, M.D., J.D.
Director

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
7/19/2017		7001803

Ambulatory Surgery Treatment Center

Effective: 07/20/2016

Foot & Ankle Surgery Facility, Ltd.
dba Regenerative Surgery Center
1455 Golf Road, Suite 134

Des Plaines, IL 60016

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #4012320 10M 3/12

CENTERS FOR MEDICARE & MEDICAID SERVICES

CLINICAL LABORATORY IMPROVEMENT AMENDMENTS

CERTIFICATE OF WAIVER

LABORATORY NAME AND ADDRESS

FOOT AND ANKLE SURGICAL CENTER
1455 GOLF ROAD
DES PLAINES, IL 60016-1250

CLIA ID NUMBER

14D0867400

EFFECTIVE DATE

09/01/2016

LABORATORY DIRECTOR

LOWELL S WEIL

EXPIRATION DATE

08/31/2018

Pursuant to Section 353 of the Public Health Services Act (42 U.S.C. 263a) as revised by the Clinical Laboratory Improvement Amendments (CLIA), the above named laboratory located at the address shown hereon (and other approved locations) may accept human specimens for the purposes of performing laboratory examinations or procedures.

This certificate shall be valid until the expiration date above, but is subject to revocation, suspension, limitation, or other sanctions for violation of the Act or the regulations promulgated thereunder.

CMS
CENTERS FOR MEDICARE & MEDICAID SERVICES

Karen W. Dyer

Karen W. Dyer, Director
Division of Laboratory Services
Survey and Certification Group
Center for Clinical Standards and Quality

14133 Cert1_080216

- If this is a Certificate of Registration, it represents only the enrollment of the laboratory in the CLIA program and does not indicate a Federal certification of compliance with other CLIA requirements. The laboratory is permitted to begin testing upon receipt of this certificate, but is not determined to be in compliance until a survey is successfully completed.
- If this is a Certificate for Provider-Performed Microscopy Procedures, it certifies the laboratory to perform only those laboratory procedures that have been specified as provider-performed microscopy procedures and, if applicable, examinations or procedures that have been approved as waived tests by the Department of Health and Human Services.
- If this is a Certificate of Waiver, it certifies the laboratory to perform only examinations or procedures that have been approved as waived tests by the Department of Health and Human Services.

Attachment 4

FOR MORE INFORMATION ABOUT CLIA, VISIT OUR WEBSITE AT WWW.CMS.GOV/CLIA
OR CONTACT YOUR LOCAL STATE AGENCY. PLEASE SEE THE REVERSE FOR
YOUR STATE AGENCY'S ADDRESS AND PHONE NUMBER.
PLEASE CONTACT YOUR STATE AGENCY FOR ANY CHANGES TO YOUR CURRENT CERTIFICATE.

Transaction Documents

Attached are two documents:

1) The signed Letter of Intent between Northwest Community Health Services, Inc and the Foot & Ankle Surgery Facility, LTD. Language stating that the transaction is contingent upon review and approval by the Illinois Health Facilities and Services Review Board is found on page 1.

2) Operating Agreement, Northwest Community Foot and Ankle Center, LLC. This document is in final draft form, and includes language stating that this transaction is contingent upon HFSRB approval, on page 1.

NORTHWEST COMMUNITY HEALTH SERVICES, INC.
FOOT & ANKLE SURGERY FACILITY, LTD.
LETTER OF INTENT

This Letter of Intent ("Letter of Intent" or "LOI") outlines the proposed transaction whereby **NORTHWEST COMMUNITY HEALTH SERVICES, INC.** ("NCHS") and **FOOT & ANKLE SURGERY FACILITY, LTD.** (the "Center") would enter into a transaction to create a new legal entity named **NORTHWEST COMMUNITY FOOT AND ANKLE CENTER LLC** in which NCHS would hold a 51% interest in the ambulatory surgery center ("ASC") and would be the Class A shareholder ("ASC") (the "Transaction"). The Center would transfer 100% of its current ownership interest in **FOOT & ANKLE SURGERY FACILITY, LTD** into **NORTHWEST COMMUNITY FOOT AND ANKLE CENTER LLC** and therafter hold a 49% interest as the Class B shareholder. This LOI is intended to be used for discussion purposes with NCHS leadership and the Center. Except as set forth below with respect to Confidentiality and Exclusivity, this LOI is non-binding. The Transaction would require further negotiation and documentation, including the preparation and approval of definitive agreements setting forth the terms and conditions of the Transaction in more detail. As such, closing of the Transaction and final agreement is contingent upon the completion of the appropriate due diligence activities and execution of full, commercially reasonable agreements. **THIS TRANSACTION IS CONTINGENT UPON THE ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD'S REVIEW AND APPROVAL OF THE NORTHWEST COMMUNITY FOOT AND ANKLE CENTER LLC AND THE TRANSACTION ACCOMPANYING THEREWITH.**

Key Term	Description
Form of Transaction	
Transaction Structure	NCHS and the Center would create a new legal entity in which NCHS would hold a 51% interest in the ASC and would be the Class A shareholder. The Center would hold a 49% interest in the ASC and would be the Class B shareholder. In the alternative, NCHS would acquire a 51% interest in the existing Center.
Assets and Liabilities Included	Certain identified tangible assets would be contributed by Center in the Transaction. Cash and accounts receivable (A/R) for Practice services rendered before the date of the close of the transition would not be included in this transaction. No liabilities would be assumed except for identified contracts that NCHS agrees to assume only on a post-closing basis.
Payment Terms	Based on the information described in the third party valuation report, as of the date of this Letter of Intent, the parties anticipate, subject to fair market value and due diligence review, NCHS's investment price would be **One Million Eight Hundred Eighteen Thousand Six Hundred Sixty Dollars ($1,818,660.)** The final purchase price is subject to adjustment.
Leases/Locations	Subject to the inspection and approval of the leased premises located at 1455 East Golf Road, DesPlaines, Illinois (the "Leased Premises") by NCHS in its sole discretion, the parties would assume the Center's obligations under said lease. Practice agrees to work in good faith to assist NCHS in obtaining a lease assignment for the Leased Premises.

Attachment 5

Other Terms	
Confidentiality	• The parties agree that the existence and contents of this document and the nature and status of the transactions and related matters described in this proposal are confidential. • Any announcements, press releases, disclosures to patients or other public statements concerning the proposed transaction or related matters require the consent of NCHS. • Each party agrees to treat any information concerning the other party (whether prepared by the other party, its advisers, or others) that is furnished as a result of these negotiations and due diligence as confidential and the terms of the existing confidentiality agreement would continue to apply.
Non-Compete and Non-Solicitation	The definitive documents would contain non-competition and non-solicitation restrictions. The restriction would be for 2 years within a defined territory.
Exclusivity	Center agrees that for 90 days following the date of this term sheet, Center shall negotiate exclusively with NCHS and shall not, directly or indirectly, solicit or entertain offers, negotiate, discuss, accept or consider any proposal with any third party with respect to any business relationship similar to the transaction contemplated in this term sheet. Center agrees to notify NCHS of any solicitation or offer with respect to such similar business relationship.
Due Diligence	The Transaction is subject to NCHS's satisfactory completion of reasonable due diligence. Such a review by NCHS, its attorneys, and other trusted advisors would include, but not be limited to, additional review of financial, operational, legal and regulatory matters of the Center, a detailed review of certain business practices, malpractice history and current claims, contracts for clinical and non-clinical services, and the like. All information obtained by NCHS and its representatives in the course of this due diligence process will be treated as confidential information, consistent with this Letter of Intent. Practice agrees to cooperate in the due diligence process.

Agreed and Accepted:

NORTHWEST COMMUNITY HEALTH SERVICES, INC.

Name: MICHAEL HARTKE
Title: COO, EVP
Date: 10/12/16

FOOT & ANKLE SURGERY FACILITY, LTD.

SR

Name: LOWELL SCOTT WEIL, SR
Title: ~~[illegible]~~ CEO
Date: 10/13/16

Attachment 5

Final Draft

NORTHWEST COMMUNITY FOOT AND ANKLE CENTER LLC

(an Illinois Limited Liability Company)

OPERATING AGREEMENT

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effective as of

[________]

THIS OPERATING AGREEMENT IS CONTINGENT UPON THE ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD'S REVIEW AND APPROVAL OF THE NORTHWEST COMMUNITY FOOT AND ANKLE CENTER LLC AND THE TRANSACTION ACCOMPANYING THEREWITH.

THE INTERESTS CREATED BY THIS OPERATING AGREEMENT HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH THE SECURITIES AUTHORITIES OF ANY STATE UNDER ANY STATE SECURITIES LAWS. AS A CONSEQUENCE, THE INTERESTS MAY NOT BE SOLD, ASSIGNED, CONVEYED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED BY A HOLDER THEREOF EXCEPT: (1) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT REGISTERING THE INTERESTS UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS, OR (2) PURSUANT TO AN OPINION OF COUNSEL WHICH HAS BEEN OBTAINED BY SUCH HOLDER AND WHICH IS SATISFACTORY TO THE MANAGERS, OR PURSUANT TO SUCH OTHER EVIDENCE WHICH HAS BEEN OBTAINED BY THE HOLDER AND WHICH IS SATISFACTORY TO THE MANAGERS, THAT SUCH REGISTRATION UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED FOR SUCH HOLDER TO LAWFULLY EFFECT SUCH SUBSEQUENT SALE, ASSIGNMENT, CONVEYANCE, PLEDGE, HYPOTHECATION OR OTHER TRANSFER. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

OPERATING AGREEMENT

THIS OPERATING AGREEMENT ("Agreement") is made and entered into as of the _____ day of _____, 2016 (the "Effective Date"), by and among the Company and the Persons listed on **Schedule 1** attached hereto as the Members of the Company.

RECITALS

A. On June 24, 2016, the Company (as defined below) was formed pursuant to the Act (as defined below) for the purposes set forth in Section 3.1 of this Agreement;

B. The Members desire to ensure the availability of ambulatory surgery care services in the most cost-effective and patient-friendly setting in which such services can be rendered;

C. The Members have determined that the creation of the Company as a limited liability company to operate a Medicare certified ambulatory surgery center formed and organized under the laws of the State of Illinois will provide cost-efficient patient care for patients residing in the current service area of such surgery center;

D. **Schedule 1** sets forth the respective initial capital contributions and the ownership of all Members;

E. The Class A Member is exempt from taxation pursuant to Section 501(c)(3) of the Internal Revenue Code;

F. The Members have determined that the Company will promote community health and fulfill a community need;

G. The Class A Member desires to ensure that the activities it conducts through the Company do not threaten its tax-exempt status; and

H. Effective as of the date hereof, the Members have purchased Units (as defined below) and the Members desire to enter into this Agreement and to provide the terms and conditions governing the structure, governance, operation and management of the Company.

TERMS OF AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1

Definitions

Certain capitalized words and phrases used in this Agreement shall have the meanings set forth in **Exhibit A** attached hereto and incorporated herein by reference.

ARTICLE 2

Organization of the Company

2.1 **Organization**. On June 24, 2016 an authorized representative of the Company caused the Company to be organized by executing and filing the Articles of Organization for the Company with the Secretary of State of Illinois in accordance with the Act.

2.2 **Name**. The name of the Company shall be Northwest Community Foot and Ankle, LLC, or such other name as determined from time to time by the Board. The Board may amend this Section 2.2 to reflect any changes to the name of the Company. The Members shall determine a "doing business as" name at a future date.

2.3 **Principal Place of Business**. The principal place of business of the Company shall be located at-1455 Golf Rd. Suite 134, Des Plaines, Illinois 60016, or at such address or addresses inside or outside of the State of Illinois as shall be determined from time to time by the Board.

2.4 **Statutory Agent**. The name and address of the agent for service of process in Illinois shall be Stephen Scogna, 800 W. Central Road, Arlington Heights, IL 60005.

2.5 **Term**. The term of the Company commenced on the date of filing of the Articles of Organization with the Secretary of State of Illinois and shall continue until terminated in accordance with the terms of Section 9.1 hereof.

2.6 **No State Law Partnership**. It is the Board's intent that the Company not be a partnership (including, without limitation, a limited partnership), and that no Member be a partner of any other Member by virtue of this Agreement, for any purposes other than as set forth in the last sentence of this Section 2.6, and neither this Agreement nor any other document entered into by the Company or any Member relating to the subject matter hereof shall be construed to suggest otherwise. The Members intend that the Company shall be treated as a corporation for federal and, if applicable, state or local income tax purposes, and that each Member and the Company shall file all Tax Returns and shall otherwise take all Tax and financial reporting positions in a manner consistent with such treatment.

ARTICLE 3

3.1 **Purposes of the Company**. The purposes of the Company are to (a) serve charitable and community purposes, (b) to own, manage, and operate the Facility, pursue approvals including the transfer of a Certificate of Need to obtain the same and to provide related healthcare services if permitted by law, (c) to meet the healthcare needs of the community, (d) to participate in Medicare and Medicaid, (e) exercise all other powers necessary to or reasonably connected with the Company's business which may be legally exercised by limited liability companies under the Act and (f) engage in all activities necessary, customary, convenient, or incident to any of the foregoing. The duty to serve a community benefit shall take precedence over the profit maximization objectives of the Company.

3.2 **Permissible Relationships**. Each Member understands that the Company's and the Center's operations are subject to various state and federal laws regulating permissible relationships between the Members and entities such as the Company, including 42 U.S.C. §1320a-7b(b) (the "Anti-Kickback Statute" or the "Fraud and Abuse Statute"), and 42 U.S.C. §1395nn (the "Ethics in Patient Referrals Act" or the "Stark Act"). It is the intent of each Member that the Company and the Center operate in a manner consistent with the foregoing statutes, substantially comply with the Fraud and Abuse Statute safe harbors, and conduct business in accordance with the Compliance Policy, attached hereto as **Exhibit B**.

It is expected that the Class A Member shall continue to provide services, including those that compete with the Center and shall not purposely attempt to direct cases to or schedule cases at the Center, and further, it is understood that the Class A Member will not make any general or substantial transfer of equipment or staff to the Center, it being understood that the Company is intended to be a new business venture.

Physician employees of the Class A Member may choose to use the Center but shall not be required to do so.

Each Member specifically acknowledges and accepts the following procedures as compliance safeguards applicable to this Agreement:

(i) The Class A Member will refrain from any actions to require or encourage podiatrists or physicians who are employees, independent contractors, and medical staff members ("Hospital-Affiliated Physicians") to refer patients to the Center;

(ii) The Class A Member will not track referrals, if any, by Hospital-Affiliated Physicians to the Center; and

(iii) Any compensation paid by the Class A Member to Hospital-Affiliated Physicians will be at fair market value and will not take into account, in any way, any referrals Hospital-Affiliated Physicians may make to the Center.

The Members also acknowledge that the Stark Act and the regulations promulgated thereunder may restrict the Center (as presently formed) from providing "designated health services" (as defined by the Stark Act) or other services to patients referred by Members. The Center shall not provide and bill separately for "designated health services." If, in the future, any of the services that the Center provides are deemed to be "designated health services," such services shall be provided by the Center only if such services may be provided in compliance with one or more exceptions to the ban on self-referrals set forth in the Stark Act, the regulations promulgated thereunder, or any successor statutes and/or regulations thereto. In addition, all ancillary services performed at the Center shall be directly and integrally related to primary procedures performed at the Center, and none shall be separately billed to Medicare or other Federal healthcare programs.

In the event a Member's investment in the Center is not in compliance with applicable law or regulation and the Board has determined the Member does not have a good faith reason for the noncompliance, the Member must return his/her/its membership Unit(s) to the Company in accordance with the procedures set forth in Section 8.7 of this Agreement.

ARTICLE 4

Voting Members; Capital Contributions; Units; Capital Accounts

4.1 **Voting Members**. The names of the Members are as set forth on **Schedule 1** attached to this Agreement and incorporated herein by reference, as such may be amended from time to time. In dealing with third parties with respect to the Company's business or on behalf of the Company, the Members shall act in accordance with policies established by the Board from time to time. No Member shall, as a Member, in the name of or on behalf of the Company, sign or execute any contract, instrument or document, perform any other act, engage in any transaction, commit or bind the Company to any act, contract, instrument or document, or incur any debt, except as expressly permitted by this Agreement or the Act.

(a) Unanimous Consent. The following matters require unanimous consent of the Class A and Class B Members (the "Voting Members"):

(i) the amendment of the operating agreement;

(ii) an amendment to the articles of organization;

(iii) the compromise of an obligation to make a contribution;

(iv) the compromise, as among Voting Members, of an obligation of a Member to make a contribution or return money or other property paid or distributed;

(v) the making of interim distributions, including the redemption of a membership interest;

(vi) the admission of a new Member;

(vii) the use of the Company's property to redeem a membership interest;

(viii) a waiver of the right to have the Company's business wound up and the Company terminated;

(ix) the Company's merger with another entity; and

(x) the sale, lease, exchange, or other disposal of all, or substantially all, of the Company's property with or without goodwill.

The holders of Class A or Class B Units shall be entitled to one vote per Class A or Class B Unit on all matters to be voted on by the Company's Members as provided in this Agreement or as required by applicable law. For purposes of the matters set forth in this Section 4.1 the holders of Class C Units shall have no voting rights, accept as required by applicable law.

(b) Meeting of Members; Quorum. Any Voting Member may call a meeting to discuss and vote on any of the matters set forth in Section 4.1(a) upon five (5) days' notice in writing to all other Voting Members, which notice may be by facsimile or email and which shall specify the date, time and purpose of such meeting. Such meetings of the Voting Members shall be held at the Company's principal executive office unless a different location is specified in the notice. A Voting Member shall have the right to attend and act at any meeting of the Voting Members by conference telephone or other method of communication by which each Voting Member in attendance can hear all other Members in attendance, or by written proxy duly executed by such Member. All Voting Members must be present to constitute a quorum for purposes of voting on the issues set forth in Section 4.1(a).

(c) Actions of Voting Members Without a Meeting. Except as may be expressly required otherwise by the terms of this Agreement, the Act or by nonwaivable provisions of other applicable law, decisions and actions of the Voting Members may be made, approved or taken at a meeting of the Voting Members held in accordance with the provisions of this Agreement by, or by written consent in lieu of a meeting in accordance with Section 4.1(d), upon the written consent of the number and class of Members otherwise required to approve such matter at a meeting of the Members.

(d) Waiver of Notice. Action requiring the consent of Voting Members may be taken without a meeting. A Voting Member may appoint a proxy to vote or otherwise act for the Voting Member by signing an appointment instrument, either personally or by the Voting Member's attorney-in-fact. Notice of any meeting of the Voting Members may be waived by a Voting Member by a waiver of the notice in writing, signed by the Voting Member entitled to the notice, whether before, at or after the time stated for the meeting. Attendance of a Voting Member at any meeting, whether in person, by proxy as provided above or by telephone as provided above, shall constitute waiver of notice of such meeting, except where a Voting Member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened and does so at the outset thereof. Any waiver of notice of a meeting by a Voting Member hereunder shall be equivalent to the giving of such notice.

4.2 **Capital Contributions**.

(a) Capital Contributions. Each Member has made or shall make aggregate Capital Contributions to the Company, and each Member has paid the fair market value price of his/her/its shares, on or before the date of such Member's addition to the Company as a Member, in the amount set forth on **Schedule 1** hereto. Each Member, by executing this Agreement, agrees that the value assigned to each non-cash item on **Schedule 1**, if any, is the initial Book Value thereof. No Member shall make any additional Capital Contributions to the Company without the prior written approval of the Board. No interest shall be paid on any initial Capital

Contributions, but interest will be paid on any additional Capital Contributions made by any Member.

(b) Additional Capital Contributions. Except as required under Section 4.2(a) or such other agreements that may be entered into from time to time, no Member shall be obligated to make additional Capital Contributions to the Company. In particular, but not by way of limitation, no Member shall be obligated to make any Capital Contribution to restore any deficit balance in such Member's Capital Account.

(c) Return of Capital; No Withdrawal. No Member shall be entitled to withdraw or obtain a return of all or any part of such Member's Capital Contributions except as expressly provided in this Agreement. It is the intent of the Members that, unless expressly stated otherwise in a written notice to all of the Members by the Board, no distribution (or any part thereof) made to any Member pursuant to this Agreement shall be deemed a return or withdrawal of such Member's Capital Contributions. Except as expressly required under applicable law or otherwise under this Agreement, no Member receiving a distribution shall be required to return any such distribution to the Company or any creditor of the Company.

4.3 **Units.**

(a) Authorized Units. The Company has authority to issue Class A Units, Class B Units and Class C Units with the rights, preferences and privileges, and subject to the qualifications, limitations and restrictions, as set forth herein.

(b) Allocation of Units. Each Member shall, upon making his, her or its required Capital Contribution, be allocated Units in the Company as set forth on **Schedule 1**. Each Unit shall be designated as a Class A Unit, Class B Unit, or Class C Unit and such designation shall be set forth with respect to such Unit on **Schedule 1**. As of the date of this Agreement, the Company has issued Class A Units and Class B Units, as listed on **Schedule 1**. Each class of Units shall have the rights as described in this Agreement. The Board shall promptly amend **Schedule 1** from time to time to reflect the admission or withdrawal of Members, the sale, grant, issuance or redemption of Units or the receipt of additional Capital Contributions, and any such amendment shall be effective as of the date of the event necessitating such amendment.

(c) Class A Units. The Class A Units shall be held by Northwest Community Health Services, Inc. ("NCH"), and shall not be diluted, transferred, redeemed or otherwise disposed of without the consent of NCH. NCH shall hold fifty-one (51) Class A Units.

(d) Class B Units.

(i) The Company is hereby authorized to issue forty-nine (49) Class B Units to **FOOT AND ANKLE SURGICAL FACILITY, LTD.** (FASF").

(ii) Such Class B Units shall entitle FASF to all of the rights of a Class B Member as expressly provided in this Agreement. As of the time of issuance of any Class B Unit, the Book Value of all Company assets shall be adjusted to equal their respective gross Fair

Market Values, and the Capital Account balances of all of the Members of the Company shall be adjusted as provided in the definition of "Book Value" in **Exhibit A**.

(iii) No Person shall be eligible to become a physician owner or physician investor of the Class B Member (or remain a Class B Member, as applicable) unless the following eligibility requirements are satisfied: (1) such physician owners or investors of Class B Member are each dedicated to the practice of podiatry and is board eligible or board certified, licensed and registered, in good standing, to practice medicine or podiatry in the greater Chicago, Illinois metropolitan area (such physicians shall maintain active privileges at the Center) and shall comply with the requirements for Class B Membership set forth in this Section; and (2) under applicable law, such Class B Member's ownership shall not disqualify (and, without further action, would not disqualify) the Company from engaging in operations as a Medicare certified ambulatory surgery center for any reason, or from having such physician perform cases at the Center. The Class B Member requirements in this Section 4.3(d) shall not apply to the Class A or Class C Members.

(e) Class C Units.

(i) The Company, with the consent of the Class B Member, is hereby authorized to redeem and purchase existing Class B Units from the Class B Member at such Unit's Fair Market Value. The Company may then issue Class C Units to the individual physicians as listed on **Schedule 1** at the Fair Market Value price paid by Company; provided, however, that in no circumstance shall the number of C Units issued by the Company in any instance exceed the number of redeemed Class B Units and further provided that regardless of any issuance of Class C Units, the total number of Class A, Class B, and Class C Units collectively shall not exceed one-hundred (100) Units. Except as otherwise provided in this Operating Agreement, the holders of the Class C Units shall not hold any voting rights.

(ii) Such Class C Units shall entitle such Class C Member to all of the rights of a Class C Member as expressly provided in this Agreement to the extent of such Class C Units. As of the time of issuance of any Class C Unit, the Book Value of all Company assets shall be adjusted to equal their respective gross Fair Market Values, and the Capital Account balances of all of the Members of the Company shall be adjusted as provided in the definition of "Book Value" in **Exhibit A**.

(iii) No Person shall be eligible to become a Class C Member (or remain a Class C Member, as applicable) unless the following eligibility requirements are satisfied: (1) such Class C Member shall be dedicated to the practice of medicine, surgery or podiatry and is board eligible or board certified, licensed and registered, in good standing, to practice medicine or podiatry in the greater Chicago, Illinois metropolitan area (such physician shall maintain active privileges at the Center) and shall comply with the requirements for Class C Membership set forth in this Section; and (2) under applicable law, such Class C Member's ownership shall not disqualify (and, without further action, would not disqualify) the Company from engaging in operations as a Medicare certified ambulatory surgery center for any reason, or from having such physician perform cases at the Center. A physician who meets such requirements may be referred to herein as an "Eligible Physician." The Class C Member requirements in this Section 4.3(e) shall not apply to the Class A or Class B Member.

(f) Each Class C Member shall be required to complete a Class C Unit subscription agreement, including a counterpart to this Agreement. Such Unit subscription agreement shall evidence the Class C Member's acceptance of the terms and conditions of this Agreement and shall be returned to the Company with such new Class C Member's capital contribution.

4.4 **Members' Capital Accounts**. A separate Capital Account shall be established and maintained for each Member. The determination and maintenance of the Members' Capital Accounts, and any adjustments thereof, shall be made in a manner consistent with tax accounting and other principles set forth in Sections 704(b) and (c) of the Code and applicable Regulations, as finally determined for federal income tax purposes. Upon a Transfer of all or part of a Member's Units in accordance with Article 8, the transferee shall succeed to the Capital Account of the transferor Member to the extent it is attributable to the transferred Units.

4.5 **Non-Competition; Non-Solicitation**. Class B Member agrees that for so long as the Class B Member owns a Unit and **for a period of two (2) years thereafter**, within the area within the Restricted area as defined in the Definitions of this Operating Agreement, the Class B Member, its shareholders, nor their Affiliates shall, for any reason, directly or indirectly, alone or as a member of a partnership, or as an officer, director, stockholder, member, medical director, principal, agent, or employee of any corporation, partnership, entity, or any other Person, engage in the ownership, operation, management or control (or be employed by, alone or in connection with any other Person) of any Medicare certified, state licensed or accredited outpatient surgical center or outpatient surgery provider.

The parties hereby acknowledges that the restrictions set forth in this Section 4.5 are minimal, reasonable in scope and duration and necessary to protect the legitimate interests of the parties and that any breach or threatened breach of these restrictions will result in irreparable harm to the non-breaching party. In the event that any of the restrictions are found by a court of competent jurisdiction to be too broad to permit enforcement to its full extent, then such restrictions shall be enforced to the maximum extent allowable by law and the parties hereby consent to and authorize the court to modify the restrictions in a manner to permit their enforcement.

During the term of the Class B Member's membership in the Company, and for a period of two (2) years thereafter, no such physician nor any of its Affiliates shall employ or offer employment to any person who is employed by the Company during the term of this Agreement without the prior written approval of the Members.

It is specifically provided that the non-competition and non-solicitation restrictions set forth in this <u>Section 4.5</u> ***shall not*** apply to the Class A Member.

If the Class A and Class B Members determine by vote of eighty percent (80%) of all Class A and Class B Units then issued and outstanding not to continue with the Company, the covenants against competition contained herein shall be deemed null and void and of no effect.

4.6 **Confidentiality**. Except as required by any applicable law or regulation, no Member may, and each of the Members shall cause its Affiliates not to, at any time, whether during the term of this Agreement or thereafter, in any fashion, form or manner, directly or indirectly, disclose or, other than for purposes of monitoring its investment in the Company, use any Confidential Information received by it or any of its Affiliates (the "Receiving Party") from the Company or any other Member or any Affiliate of the Company or such other Member (the "Disclosing Party"). The Receiving Party may disclose Confidential Information to his, her or its Affiliates and any employees, agents or representatives of the Receiving Party or his, her or its Affiliates only on a "need to know" basis in connection with the consideration or performance of his, her or its obligations under this Agreement. The Receiving Party will advise such Persons of the confidential nature of the Confidential Information and shall use appropriate safe-keeping procedures for the Confidential Information, which at a minimum shall be those procedures in place for the safe-keeping of his, her or its own confidential information or any Confidential Information received by his, her or it, as applicable.

4.7 **Right of Inspection**. Upon written or oral request by any Member made to the Company, the Company will provide to such Member without charge true copies of (a) this Agreement and the Articles of Organization with all amendments or restatements thereto and (b) any federal, state or local income Tax Returns.

4.8 **Access to Financial Information**.

(a) The Company shall deliver to each Member (for so long as such Member owns Units) (i) as soon as available or (ii) within fifteen (15) days after receipt, any notice of audit from the Internal Revenue Service.

(b) The Company shall, upon request, deliver to each Member unaudited monthly financial statements within thirty (30) days after the end of the month to which such statements relate; provided, however, that the Company shall not be required to make this delivery to any Member which receives unaudited monthly financial statements from the Company pursuant to a credit or other similar agreement with the Company.

(c) The Company shall deliver to each Member as soon as available, but in any event within one hundred twenty (120) days after the end of each fiscal year, financial statements of the Company as at the end of such fiscal year.

4.9 **Tax Matters**. The Class A Member shall act as the "tax matters member" for the Company, as that term is defined in, and for all purposes of, Section 6231(a)(7) of the Code, or such other Member as the Board may appoint in writing from time to time. The Class B Member shall have the opportunity to review the tax filings prior to the Class A Member filing any returns.

4.10 **Management Agreement**. Each Member acknowledges and expressly agrees that concurrent with the execution and delivery of this Agreement, or within a reasonable time thereafter, the Company will enter into a management agreement with Northwest Community Hospital, an Affiliate of Class A Member, pursuant to which the Company will pay ongoing management fees to such party (the "Management Agreement") for the provision of the administrative services set forth on **Schedule 4.10** to this Agreement.

ARTICLE 5

Management of the Company

5.1 **Initial Managers**. After the effective date hereof, the Initial Managers shall be:

Northwest Community Health Services, Inc.

Foot And Ankle Surgical Facility, Ltd

Subject to Section 5.2, each Initial Manager has equal rights in the management and conduct of the Company's business. Except as otherwise provided in Sections 4.1 and 5.2, any matter relating to the business of the Company may be exclusively decided by a majority vote of the Initial Managers. The Initial Managers will have all of the powers and authority, directly or indirectly, given to "managers" under the Act.

5.2 **Board of Managers**. Each Class of Member shall appoint representatives to a Board of Managers (the "Board"), which shall consist of not less than **three (3) Class A Members** and **two (2) Class B Members**. (each, a "Board Manager", collectively "Board Managers"). All of the powers and authority of the Company shall be exercised by or under the direction of the Board except for situations in which (a) the approval of all of the Members is otherwise expressly required by this Agreement, the Act or other nonwaivable provisions of applicable law or (b) an individual Officer or Agent of the Company takes action pursuant to authority expressly delegated by the Board. The number of Managers constituting the entire Board shall initially be fixed as set forth in this Section 5.2, and thereafter be fixed from time to time by a resolution duly adopted by the Board. A Manager holds office until a successor has been elected and qualified, unless the Manager sooner resigns or is removed by unanimous consent. A Manager may appoint a proxy to vote or otherwise act for the Manager by signing an appointment instrument, either personally or by the Manager's attorney-in-fact. Any or all of the Board Managers may be removed at any time from the Board, with or without cause, by the affirmative vote of a majority of the Class of Members that appointed the Manager. For matters considered by the Board, each Board Manager shall be entitled to one (1) vote. Each Manager may resign at any time. The Board shall act as a body and, any other provision of this Agreement or any provision of the Act notwithstanding, no individual Manager shall, as a Manager, in the name of or on behalf of the Company, have the authority to or purport to execute or deliver any contract, instrument or document, perform any other act, engage in any transaction, commit or bind the Company to any act, contract, instrument or document, or incur any debt, except with the written approval of the Board or in accordance with policies adopted by the Board. The Company may, from time to time in its sole discretion, grant Board observer rights to third parties.

5.3 **Meetings of the Board**. Any Board Manager may call a meeting of the Board upon five (5) days' notice in writing (which may be by facsimile or email), which notice shall specify the date, time and purpose or purposes of the meeting. Meetings of the Board shall be held at the Company's principal executive offices, unless the Managers agree to meet at another location. Board Managers shall have the right to attend any meeting of the Board by means of conference telephone or other method of communication by which each Board Manager can hear all other Board Managers in attendance. A majority of each of the Class A and each of the Class B Board Managers shall constitute a quorum for the transaction of business at a meeting.

5.4 **Waiver of Notice**. Notice of any meeting of the Board may be waived by a Board Manager by a waiver of the notice in writing, signed by the Board Manager entitled to the notice, whether before, at or after the time stated for the meeting. Attendance of a Board Manager at any meeting, whether in person or by telephone as provided above, shall constitute waiver of notice of such meeting, except where a Board Manager attends a meeting for the express purpose of objecting the transaction of any business because the meeting is not lawfully called or convened and does so at the outset. Any waiver of notice of a meeting by a Board Manager hereunder shall be equivalent to the giving of such notice.

5.5 **Decisions and Actions of the Board**. Except for any matter identified in Section 5.5(a) of this Agreement, the vote of the majority of the Board Managers in attendance at a duly called meeting of the Board at which a quorum is present shall be the act of the Board.

(a) Supermajority Vote of Board. The following shall require a supermajority approval (a total of **four (4) out of five (5)** votes in favor) from the Board of Managers:

(i) Appointment of an appraiser for a determination of Fair Market Value of Unit price of any Class or Company property/assets;

(ii) The approval of annual operating and capital budgets for the Company;

(iii) The establishment of working capital and other reserve levels on an annual basis;

(iv) The approval of the entrance into or renewal of any contract, arrangement, commitment, lease, loan instrument, or other business arrangement with an aggregate value of more than two-hundred thousand dollars ($200,000.00);

(v) The approval of distributions of the Company's net income to the Members.

(vi) Expansion of the number of Board Managers from any Class of Members.

(b) Board of Managers Deadlock. Any action requiring approval or consent by the Board of Managers under this Section that results in a deadlocked vote by the Managers after two consecutive meetings of the Board of Managers shall be decided by the Voting Members in the same manner as any action taken pursuant to Section 4.1.

5.6 **Actions of the Board Without a Meeting**. Any action that is required or permitted to be taken by the Board at a meeting may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by such number of Board Managers as would be necessary to authorize or take such action at a meeting at which all Board Managers entitled to vote therein were present and voted, provided that the writing or writings setting forth such action shall be filed with the minutes of the meetings of the Board Managers.

5.7 **Officers**. The Company may have such officer or officers (referred to collectively as "Officers") as the Board may from time to time appoint, and such Officers so appointed may include individuals holding titles such as Chairman, Treasurer, Secretary or Controller. For the avoidance of doubt, the Board may appoint a Manager as an Officer. Each Officer shall hold office at the pleasure of the Board and may be removed at any time from any office or offices held by him, with or without cause, by and in the sole and absolute discretion of the Board. All Officers shall possess and exercise the duties and authority of their respective offices subject to the authority and direction of the Board. Subject to the authority of the Board and the Board Members under this Agreement or under applicable law, all Officers shall have such duties and authority with respect to the affairs of the Company as are customarily possessed by such officers of an Illinois corporation, except as such duties or authority may be limited or expanded by action of the Board from time to time. Subject to subsequent appropriate action by the Board from time to time hereafter, the initial Officers of the Company shall be:

Stephen Scogna - Chairman

John Skeans - Treasurer

Lowell Scott Weil, Sr., DPM - Secretary or Controller

5.8 **Business Activities of Managers**. Subject to any restrictions in any other agreement to which any Manager is a party and without limiting the generality of the provisions in Section 7.2, Board Managers and Managers shall not be required to devote full time to the Company's business.

5.9 **Compensation and Reimbursement of the Board Managers and Officers**. No Board Manager or Officer shall be entitled to receive compensation from the Company for services rendered by him, her or it to the Company in such capacity except as otherwise approved by the Board. The Company shall reimburse each Member, Manager or Officer for any and all reasonable expenses incurred or advanced by such Member, Manager or Officer on behalf of the Company in connection with the business and affairs of the Company.

5.10 **Advisory Board**.

(a) The Board may form a committee (the "Advisory Board") to consult with and advise the Board and Officers with respect to the Company's day-to-day business and activities.

(b) If so formed, the Advisory Board shall serve only in the capacity described above and in accordance with any Advisory Board Charter delegated and approved by the Board from time to time. The Advisory Board shall have no authority to vote, act for or to bind the Company. The Board shall determine the size of the Advisory Board and shall appoint the members thereof, which may include from time to time such representatives of the Class A, B, and C Members as the Board may deem appropriate. The Board may change the size or the membership of the Advisory Board at any time and in its sole and absolute discretion.

ARTICLE 6

Limitations of Liability; Indemnification

6.1 **Liabilities of the Company**. Except as otherwise provided by non-waivable provisions of the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and no Member or Manager shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Member or Manager of the Company. The failure of the Company to observe any formalities or requirements relating to the exercise of its powers or management of its business and affairs under this Agreement or the Act shall not be grounds for imposing personal liability on the Members or Managers for debts, obligations and liabilities of the Company.

6.2 **No Duties**. Each Manager of the Company, in managing the business and affairs of the Company, will discharge his or her duties in a manner he or she believes in good faith to be in the best interests of the Company and in accordance with the provisions of this Agreement. Except as described in the preceding sentence, to the extent that, at law or in equity, a Member, Manager or Officer, in each case, in their capacity as such, has any duty (including any fiduciary duty) to the Company, a Member or any other Person that is party to or otherwise bound by this Agreement, all such duties are hereby eliminated, and each of the Company, Members and such other Persons hereby waives such duties (including any fiduciary duties), to the fullest extent permitted by the Act and all other applicable law. In addition, each of the Members and any other Person that is party to or otherwise bound by this Agreement acknowledges and agrees that (a) it shall not (and shall not assist any Person attempting to), directly or indirectly, derivatively or otherwise, make any claim with respect to or seek to enforce any duty (including any fiduciary duty) which any Person may have to the Company in their capacity as a director, manager, officer or equity holder and (b) the Company shall have the sole and exclusive right to make any such claim or seek any such enforcement.

6.3 **Waiver of Liability**. No present or former Member, Manager or Officer, partner, director, manager, officer, employees, agents or representatives of any of the foregoing shall be liable to the Company or to any Member for any act or omission performed or omitted by such Member, Manager or Officer in their capacity as such; provided that (a) such limitation of liability shall not apply to the extent the act or omission was attributable to such Person's fraud, bad faith, willful misconduct, gross negligence or knowing violation of law (in each case, as determined by a final judgment, order or decree of an arbitrator or a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected)) and (b) for the avoidance of doubt, such limitation of liability shall not apply with respect to any breaches of any representations, warranties or covenants by any such Person contained herein or in any other agreement with the Company. With respect to any action taken or decision or determination made by any Manager, the Board or any Officer in their capacity as such, it shall be presumed that such Manager, the Board or such Officer acted in good faith and in compliance with this Agreement and the Act, and any Person bringing, pleading or prosecuting any claim with respect to any action taken or decision or determination made by any Manager, the Board or any Officer in their capacity as such shall have the burden of overcoming such presumption by clear and convincing evidence; provided that, for the avoidance of doubt, this sentence shall not be deemed to increase or place any duty (including any fiduciary duty) on any Manager, the Board or any Officer.

6.4 **Indemnification.**

(a) Generally. The Company hereby agrees to indemnify and hold harmless any Person (each, an "Indemnified Person") to the fullest extent permitted under the Act, as the same now exists or may hereafter be amended, substituted or replaced (but, in the case of any such amendment, substitution or replacement, solely to the extent permitted by law, only to the extent that such amendment, substitution or replacement permits the Company to provide broader indemnification rights than the Company is providing immediately prior to such amendment, substitution or replacement), against all proceedings, claims, actions, liabilities, losses, damages, costs or expenses (including reasonable attorney fees and expenses, judgments, fines, excise Taxes or penalties) incurred or suffered by such Person by reason of the fact that such Person is or was a Member or is or was serving as a Manager or Officer of the Company; provided that no Indemnified Person shall be indemnified (a) with respect to proceedings, claims or actions (i) initiated or brought voluntarily by or on behalf of such Indemnified Person and not by way of defense or (ii) brought against such Indemnified Person in response to a proceeding, claim or action initiated or brought voluntarily by or on behalf of such Indemnified Person against the Company, (b) for any amounts paid in settlement of a claim effected without the prior written consent of the Company to such settlement, which consent shall not be unreasonably withheld (c) to the extent such proceedings, claims, actions, liabilities, losses, damages, costs or expenses arise from such Person's fraud, bad faith, willful misconduct, gross negligence or knowing violation of law as determined by a final judgment, order or decree of an arbitrator or a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected) or (d) for the avoidance of doubt, with respect to any breaches of any representations, warranties or covenants by any such Person contained herein or in any other agreement with the Company. Expenses, including reasonable attorneys' fees and expenses, incurred by any such Indemnified Person in defending a proceeding may be paid by the Company in advance of the final disposition of such proceeding, including any appeal therefrom, upon approval of the Board and receipt of an undertaking by or on behalf of such Indemnified Person (in form and substance acceptable to the Board) to repay such amount if it shall ultimately be determined that such Indemnified Person is not entitled to be indemnified by the Company. If this Section 6.4 or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless each Indemnified Person pursuant to this Section 6.4 to the fullest extent permitted by any applicable portion of this Section 6.4 that shall not have been invalidated.

(b) Employees and Agents. The Company, in the sole discretion of the Board, may indemnify and advance expenses to an employee or agent of the Company to the same extent and subject to the same conditions under which it is obligated to indemnify and advance expenses to an Indemnified Person under Section 6.4(a).

ARTICLE 7

Allocation of Profits and Losses; Distributions

7.1 **Allocation of Profits and Losses.**

(a) General Rule. Profits (and items thereof) and Losses (and items thereof) for any fiscal year shall be allocated among the Members in such a manner, as determined by the Board to be feasible and equitable, as to give effect to the intended economic arrangements of the Members as expressed in Sections 7.2(a) and 9.3(b). All such allocations shall be made in accordance with the provisions and principles of Section 704(b) of the Code and the Regulations.

(b). Allocations Relating to the Last Fiscal Year(s). If, upon the liquidation of the Company pursuant to Article 9, and after all other allocations provided for in this Section 7.1(b) have been tentatively made as if this Section 7.1(b) were not in this Agreement, a distribution to the Members pursuant to Section 9.3(b) would be different from a distribution to the Members made in accordance with their respective positive Capital Account balances as contemplated by Regulations § 1.704-1(b)(2)(ii)(*b*)(*2*), then Profits (and items thereof) and Losses (and items thereof) for the fiscal year in which the Company dissolves and terminates pursuant to Article 9 shall be re-allocated among the Members in a manner such that the Capital Account of each Member, immediately after giving effect to such allocation, is, as nearly as possible, equal (proportionately) to the amount of the distributions that would be made to such Member pursuant to Section 9.3(b). The Board may, in its sole and absolute discretion, apply the principles of this Section 7.1(b) to the fiscal year preceding the fiscal year in which the Company dissolves and terminates (including through the application of Section 761(c) of the Code) if delaying the application of the principles of this Section 7.1(b) would likely result in a distribution pursuant to Section 9.3(b) that is materially different from a distribution to the Members made in accordance with their respective positive Capital Account balances as contemplated by Regulations § 1.704-1(b)(2)(ii)(*b*)(*2*).

(c) Tax Allocations. Except as provided in the following sentence, income, gain, loss and deduction of the Company for tax purposes for any taxable year shall be divided among the Members in the same proportions as they share Profits or Losses (and items thereof), as the case may be, for such taxable year. The preceding sentence notwithstanding, (i) in the event Section 704(c) of the Code is applicable to any transaction generating any such income, gain, loss or deduction, the same shall be divided among the Members in accordance with the provisions of such Section 704(c) and the Regulations, in such manner as the Board in its sole and absolute discretion shall determine, and (ii) in the event the Book Value of any Company asset (as determined for calculating Profits and Losses) differs from its adjusted basis for federal income tax purposes, allocations of income, gain, loss and deduction for tax purposes with respect to such asset shall take into account any variation between the adjusted basis of such asset for federal income tax purposes and its Book Value in accordance with the provisions of Section 704(c) of the Code and the Regulations, in such manner as the Board in its sole and absolute discretion shall determine. Allocations pursuant to this Section 7.1(c) are solely for the purposes of federal, state, and local taxes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of Profits, Losses, or distributions pursuant to any provision of this Agreement.

7.2 **Distributions.**

(a) Excess Cash Flow. The Board may make a determination to what extent, if any, there exists Excess Cash Flow. The amount of such Excess Cash Flow, if any, shall be distributed to the Members only at such time or times as the Board determines, and, when distributed, shall be distributed to the Members pro rata according to percentage of Units owned.

(b) Distributions in Connection with Liquidation. Any other provision of this Section 7.2 notwithstanding, assets of the Company available for distribution in connection with the liquidation and dissolution of the Company or the sale or other disposition of all or substantially all of the Company's non-cash assets shall be distributed in accordance with the provisions of Article 9.

(c) Withholding; Set-off. Any other provision of this Agreement notwithstanding, the Company may withhold from any distribution to any Member, including distributions in connection with the liquidation of the Company, (i) such amount as may be required to be withheld therefrom pursuant to the Code or any other applicable federal, state or local law, and (ii) any amounts then owed by such Member to the Company, and any amount so withheld shall be treated as a distribution to such Member for purposes of this Agreement.

(d) Distributions In Kind. Except as otherwise provided in Article 9, distributions to the Members, when made, may be made in cash or in securities or other non-cash property held by the Company, or in any combination thereof, as determined by the Board in its sole and absolute discretion. In the event of any distribution which consists of or includes non-cash property, (i) the Board shall ascertain the Fair Market Value of such property, (ii) the Capital Accounts of the Members shall be charged or credited, as the case may be, as if such property had been sold at such Fair Market Value, and (iii) the net gain or net loss realized thereby had been allocated to and among the Members in accordance with Section 7.1.

ARTICLE 8

Transfer of Units

8.1 **Restrictions on Transfer.**

(a) Permitted Transfers. Except as otherwise provided in this Agreement, without the unanimous consent of the Members, no Member shall sell, exchange, mortgage, hypothecate, transfer, pledge, assign, donate, create a security interest in or lien on, encumber, give, place in trust (voting or other) or otherwise dispose of, including any involuntary transfer or transfer by operation of law in bankruptcy or by way of execution, seizure or sale by legal process (hereinafter, "Transfer"), his, her or its Units or any portion thereof (each, a "Permitted Transfer"). Any attempted Transfer of a Unit other than in accordance with the preceding sentences shall be null and void and be of no force or effect. Any Transfer of a Unit shall be made only in compliance with all applicable securities and health care regulations and laws. No Transfer of Units belonging to any Class will give the Transferee any voting rights afforded to Members, as described in this Agreement. Transferees will own a distributional interest only and will not be considered a Member under this Agreement, except for purposes of maintaining compliance with Sections 3.2, 4.5, and 4.6 herein. A Transferee is not entitled to participate in the management or conduct of the Company, require access to information concerning the Company's transactions, or inspect or copy any of the Company's records.

(b) Conditions to Permitted Transfers. Any purported Transfer by a Member pursuant to the terms of Section 8.1(a) shall, in addition to requiring any prior written consent required by Section 8.1(a), be subject to the satisfaction of the following conditions:

(i) the Member that proposes to effect such Transfer (a "Transferring Member") or the Person to whom such Transfer is to be made (a "Transferee") shall undertake to pay all expenses incurred by the Company and the Board on behalf of the Company in connection therewith;

(ii) the Company shall receive from the Transferee or from the Transferring Member (A) such documents, instruments and certificates as may be reasonably requested by the Company, pursuant to which such Transferee shall agree to be bound by this Agreement, including a counterpart of this Agreement executed by or on behalf of such Transferee, (B) a certificate to the effect that the representations set forth in the Subscription Agreement between the Company and the Transferring Member are (except as otherwise disclosed to the Board) true and correct with respect to such Transferee as of the date of such Transfer, (C) a Power of Attorney and (D) such other documents, opinions, instruments and certificates as the Board shall reasonably request;

(iii) prior to making any such Transfer, the Company shall have received an opinion of counsel addressing such tax, health care, and securities issues related to the proposed Transfer as the Board may deem reasonably appropriate;

(vi) such Transfer would not result in the termination of the Company under Section 708 of the Code;

(v) such Transfer would not result in any assets of the Company being treated as "plan assets" of any employee benefit plan under Section 2510.3-101 of applicable Department of Labor regulations;

(iv) neither the Purchase Agreement, nor the Transferring Member provide or promise to provide Transferee with any voting rights associated with being a Member of the Company as described herein;

The Board may waive any or all of the conditions set forth in this Section 8.1(b).

8.2 Rights of First Refusal.

The Initial Members hereby grant to the Company, as provided herein, a right of first refusal to purchase the Member Units of any Class which are the subject of a bona fide offer for purchase or in the event of any change in control or ownership of the Member resulting from a merger, consolidation, stock transfer or asset sale (in each instance, the "Offer"), which is not rejected by that Class Member, from or with a bona fide third-party purchaser who is not and never has been a Member of the Company.

(a) Notice. Promptly after receipt by the Class Member of an Offer which the Class Member does not intend to reject, it shall give written notice to the Company, which shall in turn provide a copy of such notice to the Company within seven (7) business days (the "Notice of Offer"), stating the full terms, conditions and details of the Offer received and not rejected by the Class Member including, without limitation, the name of the qualified third- party purchaser who made the Offer, the number of Units covered by the Offer, the payment terms (whether for cash or on credit and, if on credit, the time for payment and the interest rate) and any and all other consideration to be received or paid in connection with the Offer.

(b) Exercise of Right of First Refusal. The Company shall have the first right to exercise the right of first refusal granted in this Section 8.2 by giving written notice (the "Notice of Purchase") to the selling Class Member within ten (10) business days after its receipt of the Notice of Offer. In the event that the Company fails to exercise its right of first refusal within the appropriate time period the selling Class Member thereafter shall have sixty (60) days to sell all of the Units on the terms and conditions of the Offer. If such Class Member does not consummate such sale within such sixty (60) day period, the rights of the Company shall be reinstated and the Notice of Offer procedure in this Section 8.2 must be repeated in the event of any continuing or new bona fide offer to purchase the Units of the Class Member.

(c) Purchase Price. The purchase price shall be the price set forth in the Notice of Offer; provided, that the Company shall be entitled to substitute cash in an amount equal to the Fair Market Value of any non-cash portion of the consideration set forth in the Notice of Offer. The purchase price shall be payable, and the purchase of the selling Class Member's Units shall be consummated, within sixty (60) days of the giving of a Notice of Purchase under Section 8.2(b) above or such later date as determined by mutual agreement.

(d) Exception for Permitted Transfers. Notwithstanding the foregoing provisions of this Section 8.2, no right of first refusal shall apply to any Transfer of Units pursuant to a Permitted Transfer.

8.3 **Status of Third-Party Transferee**. Notwithstanding any other provision of this Agreement, no third-party transferee of a Unit, including a Permitted Transferee, shall, without the prior written consent of the Board, which consent may be withheld in the Board's sole and absolute discretion, acquire the status of a substituted Member of the Company under this Agreement, the Act or other applicable law, but shall have solely the rights to distributions as provided under this Agreement. In the event a substitute Member is admitted to the Company in accordance with this Section 8.3, such substitute Member shall be responsible for the payment of all fees and expenses associated with the transfer and such substitution as the Board may deem reasonable and appropriate.

8.4 **Time of Transfer**. Except as may otherwise be agreed to by the parties to any Transfer under Section 8.7 or 8.8, any Transfer of a Unit permitted under this Article 8 shall be effective as of midnight of the last day of the calendar month in which it is made, or, at the election of the Board, as of 12:01 A.M. the day following the date of the Transfer (the "Effective Transfer Date").

8.5 **Distributions and Allocations in Respect of Transferred Unit**. If any Unit is Transferred during any accounting period in compliance with the provisions of this Article 8, Profits, Losses, each item thereof and all other items attributable to such Unit for such period shall be divided and allocated between the transferor and the transferee by taking into account their varying interests during the period in accordance with Article 8 hereof and Code Section 706(d), using the Effective Transfer Date as the date upon which the change in ownership of the Unit occurred, and using any conventions permitted by the Code or the Regulations and selected by the Board. All distributions on or before the Effective Transfer Date shall be made to the transferor and all distributions thereafter shall be made to the transferee. Neither the Company, the Board nor any Member shall incur any liability for making allocations and distributions in accordance with the provisions of this Section 8.5, whether or not any of them has knowledge of any Transfer of ownership of any Unit.

8.6 **Withdrawal; Death, Dissolution.**

(a) No Withdrawal of Member. No Member shall be entitled to disassociate as a Member, except in connection with a Transfer of all of such Member's Units in the Company in compliance with the terms and conditions of this Agreement. Prior to termination and dissolution of the Company, the Company shall not be obligated to repurchase a Member's Units, nor shall any Member be entitled to receive any other payment or distribution in connection with his, her or its withdrawal from the Company.

(b) Death, Dissolution, Adjudication of Incompetency. Following the death, dissolution or adjudication of incompetency of a Member, the successor-in-interest or legal representative of such Member shall not be substituted as a Member except upon compliance with the terms and conditions of Section 9.2.

8.7 **Redemption of a Member Interest Upon a Termination Event.**

(a) Termination Event. With respect to the Members, a "Termination Event" means:

(1) For any Member, the exclusion, suspension, or debarment of a Member from participation in the Medicare, Medicaid or federal healthcare program;

(2) the suspension, limitation or revocation of, or other final disciplinary action pertaining to: (A) Member's license to practice medicine in the State of Illinois, or in any other state, or (B) Member's federal or state narcotics registration number;

(3) the conviction of any Member of a felony or crime involving dishonesty or moral turpitude in any jurisdiction;

(4) any material breach, capable of being cured, of this Agreement that is not cured within 30 days of receiving notice of such breach;

(5) voluntary resignation of the Member;

(6) death of Member;

(7) Disability of a Member; or

(8) failure to meet any Safe Harbor Requirement.

(b) Notice of Termination; Right to Cure; Notice of Resignation/Retirement. Unless otherwise noted, each Termination Event shall trigger the Company's and the Members' rights and obligations upon such Termination Event only after the Company or Member, as applicable, provides prior written notice of the applicable Termination Event to the other party as provided herein. A Member shall provide at least ninety (90) days written notice to the Company's Board of Managers of his/her retirement or resignation from the Company. In the event the Company determines a Termination Event as provided in Section 8.7(a)(1)-(5) has occurred with respect to a Member, then the Company shall provide Member with written notice of the Termination Event; provided, however, the Company shall not trigger such Termination Event rights and obligations, as provided herein, in the event that such Member cures the Termination Event within thirty (30) days following the date of such written notice from the Company to the Member. Moreover; the rights to the notice and right to cure set forth in this Section 8.7(b) shall not apply if the Termination Event is not curable.

(c) Company's Purchase of a Class A or B Interest Upon a Termination Event. If a Termination Event occurs with respect to Class A or Class B Member, the Company shall acquire the Member's Membership Interest and the Member shall sell such Member's Membership Interest to the Company. In calculating the value of the terminating Member's Membership Interest in the Company, the books and records of the Company shall be closed at the end of the month nearest the date of termination. The amount the Company shall pay the then fair market value, as determined by a mutually agreed upon appraisal, for the Membership Interest owned by such Class A or Class B Member ("Termination Purchase Price") shall be payable by the Company, at the Company's option, within thirty (30) days of the date of termination or in twelve (12) monthly installments over the period of one (1) year commencing on the date of termination.

(d) Purchase of a Class C Interest by the Class B Member upon a Termination Event. If a Termination Event occurs with respect to any Class C Member, then the Class B Member shall acquire the Class C Member's Membership Interest and the Class C Member shall sell such Member's Membership Interest to the Class B Member. In calculating the value of the Terminating Member's Membership Interest in the company, the books and records of the Company shall be closed at the end of the month dearest the date of termination. The amount the Class B Member shall pay for the Membership Interest owned by the terminating Class C Member (the "Class C Termination Price") shall be payable by the Class B Member, at that Member's option, within thirty (30) days of the date of termination or in twelve (12) monthly installments of the period of one year commencing on the date of termination. (i) In the event of a Termination Event, prior to the Class C Member's third (3^{rd}) anniversary of becoming a Member of the Company, the Class C Termination Purchase Price shall be equal to the amount initially paid by such Member to acquire the Class C Membership Interest. (ii) In the event of a Termination Event following the Class C Members' first three (3) year(s) as a Member of the Company, the Class C Termination Purchase Price shall be equal to the then current fair market value of the Class C interest as determined by a Board of Managers appointed appraiser.

(e) Redemption of Membership Interest. In the event of any Membership Interest redemption, the terminating Member shall be obligated to sign any and all agreements reflecting the redemption of such Membership Interests.

(f) Percentage Interest of Remaining Members After Redemption. **Schedule 1** of this Agreement, which reflects the Members and each of his/her/its Percentage Interests, may be revised by the Board of Managers with the consent of the Voting Members to reflect the redemption of a Member upon a Termination Event, and such revised **Schedule 1** shall be deemed to constitute an amendment of this Agreement approved by all of the Voting Members.

ARTICLE 9

Dissolution, Winding Up and Liquidation

9.1 **Causes of Dissolution**. The Company shall be dissolved upon the first to occur of the following: (i) the agreement of eighty percent (80%) of the Class A and Class B Members; (ii) the entry of a decree of judicial dissolution under the Act; (iii) an event that makes it unlawful for all or substantially all of the business of the Company to be continued, but any cure of illegality within 90 days after notice to the Company of the event is effective retroactively to the date of the event; (iv)a judicial determination that it is equitable to wind up the Company's business; or (v) administrative dissolution under the Act.

9.2 **Winding Up and Liquidation**. Upon the dissolution of the Company, one or more Persons appointed by the Board who agree to undertake the obligations of this Article 9 (collectively, the "Liquidating Person") shall proceed diligently to wind up the affairs of the Company and make final distributions as provided in this Article 9. The costs of liquidation shall be borne as a Company expense. Until final distribution, the Liquidating Person shall continue to operate the Company's properties with all of the power and authority of the Managers. A reasonable time shall be allowed for the orderly liquidation of the assets of the Company and the discharge of its liabilities to creditors so as to minimize any losses attendant upon liquidation.

9.3 **Liquidation Procedure**. The steps to be accomplished by the Liquidating Person are as follows:

(a) Discharge of Debts, Liabilities and Obligations. The Liquidating Person shall first pay, satisfy or discharge from Company funds all of the debts, liabilities and obligations of the Company, including debts or liabilities to Members who are creditors of the Company, and all expenses of the Company incurred in liquidation, or shall otherwise make adequate provision for payment and discharge of the Company's debts, liabilities and obligations in accordance with applicable law (including the establishment of reserves for contingent liabilities in such amount and for such term as the Liquidating Person may reasonably determine).

(b) Distribution of Liquidation Proceeds. The Liquidating Person shall distribute all of the Company's assets, if any, remaining after complying with Section 9.3(a) (collectively, the "Liquidation Proceeds") to the Members in amounts and order of priority set forth in Section 7.2(a).

(c) Adjustment to Capital Accounts. It is intended that the distributions set forth in Section 9.3(b) comply with the intention of Regulations § 1.704-1(b)(2)(ii)(*b*)(*2*) that liquidating distributions be made in accordance with positive Capital Accounts. However, if the balances in the Capital Accounts do not result in such requirement being satisfied, no change in the amounts of distributions pursuant to Section 9.3(b) shall be made, but rather Profits (and items thereof) and Losses (and items thereof) will be re-allocated among the Members in accordance with Section 9.1(b) so as to cause the balances in the Capital Accounts to be in the amounts necessary so that, to the extent possible, such result is achieved.

9.4 **Final Accounting**. As promptly as possible after liquidation, the Liquidating Person shall cause to be prepared and furnished to the Members a proper accounting of the assets and liabilities of the Company as at the date of dissolution and as at the date of the completed liquidation.

9.5 **Distributions In Kind**. If any non-cash property is to be distributed in-kind, the Liquidating Person shall ascertain the Fair Market Value of such property, and the Capital Accounts of the Members shall be charged or credited, as the case may be, as if such property had been sold at such Fair Market Value and the net gain or net loss realized thereby had been allocated to and among the Members in accordance with Article 7.

9.6 **Return of Contributions**. The Members shall look solely to the assets of the Company for the return of their Capital Contributions. If the assets of the Company remaining after the payment or discharge of the debts and liabilities of the Company are insufficient to return to the Members their Capital Contributions, they shall have no recourse against any other Member, the Managers, any Officer, or the Liquidating Person for that purpose.

9.7 **No Deficit Restoration by Members**. No Member shall be required to contribute capital to the Company to restore a deficit balance in such Member's Capital Account upon liquidation or otherwise.

ARTICLE 10

Miscellaneous Provisions

10.1 **Notices**. Any notice or communication required or permitted to be given by any provision of this Agreement shall be deemed to have been given and received for all purposes when delivered personally or by electronic mail or facsimile to the party to whom the same is directed or one (1) business day after deposit with an overnight delivery service, charges prepaid, addressed (either physical or electronic mail) to the party to whom the same is directed at the address set forth in this Agreement, or such other address as to which the Company has received written notice from time to time.

10.2 **Books of Accounts and Records; Accounting**. The Company will keep proper and complete records and books of account, in which shall be entered fully and accurately all transactions and other matters relating to the Company's business in the detail and completeness customary and usual for businesses of the type engaged in by the Company. The books and records shall at all times be maintained at the principal executive offices of the Company or at such other place(s) as may be approved by the Board. The Company's books shall be kept on the basis of the accounting method of the Company for federal income tax purposes, as selected by the Board. The fiscal year of the Company shall be the calendar year.

10.3 **Records Required by the Act**. During the term of the Company's existence, there will be maintained all records required to be kept pursuant to the Act, including, without limitation, a current list of the names, addresses and Units held by each of the Members (including the dates on which each of the Members became a Member), copies of federal, state and local information or income Tax Returns for each of the Company's Tax years, copies of this Agreement and the Articles of Organization, including all amendments thereto or restatements thereof, correct and complete books and records of account of the Company and the minute book of the Company.

10.4 **Governing Law; Company Counsel**. The Company, this Agreement and the rights of the Members hereunder shall be governed by, and construed in accordance with, the laws of the State of Illinois, without regard to its rules concerning conflicts of laws.

10.5 **Waiver of Action for Partition**. Each Member irrevocably waives any right that it may have to maintain any action for partition with respect to the property of the Company.

10.6 **Amendments**. This Agreement may be amended only by unanimous consent of the Voting Members, in writing which specifically references this Agreement; provided, however, that no amendment which would (i) increase the liability of a Member to make any Capital Contribution, (ii) create or increase any liability on a Member's part for any debt or obligation of the Company, or (iii) otherwise materially and adversely affect a Member (in his, her or its capacity as such Member) without (in the case of this clause (iii)) similarly and proportionately affecting each other Member, shall be effective as against such Member without such Member's consent; provided further that any amendment to provide for the creation and/or issuance of Units otherwise permitted by the terms of this Agreement shall not be deemed to affect any Member or class of Members more adversely than any other Member.

10.7 **Construction**. Whenever the singular is used in this Agreement and when required by the context, the same shall include the plural and vice versa, and the masculine gender shall include the feminine and neuter genders and vice versa. The headings in this Agreement are for convenience only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any of its provisions.

10.8 **Entire Agreement**. This Agreement contains the entire understanding among the parties with respect to the subject matter hereof and supersedes any prior understandings and agreements (including the Prior Agreement), whether written or oral, with respect to such subject matter.

10.9 **Severability**. This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules and regulations in which the Company does business. If any provision of this Agreement or its application to any person or circumstance shall, for any reason and to any extent, be invalid, illegal or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby, but rather shall be enforceable to the fullest extent permitted by law.

10.10 **Heirs, Successors and Assigns**. Each and all of the covenants, terms, provisions and agreements contained in this Agreement shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Agreement, their respective heirs, legal representatives, successors and permitted assigns.

10.11 **Creditors**. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company.

10.12 **Counterparts**. This Agreement may be executed in multiple counterparts (including electronically transmitted counterparts), each of which shall be deemed an original and all of which shall constitute one agreement, and the signature of any party to any counterpart shall be deemed to be a signature to, and may be appended to, any other counterpart.

10.13 **Federal Income Tax Elections**. In the event of a Transfer of all or any portion of the Units of any Member, the Company may elect (by action of the Board) pursuant to Section 754 of the Code (or any similar provision enacted in lieu thereof) to adjust the basis of assets of the Company upon written request of the transferee, unless such election would have a materially unfavorable effect upon any of the Members.

10.14 **Injunctive Relief**. Each Member acknowledges that it will be impossible to measure in money the damage to the Company and to the other Members if there is a failure to comply with this Agreement. It is therefore agreed that the Company or any other Member, in addition to any other rights or remedies which they may have, shall be entitled to immediate injunctive relief and to specific performance to enforce this Agreement and that if any action or proceeding is brought in equity to enforce it, no party will urge, as a defense, that there is an adequate remedy at law. Each Member hereby waives the requirement that the party seeking an injunction post a bond.

10.15 **Further Actions**. Each Member agrees to perform all further acts and execute, acknowledge, and deliver any documents which may be reasonably necessary to carry out the provisions of this Agreement.

10.16 **Power of Attorney**.

(a) Each Member hereby designates, constitutes and appoints Majority Member as such Member's true and lawful attorney-in-fact, with full power of substitution, and in the name, place and stead of such Member at any time and from time to time to execute, acknowledge, swear to, file, deliver and record the following:

(i) any and all agreements amending this Agreement, as now or hereafter amended, that may be appropriate to reflect: (A) a change in the name or location of the principal place of business of the Company; (B) the disposition by a Member of such Member's Units or any part thereof; (C) the substitution or addition of a Person becoming a Member of the Company (subject to consent as required by this Agreement); (D) a distribution in reduction of the Capital Contributions of a Member; (E) a change in the capital of the Company; and (F) subject to the provisions of Section 10.6, any other amendment permitted under this Agreement;

(ii) such certificates, instruments and documents as may be required or as may be appropriate in connection with the qualification of the Company to do business in any state or jurisdiction, and the use of the name of the Company therein;

(iii) such certificates, instruments and documents as may be required or as may be appropriate under the laws of any state or jurisdiction to reflect (A) a change of name or address of the statutory agent and (B) any changes in the Company or amendments to this Agreement;

(iv) all conveyances or other instruments and documents necessary to effect the dissolution and termination of the Company, and all other filings with agencies of the federal government and of the states to carry out the purposes of the Company; and

(v) any documents, certificates or other instruments, including (without limiting the generality of the foregoing) any and all amendments and modifications of this Agreement or of the instruments described in (i) hereof which may be required or deemed desirable by the Board to effectuate the provisions of any part of this Agreement and, by way of extension and not in limitation, to do all such other things as shall be necessary to continue and to carry on the business of the Company.

(b) The power of attorney granted hereby shall not constitute a waiver of, or be used in any other manner inconsistent with, the terms of this Agreement or the status of the Company as a limited liability company.

(c) It is expressly intended by each Member that the foregoing power of attorney is coupled with an interest, is irrevocable and shall survive the dissolution, death, adjudication of incompetency or insanity of such Member.

10.17 **Consent to Jurisdiction; Service of Process**. The Company, and each Manager, Officer and Member irrevocably (a) consents to the jurisdiction of the state and Federal courts located in the Northern District of the State of Illinois, (b) agrees that any action, suit or proceeding by or among the Company, Managers (or any of them), Officers or Members (or any of them) shall be brought exclusively in such courts in the State of Illinois, (c) waives any objection which he, she or it may now or hereafter have to the choice of forum whether on personal jurisdiction, venue, forum non conveniens or on any other ground, (d) consents to the service of process outside of the territorial jurisdiction of said courts by mailing copies thereof by registered or certified United States mail, postage prepaid, to such Person's last known address as shown in the records of the Company with the same effect as if such Person was a resident of the State of Illinois and had been lawfully served in such state, and (e) agrees that final judgment against he, she or it in any such action or proceeding shall be conclusive and may be enforced in any other jurisdiction within or outside the State of Illinois by suit on the judgment, a certified or exemplified copy of which shall be conclusive evidence of the fact and the amount of such judgment. Nothing in this Agreement shall affect the right to service of process in any other manner permitted by law.

[signature pages follow]

IN WITNESS WHEREOF, each of the parties hereto has executed this Operating Agreement as of the date first written above.

NORTHWEST COMMUNITY FOOT AND ANKLE CENTER LLC

By: ______________________________

Its: ______________________________

[Class A, Class B, and Class C Members Signature Page Follows]

Class A Member

Northwest Community Health Services, Inc.

By: ______________________________

Name: ___________________________

Title: ____________________________

Class B Member

Foot And Ankle Surgical Facility, Ltd

By: ______________________________

Name: ____________________________

Title: _____________________________

Class C Members

By: ______________________________

Name: ____________________________

Title: _____________________________

SCHEDULE 1

MEMBERS' NAMES, ADDRESSES, CAPITAL CONTRIBUTIONS AND UNITS

Member Name and Address	Capital Contribution	Class A Units	Class B Units	Class C Units
CLASS A MEMBERS				
Northwest Community Health Services, Inc.			--	
			--	
			--	
			--	
			--	
CLASS B MEMBERS				
Foot And Ankle Surgical Facility, Ltd	--	--		
	--	--		
CLASS C MEMBERS	--	--		
TOTAL	$_______			

EXHIBIT A

DEFINITIONS

Certain capitalized words and phrases used in this Agreement shall have the following meanings:

"**Advisory Board Member**" means any Member who is, or was at any time, a member of the Advisory Board of the Company.

"**Act**" means Chapter 805 of the Illinois Compiled Statutes governing, among other matters, certain aspects of the formation, operation and dissolution of limited liability companies in Illinois, as the same may be amended.

"**Adjusted Capital Account Balance**" means the balance in the Capital Account of a Member after giving effect to the following: (i) a credit to such Capital Account for any amounts the Member is obligated to restore, pursuant to the terms of the Agreement or otherwise, or is deemed obligated to restore pursuant to the penultimate sentences of §§ 1.704-2(g)(1) and 1.704-2(i)(5) of the Regulations and (ii) a debit to such Capital Account for the items described in §§ 1.704-1(b)(2)(ii)*(d)(4)*, *(5)*, and *(6)* of the Regulations.

"**Advisory Board**" is defined in Section 5.10 hereof.

"**Affiliate**" of another Person means (a) any member of such Person's Immediate Family, (b) any Person who owns directly or indirectly ten percent (10%) or more of the beneficial ownership in such Person, (c) any one or more Legal Representatives of such Person and/or any Persons referred to in the preceding clauses (a) or (b); and (d) any entity in which any one or more of such Person and/or the Persons referred to in the preceding clauses (a), (b), or (c) owns directly or indirectly ten percent (10%) or more of the beneficial ownership. For the avoidance of doubt, if a Person is a fund, the term Affiliate shall include other members of such fund.

"**Agreement**" means this Operating Agreement, as originally executed and as amended, modified, restated or supplemented from time to time in accordance with its terms.

"**Articles of Organization**" means the Articles of Organization of the Company as filed an amended with the Illinois Secretary of State (in the form attached hereto as **Exhibit C**).

"**Bankruptcy**" shall mean any of the following:

(i) If any Member shall file a voluntary petition in bankruptcy, or shall file any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the present or any future federal bankruptcy act or any other present or future applicable federal, state, or other statute or law relating to bankruptcy, insolvency, or other relief for debtors, or shall file any answer or other pleading admitting or failing to contest the material allegations of any petition in bankruptcy or any petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief filed against such Member, or shall seek or consent to or acquiescence in the appointment of any trustee, receiver, conservator, or liquidator of such Member or of all or any substantial part of his or her properties or his or her interest in the Company (the term "acquiesce" as used herein includes but is not limited to the failure to file a petition or motion to vacate or discharge any order, judgment, or decree within thirty (30) days after such order, judgment, or decree);

(ii) If a court of competent jurisdiction shall enter an order, judgment or decree approving a petition filed against any Member seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the present or any future federal bankruptcy act or any other present or future applicable federal, state, or other statute or law relating to bankruptcy, judgment, or decree, or if any Member shall suffer the entry of an order for relief under Title 11 of an aggregate of sixty (60) days (whether or not consecutive) from the date of entry thereof, or if any trustee, receiver, conservator, or liquidator of any Member or of all or any substantial part of his or her properties or his or her interest in the Company shall be appointed without the consent or acquiescence of such Member and such appointment shall remain unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive); or

(iii) If any Member shall make an assignment for the benefit of creditors or take any other similar action for the protection or benefit of creditors.

"**Board**" is defined in Section 5.2 hereof.

"**Board Manager**" or "**Board Managers**" is defined in Section 5.2 herein.

"**Book Value**" means, with respect to any Company asset, the Company's adjusted basis in such asset for federal income tax purposes; provided that the initial Book Value of any contributed property shall be the Fair Market Value (as determined by the Board) of such contributed property as of the date of contribution to the Company; and provided, further, that the Book Value of all of the Company's assets shall be adjusted to equal their respective Fair Market Values (as determined by the Board) as of each of the following times:

(i) The acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a *de minimis* contribution to the capital of the Company.

(ii) The grant of an interest in the Company (other than a *de minimis* interest) as consideration for the provision of services to or for the benefit of the Company.

(iii) The distribution by the Company to a Member of more than a *de minimis* amount of Company assets, including money, if as a result of such Distribution such Member's interest in the Company is reduced.

(iv) The liquidation of the Company within the meaning of Regulations § 1.704-1(b)(2)(ii)*(g)*.

(v) The grant by the Company of a noncompensatory option (other than an option for a *de minimis* interest in the Company).

The Book Value of Company assets shall also be increased (or decreased) to the extent that adjustments to the adjusted basis of such assets pursuant to Section 734(b) or Section 743(b) of the Code have been taken into account for purposes of determining Capital Accounts in accordance with Regulations § 1.704-1(b)(2)(iv)*(m)*, unless such adjustments have already been taken into account pursuant to the preceding provisions of this definition.

"**Capital Account**" means, with respect to any Member, the Capital Account maintained for such Member pursuant to the provisions of Section 4.4, which shall be determined and adjusted as follows:

(i) To each Member's Capital Account, there shall be credited the following: (a) such Member's Capital Contributions (net of any liability the Company is considered to assume or take such Capital Contribution subject to); (b) such Member's allocations of Profits; and (c) any items in the nature of income or gain which are specially allocated to such Member pursuant to Section 8.1(b) and **Exhibit B** hereof.

(ii) To each Member's Capital Account there shall be debited the following: (a) the amount of cash or the Fair Market Value of other property distributed to such Member pursuant to any provision of this Agreement (net of any liability the Member is considered to assume or take such property subject to) and (b) such Member's allocations of Losses;

"**Capital Contribution**" means the amount in cash or fair market value of property contributed by each Member (or its predecessors in interest) to the capital of the Company with respect to such Member's Unit or Units, as set forth on **Schedule 1** attached hereto or as otherwise reflected on the books of the Company.

"**Class A Member**" means any holder of Class A Units, as listed on **Schedule 1**.

"**Class A Unit**" means a unit of a class of ownership interest of the Company and shall represent an undivided interest in the holder's Capital Account balance.

"**Class B Member**" means any holder of Class B Units, as listed on **Schedule 1.**

"**Class B Unit**" means a unit of a class of ownership interest of the Company and shall represent an undivided interest in the holder's Capital Account balance.

"**Class C Member**" means any holder of Class C Units, as listed on **Schedule 1**.

"**Class C Unit**" means a unit of a class of ownership interest of the Company and shall represent an undivided interest in the holder's Capital Account balance.

"**Code**" means the Internal Revenue Code of 1986, as amended, or corresponding provisions of succeeding federal revenue laws.

"**Company**" means **NORTHWEST COMMUNITY FOOT AND ANKLE LLC** , an Illinois limited liability company.

"**Company Property**" means all property, real or personal, tangible or intangible, as shall be acquired at any time by the Company.

"**Confidential Information**" means any and all reports, information, software and data regarding the Company or the Disclosing Party, including any Subsidiary, whether written, oral, recorded or visually observed, which the Receiving Party receives directly or indirectly from or on behalf of the Disclosing Party or any employee, agent or representative thereof, including, without limitation, all reports, information and data regarding the Disclosing Party's business, customers, personnel, financial condition, plans, products, manufacturing drawings, blue prints, developmental projects and plans, formulas, processes, equipment, technologies, materials, suppliers, trade secrets, operations and prospects, and the terms of this Agreement and the transactions contemplated hereby. Notwithstanding the foregoing, Confidential Information shall not include information that: (i) was in the public domain at the date of disclosure, (ii) becomes public knowledge without default by the Receiving Party, (iii) was in the possession of the Receiving Party prior to disclosure of such information to the Receiving Party by the Disclosing Party, (iv) was lawfully acquired by the Receiving Party from a source other than the Disclosing Party who is not bound by a covenant of confidentiality or other obligation of secrecy to the Disclosing Party or (v) was independently developed without use of or reference to any Confidential Information of the Disclosing Party.

"**Depreciation**" means, for each fiscal year or other period, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such taxable year or other period, except that if the Book Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such taxable year or other period, Depreciation shall be an amount which bears the same ratio to such beginning Book Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such taxable year or other period bears to such beginning adjusted tax basis; provided, however, that if the adjusted tax basis for federal income tax purposes of an asset at the beginning of such taxable year or period is zero, Depreciation shall be determined with reference to such beginning Book Value using any reasonable method selected by the Board.

"**Disability**" means the inability of a Class B or Class C Member who is a physician by reason of mental or physical illness, disease or injury, to perform the usual surgical procedures within such Member's specialty for a minimum period of six (6) consecutive months or six (6) months cumulatively in any twelve (12) month period as determined by the Board.

"**Disclosing Party**" is defined in Section 4.6 hereof.

"**Effective Transfer Date**" is defined in Section 8.4 hereof.

"**Excess Cash Flow**" means the amount of all cash and the Fair Market Value (as determined by the Board) of all property received as revenue by the Company from Company operations or investments, or from the sale, exchange or other disposition of all or any part of the property of the Company or from the refinancing with respect to any indebtedness or assets of the Company, less all expenses of every kind (before deduction for cost recovery or other non-cash expenses) of the Company for any period and the retention and establishment of reserves of, or payment to third parties of, such funds as the Board deems necessary with respect to the reasonable business needs of the Company, which shall include the payment, or the making of provision for the payment when due, of the Company's liabilities, obligations and expenses, including contingent liabilities.

"**Facility**" or "**Center**" means the ambulatory surgery center established by the Company in accord herewith.

"**Fair Market Value**" means, with respect to any property, the amount (net of any liabilities that the Company is considered to assume or take subject to) at which such property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell, and both such parties being ready, willing and able to engage in such transaction and well informed about such property and the market for such property.

"**Good Reason**" means, without his or her prior written consent, (a) a requirement that such Employee Member change his or her permanent place of employment to a location that increases such Employee Member's commute by more than fifty (50) miles prior to such requirement or (b) a substantial reduction in the duties of, and compensation payable to, such Employee Member, except where such reduction is generally applicable to all members of the Company's management team (or of an Affiliate's management team, if such Employee is employed by an Affiliate of the Company); provided, however, that with respect to any Employee Member who has entered into an employment agreement with the Company, "Good Reason" shall have the meaning ascribed to it in such employment agreement.

"**Hospital Affiliated Physician**" means a physician employed by or otherwise under contract with Northwest Community Hospital or any of its Affiliates.

"**Immediate Family**" with respect to any individual, shall mean his or her ancestors, spouse, issue, spouses of issue, any trust principally for the benefit of any one or more of such individuals, his or her estate, and any entity beneficially owned by such individuals or trust for their principal benefit.

"**Indemnified Person**" is defined in Section 6.4(a) hereof.

"**Legal Representative**" shall mean, with respect to any individual, a duly appointed executor, administrator, guardian, conservator, personal representative or other legal representative appointed as a result of the death, minority or incompetency of such individual.

"**Liquidating Person**" is defined in Section 9.2 hereof.

"**Liquidation Proceeds**" is defined in Section 9.3(b) hereof.

"**Majority Member**" means Northwest Community Health Services, Inc.

"**Management Agreement**" is defined in Section 4.10 hereof.

"**Management Company**" means that company, appointed in accordance with Section 4.10, which shall administer the ordinary, customary, and usual affairs of the Company, subject to the reserve powers set forth in Section 4.10, and which shall carry out such other duties as provided in the Management Agreement.

"**Member**" means any Person that is a Class A Member, a Class B Member (or a physician with ownership of or investment interest in Class B Member), or a Class C Member. A Member shall have all rights conferred upon "members" under the Act, as modified by this Agreement with the exception of Class C Members not having any voting rights. "**Members**" means all such Persons.

"**NCH**" is defined in Section 4.3(c) hereof.

"Notice of Offer" is defined in Section 8.2(a).

"Notice of Purchase" is defined in Section 8.2(b).

"**FASF**" is defined in Section 4.3(d)(i) hereof.

"**Officers**" is defined in Section 5.7 hereof.

"**Permitted Transfer**" is defined in Section 8.1(a) hereof.

"**Person**" means any individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including any government or political subdivision or any agency or instrumentality thereof.

"**Prior Agreement**" is defined in the Recitals hereof.

"**Profits**" and "**Losses**" means, for each fiscal year or other period, an amount equal to the Company's taxable income or loss for such year or period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(i) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses shall be added to such taxable income or loss.

(ii) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)*(i)*, and not otherwise taken into account in computing Profits or Losses, shall be subtracted from such taxable income or loss.

(iii) At any time the Book Value of any Company property is adjusted pursuant to subparagraphs (i)-(v) of the definition of "Book Value", the amount of such adjustment shall be taken into account as gain or loss from the disposition of such property for purposes of computing Profits or Losses.

(iv) Gain or loss resulting from the disposition of any Company asset with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Book Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Book Value.

(v) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such taxable year or other period, computed in accordance with the definition of "Depreciation."

(vi) To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Section 734(b) of the Code is required, pursuant to § 1.704-1(b)(2)(iv)*(m)(4)* of the Regulations, to be taken into account in determining Capital Accounts as a result of a distribution other than in complete liquidation of a Member's interest in the Company, the amount of such adjustment will be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset) from the disposition of such asset and will be taken into account for purposes of determining Profits or Losses.

(vii) Notwithstanding any other provision of this definition, any items which are specially allocated pursuant to Section 8.1(b) and **Exhibit B** of the Agreement shall not be taken into account in computing Profits or Losses.

"**Receiving Party**" is defined in Section 4.6 hereof.

"**Regulations**" means the Treasury regulations promulgated under the Code, as the same may be amended from time to time, including corresponding provisions of any succeeding regulations.

"**Restricted Area**" means Northwest Community Hospital's primary and secondary service areas, both as of the Effective Date and as those definitions may change, adjust or evolve in the Chicago market over time.

"**Retirement**" shall mean when a Class B or Class C Member completely or substantially ceases to practice medicine and publicly announces such retirement or, if he or she does not publicly announce such retirement, the Board determines in its reasonable discretion that such person no longer practices gastroenterology.

"**Safe Harbor Requirements**" with respect to a Class C Member, means: (1) such podiatrist or physician is licensed to practice podiatry or medicine (as the case may be) in the State of Illinois; (2) such podiatrist or physician continuously maintains active privileges at the Center) and complied with the requirements for Class B Membership set forth in this Agreement; (3) under applicable law, such podiatrist's or physician's ownership shall not disqualify (and, without further action, would not disqualify) the Company from engaging in operations as a Medicare certified ambulatory surgery center for any reason, or from having such podiatrist or physician perform cases at the Center, (4) such podiatrist or physician has not received loans for the purpose of acquiring such Units from the Company or from any Member, (5) such podiatrist or physician has not been barred or suspended from participation in any federal or state health care program, including the Medicare and Medicaid programs and (6) such podiatrist or physician shall have derived at least one-third (1/3) of his or her medical practice income from all sources for the previous fiscal year or previous twelve (12)-month period from his or her own performance of ambulatory surgery procedures, (7) such podiatrist or physician, while a Member, shall have performed at least one-third (1/3) of his or her procedures for the previous fiscal year or previous twelve (12)-month period at the Facility, (8) such podiatrist or physician shall have fully informed each patient, prior to referring such patient to the Facility, of such surgeon's investment interest in the Facility and advise the patient of his or her freedom of choice in the selection of a facility or entity; and (9) such podiatrist or physician shall have treated patients receiving medical benefits or assistance under any federal health care program in a nondiscriminatory manner.

"**Tax**" means any federal, state, local or foreign net income, alternative or add-on minimum, gross income, gross receipts, commercial activity, property, sales, use, transfer, gains, license, excise, employment, payroll, withholding or minimum tax, or any tax custom, duty, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or any penalty, addition to tax or additional amount imposed by any governmental body.

"**Tax Return**" means any return, report or similar statement required to be filed with respect to any Tax (including any attached schedules), including, without limitation, any information return, claim for refund, amended return or declaration of estimated Tax.

"**Termination Purchase Price**" is defined in Section 8.7(c)

"**Transfer**" is defined in Section 8.1(a) hereof.

"**Transferee**" is defined in Section 8.1(b)(i) hereof.

"**Transferring Member**" is defined in Section 8.1(b)(i) hereof.

"**Unit**" means an economic interest in the Company representing a fractional part of the economic interest in the Company. Each Unit shall be classified either as a Class A Unit, Class B Unit, or a Class C Unit, and the classification of such Unit shall be set forth on **Schedule 1** of this Agreement. "**Unit**" includes a fractional Unit.

EXHIBIT B

COMPLIANCE POLICY

EXHIBIT C

ARTICLES OF ORGANIZATION

Financial Statements

Northwest Community Healthcare's most recent audited financial statements for the year ending September 30, 2015 are included as Appendix I.

Also included as Appendix II are the most recent financial statements for the Foot & Ankle Surgery Facility dba Regenerative Surgery Center, for the one month and twelve months ended December 31, 2015.

Northwest Community Foot and Ankle Center LLC was formed on June 24, 2016. It will be the new licensee, upon approval by the Illinois Health Facilities and Services Review Board. There are no financial statements associated with this organization.

Section 1130.520 Requirements for Exemptions Involving the Change of Ownership of a Health Care Facility

1. Affirmations

The co-applicants affirm that:

The services currently provided at the Foot & Ankle Surgery Facility, dba Regenerative Surgery Center, are podiatry, orthopedics and pain management, and that these services will be continued at the new licensed facility, Northwest Community Foot and Ankle Center, LLC. The services and number of ORs (3) will not substantially change for at least 12 months after the project completion date.

Transaction documents (Letter of Intent and the Operating Agreement) contain a provision that execution is subject to review and approval by HSFRB, and that these documents contain the conditions and terms of the change of ownership.

No adverse actions have been taken against them by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois against any health facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of this application.

They intend to maintain ownership and control of the new facility for a minimum of two years.

None of the co-applicants undergoing change of ownership have any projects for which permits have been issued, which would require completion or permit alteration.

The ownership change does not pertain to a hospital, and will have no effect on the charity care practices of the current or future licensed surgery center.

Failure to complete the project no later than 24 months from the date of exemption approval (or a later date established by HFSRB upon a finding that the project has proceeded with due diligence) and failure to comply with material requirements of this section will invalidate the permit.

2. Anticipated benefits to the community

Through the partnership with Northwest Community Health Services, Inc, the newly licensed Northwest Community Foot and Ankle Center will be able to offer access to more patients than are seen at the existing Foot and Ankle Surgery Facility. The existing facility has contracts with 4 insurance companies: Signa, Aetna, Blue Cross and United. Through Northwest Community Health Services Inc, over 200 insurance products negotiated with 24 payors will be offered. The new arrangement will cover all Medicare and Medicaid replacement plans. Current restrictions for care at the existing center will be eliminated, offering access to most residents of the broader community for lower cost outpatient surgeries at the new ASTC.

This expansion in access and coverage is consistent with the spirit of the Affordable Care Act, offering outpatient surgical care at lower charge rates than are available in hospital outpatient settings.

3. Anticipated or potential cost savings

The change of ownership opens up the potential for significant cost savings and quality enhancement at the ambulatory surgery treatment center. The ASTC will not be operated as a department of Northwest Community Hospital, so hospital overhead costs (marketing, social services, security, administration, etc) will not be assessed. Yet, the new ASTC will have the benefit of using purchasing contracts for materials, supplies and equipment, through volume discounts that could not be achieved by the existing ASTC acting alone. Higher patient volumes, enabled by participation in NCH's extensive insurance contracts, brings the potential for lower cost per case by spreading fixed facility costs and staffing over more patients.

The use of *MyChart* by patients seen at the ASTC will assure coordination of follow on care received at Northwest Community Hospital. Coordination of care is one of the hallmarks of the Affordable Care Act, due to reduction in duplicative testing and increased accountability for care within a system. Staff recruitment and training is facilitated by coordination with the human resources and development programs at Northwest Community.

4. Quality improvement program mechanism / quality control

The existing Foot and Ankle Surgery Center dba Regenerative Surgery Center, has an established quality monitoring and improvement program in place, which will serve as the basis for the new entity, Northwest Community Foot and Ankle Center. The current monitoring covers many elements of performance, including waiting time (days) between request for an appointment and date of surgery, registration process (completeness of documentation), medication compliance (listing of all medications, dosages, frequency and patient follow-through), compliance with antibiotic orders pre-surgery for the prevention of surgical site infections, on-time administration of IV antibiotics, and documentation of clinical outcomes. There are quantitative goals in place for each of these measures. The surgery center reports on performance against these measures on a (weekly? monthly? quarterly?) basis. In addition, patient satisfaction surveys are incorporated into the review process. Clinical leadership and management review the reports, and determine appropriate interventions where necessary. Comparison with industry benchmarks and standards adds further depth to the quality monitoring and improvement program.

Input will be sought from the surgery and anesthesiology departments and administrative leadership of Northwest Community Hospital, to identify and incorporate relevant experience from the hospital's inpatient surgery and day surgery programs.

5. Organizational Structure and Governance

The newly licensed Northwest Community Foot and Ankle Center will be a for-profit entity controlled by Northwest Community Health Services, Inc, as shown on the organization chart in Attachment 4. It will be part of the Northwest Community Healthcare system that includes Northwest Community Hospital, but will not be part of Northwest Community Hospital.

The acquiring entity, Northwest Community Health Service, Inc, has already determined that the leadership of the new Northwest Community Foot and Ankle Center will be selected from the highest levels of management and operations at Northwest Community Healthcare and the existing Foot & Ankle Surgery Facility. The Operating Agreement has proposed that the board of the new facility will include three people from Northwest Community Healthcare (the president, chief operating officer and chief nursing officer) and the two principal physicians at the existing Foot and Ankle Surgery Facility: Lowell Scott Weil, Sr, DPM and Lowell S. Weil, Jr, DPM.

<u>6. Review criteria contained in 77 Ill. Adm. Code 110.240 (pertaining to Impact Statement and to Access) and that the response is available for public review on the premises of the health care facility.</u>

Impact Statement

Northwest Community Health Services Inc commits that there will be no reduction in scope of services at the new ASTC. Northwest Community Foot and Ankle Center will be the new licensee. The purpose of the transaction is to expand access to services offered at the ASTC by significantly increasing the number of payor contracts offered through Northwest Community Healthcare. (See Access Statement below.)

By being part of a larger delivery system, the ASTC will be able to manage its expenses, capturing economies of scale in purchasing, staffing, information systems, and other operational activities. There is the potential for a 5 – 10% annual savings in several areas of operations.

There is the opportunity to add physicians to the ASTC staff who are looking to broaden their practice base and who embrace an extended array of payor options. No reduction in employees is anticipated. All employees at the existing center will become employees at Northwest Community Healthcare, offering a broad range of human resource programs and benefits.

Access Statement

One of the most significant impacts from the Change of Ownership will be the dramatic increase in the number of commercial and governmental (Medicare and Medicaid) insurance products recognized at the new health care facility, compared to the limited offerings at the present time. As reported in section 2 above in this Attachment, Northwest Community Health Services Inc will bring up to 200 insurance products with 24 payors, including Medicaid, enabling many more people to have access to care at the ASTC. The change of ownership will enable care to be less restrictive rather than more restrictive. Patients not eligible for care at the facility today will benefit by having increased access to a facility offering lower cost / high quality orthopedic, podiatry and pain management services.

Formal admissions policies will be developed and adopted and made available for public review at the new facility.

<u>7. Changes to Scope of Services and Levels of Care</u>

No changes in services or levels of care currently provided at the Foot and Ankle Surgery Facility are anticipated to occur within 24 months after acquisition.

Consolidated Financial Statements and Supplementary Information

Northwest Community Healthcare and Subsidiaries
Years Ended September 30, 2015 and 2014
With Reports of Independent Auditors

APPENDIX I

Northwest Community Healthcare and Subsidiaries

Consolidated Financial Statements and Supplementary Information

Years Ended September 30, 2015 and 2014

Contents

APPENDIX I

Ernst & Young LLP
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Report of Independent Auditors

The Audit and Compliance Committee and the Board of Directors
Northwest Community Healthcare and Subsidiaries

We have audited the accompanying consolidated financial statements of Northwest Community Healthcare and Subsidiaries, which comprise the consolidated balance sheets as of September 30, 2015 and 2014, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

APPENDIX I

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Northwest Community Healthcare and Subsidiaries at September 30, 2015 and 2014, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

January 26, 2016

APPENDIX I

Northwest Community Healthcare and Subsidiaries

Consolidated Balance Sheets

	September 30 2015	2014
Assets		
Current assets:		
Cash and cash equivalents	$ **14,096,824**	$ 23,850,452
Investments restricted under bond financings	**97**	48
Patient accounts receivable, less allowances for uncollectible accounts (September 2015 – $11,353,000; September 2014 – $10,616,000)	**72,887,321**	67,285,527
Other receivables	**22,669,534**	6,775,931
Prepaid expenses and other	**14,513,602**	12,654,970
Total current assets	**124,167,378**	110,566,928
Assets limited as to use, at fair value:		
Internally designated for operations and liquidity	**70,096,536**	87,586,567
Internally designated for capital replacement	**326,156,547**	354,471,483
Internally designated for insurance	**26,643,257**	27,709,449
Internally designated for endowment	**2,135,552**	1,781,285
Externally designated for endowment	**1,932,971**	1,657,661
	426,964,863	473,206,445
Property and equipment, at cost:		
Land and land improvements	**22,938,254**	24,555,915
Buildings	**355,475,241**	352,220,285
Fixed equipment and leasehold improvements	**228,188,263**	223,945,320
Major movable equipment	**205,189,387**	132,895,489
Construction-in-progress	**10,123,842**	25,770,035
	821,914,987	759,387,044
Less accumulated depreciation	**(362,353,882)**	(335,285,214)
	459,561,105	424,101,830
Reinsurance receivable	**16,893,153**	16,992,487
Interest rate swap	**39,814**	–
Other long term assets	**7,079,770**	7,892,079
Total assets	**$ 1,034,706,083**	$ 1,032,759,769

APPENDIX I

Northwest Community Healthcare and Subsidiaries

Consolidated Balance Sheets (continued)

	September 30 2015	September 30 2014
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 25,431,957**	$ 15,721,897
Accrued expenses and other	**64,725,280**	60,261,781
Current maturities of long-term debt obligations	**6,705,000**	6,741,738
Due to third-party payors	**47,736,574**	48,196,154
Total current liabilities	**144,598,811**	130,921,570
Long-term debt obligations, less current maturities:		
Series 2008A bonds	**143,515,000**	145,370,000
Series 2008B bonds	**31,805,000**	33,380,000
Series 2008C bonds	**31,805,000**	33,380,000
Series 2011 bonds	**45,200,000**	46,900,000
	252,325,000	259,030,000
Asset retirement obligation	**809,743**	859,080
Other long-term liabilities	**2,119,265**	1,880,036
Interest rate swap	**–**	642,583
Reserve for self-insurance	**50,654,380**	47,302,061
Pension obligation	**16,957,136**	10,816,379
Total non-current liabilities	**322,865,524**	320,530,139
Total liabilities	**467,464,335**	451,451,709
Net assets:		
Unrestricted	**560,002,751**	574,916,330
Temporarily restricted	**6,189,997**	5,274,529
Permanently restricted	**1,049,000**	1,117,201
Total net assets	**567,241,748**	581,308,060
Total liabilities and net assets	**$ 1,034,706,083**	$ 1,032,759,769

See accompanying notes.

APPENDIX I

Northwest Community Healthcare and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended September 30	
	2015	**2014**
Revenue		
Net patient service revenue (net of contractual)	**$ 506,087,203**	$ 480,655,949
Provision for uncollectible accounts	**(9,330,444)**	(5,331,170)
Net patient service revenue after provision for uncollectible accounts	**496,756,759**	475,324,779
Other operating revenue	**22,708,704**	25,099,749
Total revenue	**519,465,463**	500,424,528
Expenses		
Salaries and employee benefits	**290,444,232**	270,691,488
Supplies and other	**89,709,499**	91,566,604
Professional fees and purchased services	**75,377,367**	61,078,155
Depreciation and amortization	**37,443,934**	34,069,744
Illinois hospital assessment	**16,782,682**	22,593,906
Interest	**9,280,558**	9,609,909
Total expenses	**519,038,272**	489,609,806
Operating income	**427,191**	10,814,722
Nonoperating (expenses) revenue		
Investment (expense) income, net	**(5,089,436)**	32,011,619
Change in value of interest rate swap	**682,397**	368,221
Other, net	**(549,972)**	(2,240,366)
Net nonoperating (expenses) revenue	**(4,957,011)**	30,139,474
(Deficit) excess of revenue over expenses	$ (4,529,820)	$ 40,954,196

APPENDIX I

Northwest Community Healthcare and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets (continued)

	Year Ended September 30	
	2015	**2014**
Unrestricted net assets		
(Deficit) excess of revenue over expenses	$ **(4,529,820)**	$ 40,954,196
Pension-related changes other than net periodic pension cost	**(11,090,588)**	1,288,235
Net assets released from restrictions used for purchase of property and equipment	**706,828**	1,699,852
Capital from DSC investors	**–**	1,840,000
(Decrease) increase in unrestricted net assets	**(14,913,580)**	45,782,283
Temporarily restricted net assets		
Contributions	**2,041,787**	1,997,642
Investment income	**331,059**	165,582
Net assets released from restrictions used for:		
Purchase of property and equipment	**(706,828)**	(1,699,852)
Operations	**(750,549)**	(1,282,614)
Increase (decrease) in temporarily restricted net assets	**915,469**	(819,242)
Permanently restricted net assets		
Contributions	**1,388**	1,079
Transfers to affiliates	**(69,589)**	(63,283)
Decrease in permanently restricted net assets	**(68,201)**	(62,204)
(Decrease) increase in net assets	**(14,066,312)**	44,900,837
Net assets at beginning of year	**581,308,060**	536,407,223
Net assets at end of year	$ **567,241,748**	$ 581,308,060

See accompanying notes.

APPENDIX I

Northwest Community Healthcare and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended September 30	
	2015	**2014**
Operating activities		
(Decrease) increase in net assets	$ **(14,066,312)**	$ 44,900,837
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Pension-related changes other than net periodic pension cost	**11,090,588**	(1,288,235)
Restricted contributions	**(2,043,175)**	(1,998,721)
Depreciation and amortization	**37,443,934**	34,069,744
Provision for uncollectible accounts	**9,330,444**	5,331,170
Loss on disposal of fixed assets	**256,978**	31,273
Unrealized loss (gain) on investments	**28,371,898**	(5,980,364)
Change in value of interest rate swap	**(682,397)**	(368,221)
Accounts receivable, other receivables, due to third-party payors and due to affiliates	**(31,285,421)**	(10,606,723)
Accounts payable and accrued expenses	**14,173,559**	2,855,901
Investments	**17,869,635**	(39,423,342)
Other assets and liabilities	**(2,627,865)**	(7,065,822)
Net cash provided by operating activities	**67,831,866**	20,457,497
Investing activities		
Property and equipment additions, net	**(72,886,931)**	(41,454,304)
Net cash used in investing activities	**(72,886,931)**	(41,454,304)
Financing activities		
Payments on long-term obligations	**(6,741,738)**	(6,495,976)
Restricted contributions	**2,043,175**	1,998,721
Net cash used in financing activities	**(4,698,563)**	(4,497,255)
Net decrease in cash and cash equivalents	**(9,753,628)**	(25,494,062)
Cash and cash equivalents at beginning of year	**23,850,452**	49,344,514
Cash and cash equivalents at end of year	$ **14,096,824**	$ 23,850,452
Supplemental disclosure of cash flow information		
Cash paid for interest	$ **8,663,014**	$ 8,784,836

See accompanying notes.

APPENDIX I

1. Organization and Nature of Operations

Northwest Community Healthcare and Subsidiaries (Healthcare) was established to own, operate, control, and otherwise coordinate the delivery of health care within the service area of Northwest Community Hospital (the Hospital), and coordinate the activities of the various corporations affiliated with Healthcare. Subsidiaries of Healthcare include the Hospital, Northwest Community Hospital Foundation (the Foundation), and Northwest Community Day Surgery Center, Inc. (DSC), which are not-for-profit entities; Northwest Community Health Services, Inc. (Health Services), NPC-CyberKnife, LLC (CyberKnife) and Northwest Community Day Surgery Center II, LLC (DSC-II), which are taxable entities; and NCH Casualty Insurance SPC Limited (NCHCI), a Cayman Islands corporation. NCHCI was dissolved as of April 30, 2014, and DSC was dissolved in November 2015. The Hospital, located in Arlington Heights, Illinois, is a 496-bed acute care facility providing inpatient, outpatient, and emergency care services primarily to residents of Arlington Heights and the surrounding communities. Northwest Community Capco, Inc. (Capco), an Illinois for-profit corporation; Northwest Community Physicians Association, LLC (NCPA), a limited liability company; and NCH Physicians Cooperative (NCHPC), an Illinois not-for-profit corporation, are subsidiaries of the Hospital. NCH Service Company, LLC (NCHSC), a limited liability company, is a subsidiary of NCPA. Capco and NCHSC were dissolved in November 2015. Central Insurance Company, Ltd. (CICL) is a Cayman Islands not-for-profit captive insurance company established on January I, 2013, to provide general and professional liability coverage for the risks of Healthcare.

Health Services owns and operates the NCH Medical Group (NCHMG), a multi-specialty physician practice that was established in 2010. NCHMG has offices in Arlington Heights, Buffalo Grove, Mt. Prospect, Lake Zurich, Palatine, and Schaumburg, Illinois.

CyberKnife was formed in June 2006 for the purpose of purchasing and owning a stereotactic radiosurgery system and leasing it to the Hospital. CyberKnife is a limited liability corporation that is owned by Healthcare (74% at September 30, 2015 and 2014) and physician investors (26% at September 30, 2015 and 2014). Healthcare consolidates CyberKnife, as Healthcare owns a majority of the units outstanding.

DSC ceased operating as of December 31, 2013, and Healthcare, as the sole corporate member of DSC, effectuated the transfer of substantially all of the assets and liabilities of DSC, excluding the facility, from DSC to DSC-II.

DSC-II was formed in 2014 for the purpose of owning and operating an ambulatory surgery center. DSC-II is a limited liability company that is owned by Healthcare (60% at September 30, 2015 and 2014) and physician investors (40% at September 30, 2015 and 2014). Healthcare consolidates DSC-II, as Healthcare owns a majority of the units outstanding.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Healthcare, the Hospital, the Foundation, DSC, Health Services, Capco, NCPA, NCHPC, CyberKnife, DSC-II, NCHSC, NCHCI, and CICL. NCHPC and NCHSC had no financial transactions during 2015 and 2014, and did not hold any assets or liabilities as of September 30, 2015 and 2014. DSC had no financial transactions during 2015 and held no assets as of September 30, 2015 and 2014. Significant intercompany transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid short-term investments with original maturities of three months or less.

Patient Accounts Receivable

Healthcare evaluates the collectability of its accounts receivable based on the length of time the receivable is outstanding, payor class, and the anticipated future collectible amounts based on historical experience. Accounts receivable are charged to the allowance for uncollectible accounts when they are deemed uncollectible.

Inventories

Inventories are priced at the lower of cost, determined by the first-in, first-out method, or market.

Investments

Healthcare has designated all of its investments as trading. Investments in equity and debt securities and mutual funds with readily determinable fair values are reported at fair value based on quoted market prices. Alternative investments, primarily limited partnerships that invest in hedge funds, are reported using the equity method of accounting based on information provided by the partnership. Income earned, realized gains (losses), and changes in unrealized gains (losses) on funds internally designated for operations and liquidity are reported as other operating revenue. All other investment income (loss), realized gains (losses), and changes in unrealized gains (losses) are reported as non-operating revenue (expense).

2. Summary of Significant Accounting Policies (continued)

Derivative Instruments

Derivative instruments, specifically interest rate swaps, are recorded on the consolidated balance sheets at their respective fair values. The derivative instruments do not qualify for hedge accounting; therefore, the change in the fair value of those derivative instruments is reflected in non-operating revenue (expense). The changes in cash flows are reflected in interest expense.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Healthcare uses the straight-line method of computing depreciation for property and equipment. In 2015, Healthcare performed asset useful life studies on its buildings and leasehold improvements additions since 2013, in order to more appropriately recognize useful lives reflective of the remaining expected lives of those component assets, taking into consideration the longevity and functional use of such long-lived assets. As a result of these studies and the change in estimated useful lives, depreciation expense was reduced by $1,215,000 for the year ended September 30, 2015. Asset lives had been re-evaluated in 2013 previously.

Deferred Financing and Other Costs

Underwriting fees and other costs related to the issuance of the Series 2011 and Series 2008 bonds, which are included in other long-term assets, are deferred and amortized on a straight-line basis over the life of the related debt using methods that approximate the effective interest method.

General and Professional Liability Insurance

The provision for general and professional liability claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported, which are included in long-term liabilities.

Reinsurance Receivable

Reinsurance receivable is recognized in a manner consistent with the liabilities relating to the underlying reinsured contracts.

2. Summary of Significant Accounting Policies (continued)

Asset Retirement Obligation

Healthcare records the fair value of legal obligations associated with long-lived asset retirements. The asset retirement obligation is accreted to the present value of the liability each year. Asset retirement obligations include, but are not limited to, certain types of environmental issues that are legally required to be remediated upon an asset's retirement, as well as contractually required asset obligations.

Contributions and Restricted Net Assets

Unconditional promises to give cash and other assets to Healthcare are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the conditions have been met.

Donor-restricted contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets to a specific time period or purpose. Permanently restricted net assets are those that the donor stipulates must be maintained by Healthcare in perpetuity. Permanently restricted net assets increase when Healthcare receives contributions for which donor-imposed restrictions limiting the organization's use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the organization meeting certain requirements.

Substantially all restricted contributions benefiting Healthcare are initially received by the Foundation. When a donor restriction is met, the Foundation transfers the temporarily restricted gift to Healthcare, the Hospital, or DSC, at which time the related net assets are released from restriction in the consolidated financial statements.

Patient Service Revenue

Healthcare has agreements with third-party payors that provide for payments to Healthcare at amounts different from its established rates. Payment arrangements include prospectively determined rates, discounted charges, and per diem payments. Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated adjustments under reimbursement agreements with third-party payors, certain of which are subject to audit by administering agencies. These adjustments are accrued on an estimated basis, and are adjusted in future periods.

2. Summary of Significant Accounting Policies (continued)

Other Operating Revenue

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments beginning in calendar year 2011 for eligible hospitals and professionals that implement and achieve meaningful use of electronic medical record (EHR) technology. Healthcare utilized a grant accounting model to recognize Medicare and Medicaid EHR revenues of $2,365,000 and $3,122,000 during its fiscal years ended September 30, 2015 and September 30, 2014, respectively. Medicare and Medicaid EHR revenue is recorded in other operating revenue in the consolidated statements of operations and changes in net assets. Also recorded in other operating revenues are cafeteria revenues and rental income.

Healthcare attestation of compliance with the meaningful use criteria is subject to audit by the federal government or its designee. In addition, Medicare EHR incentive payments received are subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were calculated.

Charity Care and Community Benefit

The policy of Healthcare is to treat patients in immediate need of medical services without regard to their ability to pay for such services. Healthcare maintains records to identify and monitor the level of charity care provided. These records include the amount of estimated costs for services rendered and supplies furnished under its charity care policy. The estimated difference between the cost of services provided to Medicare and Medicaid patients and the reimbursement from these governmental programs is also monitored. Healthcare operates or funds two primary care clinics, a mobile dental clinic, and a community center serving low-income families in its service area. In addition, Healthcare provides community benefits in the form of health and wellness education, translation services, maternal/child classes, paramedic training, health screenings, support groups, physician referral, and other social services.

Healthcare policies have been established that define charity care and provide guidelines for assessing a patient's ability to pay. Evaluation procedures for charity care qualification have been established for those situations when previously unknown financial circumstances are revealed, or when incurred charges are significant when compared to the individual patient's income and/or net assets. The cost to provide charity care using Healthcare's cost-to-charge ratio was $11,814,000 and $14,312,000 for 2015 and 2014, respectively. The ratio of costs to charges is calculated based on Hospital's total operating expenses, excluding bad debt expense, per the most recently filed Medicare cost report.

2. Summary of Significant Accounting Policies (continued)

In addition to providing traditional charity care services, Healthcare has a financial assistance policy, which offers discounted services to uninsured patients who do not otherwise qualify for charity. The payments expected from patients are based on rates negotiated with managed care plans, with discounts determined on a sliding scale tied to the federal poverty level. Healthcare's financial assistance policy prohibits the use of collection practices that do not respect the dignity of its patients, including the use of debtor's prison. Liens on principal residences must be approved by the Healthcare's Finance Committee and may not be used to force foreclosure or sale.

Healthcare is compliant with provisions of the Patient Protection and Affordable Care Act that require, among other things, that hospital organizations establish a financial assistance policy and a policy relating to emergency medical care. In addition, recent policy guidelines issued by the Internal Revenue Service (IRS) under 501(c) have been implemented by Healthcare relating to financing assistance and patient billing requirements.

Excess (Deficiency) of Revenue Over Expenses

The consolidated statements of operations and changes in net assets include excess of revenue over expenses. Changes in unrestricted net assets, which are excluded from excess of revenue over expenses, include net assets released from restrictions used for the purchase of property and equipment, and pension-related charges other than net periodic pension cost.

Asset Impairment

Healthcare considers whether indicators of impairment are present, and performs the necessary test to determine if the carrying value of an asset is appropriate. Impairment write-downs are recognized in operating income at the time the impairment is identified. There was no impairment of assets in 2015 and 2014.

Income Taxes

Healthcare, the Hospital, and the Foundation have been determined to qualify as exempt from federal income tax on related income under Section 501(a) as organizations described in Section 501(c)(3) of the Internal Revenue Code (the Code). Most of the income received by these organizations is exempt from taxation as income related to the mission of the organizations. Accordingly, there is no material provision for income tax for these entities. There is no deferred benefit for any net operating loss carryforwards recorded for these entities.

2. Summary of Significant Accounting Policies (continued)

NCPA and NCHSC are single-member limited liability companies and are classified as disregarded entities under the Code.

Capco is a taxable entity and accounts for income taxes as provided by Accounting Standards Codification (ASC) 740, *Income Taxes*.

CyberKnife and DSC-II are limited liability companies with multiple members and are treated as partnerships under the Code. As such, income taxes are paid directly by the members.

Health Services and NCHPC are taxed as corporations.

NCHCI has elected to be taxed as a domestic corporation under Section 953(d) of the Code and accounts for income taxes as provided by ASC 740. There is presently no tax imposed by the government of the Cayman Islands on NCHCI.

CICL is incorporated under the laws of the Cayman Islands. Presently, there is no taxation imposed by the government of the Cayman Islands. If any form of taxation were to be enacted, CICL has been granted an exemption from incorporation to April 30, 2033, by the government of the Cayman Islands. Additionally, CICL is not engaged in the trade or business in any country other than the Cayman Islands. Therefore, CICL's operations do not make it liable for taxation in any other country. Accordingly, no income tax provision has been recorded related to CICL and its operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation. Those reclassifications had no impact on net assets or excess of revenue over expenses as previously reported. However, the $4,098,000 received as a refund in fiscal year 2014 from the Chicago Hospital Risk Pooling Plan (CHRPP) was reclassed from other revenue to a reduction in supplies expense to conform with presentation of fiscal year 2015 refunds received.

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606).* The amendments in this update require not-for-profit entities that are conduit bond obligors to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This will result in Healthcare making additional judgments, such as estimates of the collectability of revenue. This new guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2017, with early adoption not permitted. Healthcare is required to adopt the new guidance for the fiscal year beginning on October 1, 2018, and is currently evaluating the impact this guidance will have on its consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*. The guidance in this update modifies the analysis that companies must perform to determine whether certain legal entities should be consolidated including limited partnerships and similar legal entities that would be considered variable interest entities and investments in certain investment funds. This new guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted. Healthcare is required to adopt the new guidance on October 1, 2016, and is currently evaluating the impact this guidance will have on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): – Simplifying the Presentation of Debt Issuance Costs*. The amendments in this update require that the carrying amount of the debt liability be presented net of debt issuance costs, consistent with the presentation of debt discounts. The recognition and measurement guidance for debt issuance costs is not affected by the amendments in this update. This new guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2015. Healthcare is required to adopt the new guidance on October 1, 2016.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)*. Under the new guidance, investments measured at net asset value per share, which have unobservable inputs will be excluded from the fair value hierarchy table. Other disclosure requirements for these investments are unchanged and will continue to be included in the investment disclosures. This new guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2015. Healthcare is required to adopt the new guidance on October 1, 2016, and is currently evaluating the impact this guidance will have on its consolidated financial statements.

3. Net Patient Service Revenue

The Hospital's net patient service revenue accounted for approximately 87% and 89% of Healthcare's consolidated net patient service revenue in 2015 and 2014, respectively. In 2015, approximately 29% of the Hospital's net patient service revenue was derived from Medicare, and approximately 69% of the Hospital's net patient service revenue was derived from Medicaid, Blue Cross, and commercial managed care programs, which provide for payments to the Hospital at amounts different from its established rates. In 2014, 35% was from Medicare and 63% from other payors. Reimbursement under these programs is based on a specific amount per case, or a contracted price, as defined, for rendering services to program beneficiaries.

Healthcare net patient service revenue consisted of the following at September 30 (in thousands):

	2015	2014
Medicare	$ **147,757**	$ 168,593
Medicaid	**6,701**	4,843
Managed care	**335,080**	291,207
Self-pay	**9,761**	8,531
Commercial	**6,788**	7,482
Net patient service revenue (net of contractual)	**506,087**	480,656
Provision for uncollectible accounts	**9,330**	5,331
Net patient service revenue after provision for uncollectible accounts	$ **496,757**	$ 475,325

Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements. The Hospital recorded contractual allowances in the current period representing the difference between charges for services rendered and the expected payments under these programs, and adjusts them in future periods as final settlements through cost reports or other means are determined.

Adjustments arising from reimbursement arrangements with third-party payors are accrued for on an estimated basis in the period in which the services are rendered. Estimates for cost report settlements and contractual allowances can differ from actual reimbursement based on the results of subsequent reviews and cost report audits. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2012. During the years ended September 30, 2015 and 2014, changes in estimates related to the settlement of cost reports have been recognized as an increase in net patient service revenue for the Hospital of approximately

3. Net Patient Service Revenue (continued)

$922,000 in 2015 and a decrease of $269,000 in 2014, as a result of settled appeals and changes in estimates related to services rendered in previous years. In addition, the Hospital qualified under disproportionate share utilization rules and a $3,100,000 increase in patient revenue was recorded in 2015 pertaining to the prior year.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change. Governmental agencies routinely conduct random regulatory investigations and compliance audits of health care organizations. During the last few years, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. The Hospital is currently undergoing a Medicaid compliance audit, and as a result, recorded amounts may change in the near term. The ultimate resolution of this matter cannot be readily determined at this time; however, management is of the opinion that any changes in recorded amounts will not have a material effect on Healthcare's consolidated financial condition. Healthcare believes that it is in compliance with applicable laws and regulations, and is not aware of any other pending or threatened investigations involving allegations of potential wrongdoing.

4. Uncollectible Accounts

Healthcare analyzes the allowance for uncollectible accounts quarterly using a hindsight calculation that utilizes write-off data for all payor classes during the previous 18-month period to estimate the allowance for uncollectible accounts at a point in time. The reserve percentages in the allowance for uncollectible accounts change each month given changes in trends from these analyses or policy changes. Significant changes in payor mix, business office operations, general economic conditions, and health care coverage provided by federal or state governments or private insurers may have a significant impact on Healthcare's estimates, and significantly affect its liquidity, results of operations, and cash flows.

Healthcare's estimate of the allowance for uncollectible accounts and recoveries of accounts previously written off determines its provision for uncollectible accounts recorded during the period. Healthcare records the provision for uncollectible accounts at the time the services are provided for uninsured patients, since historical experience shows that the significant majority of uninsured balances will not be collected. Healthcare also supplements its analysis by monitoring

4. Uncollectible Accounts (continued)

self-pay utilization. Healthcare records the provision for uncollectible accounts related to self-pay after insurance accounts at the time the insurance payment has been received. Healthcare also records a provision for uncollectible accounts related to uninsured accounts to record the net self-pay accounts receivable at the estimated amounts expected to be collected.

Healthcare manages the receivables by regularly reviewing its accounts and contracts, and by providing appropriate allowances for contractual discounts and uncollectible amounts. Healthcare typically writes off uncollected accounts receivable 120 days subsequent to the discharge date. Healthcare uses sophisticated software to estimate reserve percentages, including those percentages applied to uninsured accounts and self-pay after insurance/Medicare accounts, and to account for pricing changes and for the impact of its uninsured discount policy.

Healthcare classifies accounts pending Medicaid approval as Medicaid in its accounts receivable analysis. Reserves for Medicaid receivables are based on hindsight analysis, which takes into account the approval percentage for Medicaid pending accounts when establishing reserves for Medicaid receivable balances. Supplemental calculations are also performed on current Medicaid receivables to establish reserves considered to be appropriate.

Healthcare serves certain patients whose medical care costs are not paid at established rates. These patients include those sponsored under government programs such as Medicare and Medicaid, those sponsored under private contractual agreements, charity patients, and other uninsured patients who have limited ability to pay.

Patient service revenue is reported at estimated net realizable amounts for services rendered. Healthcare recognizes patient service revenue associated with patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, revenue is recognized on the basis of discounted rates in accordance with Healthcare's policy. Estimates of contractual allowances under managed care health plans are based upon the payment terms specified in the related contractual agreements.

4. Uncollectible Accounts (continued)

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the period from these major payor sources for the years ended September 30, was as follows (in thousands):

Fiscal Year Ended	Third-Party Payors	Self-Pay	Total All Payors
2015	**$ 496,326**	**$ 9,761**	**$ 506,087**
2014	472,125	8,531	480,656

The allowance for uncollectible accounts was $11.4 million and $10.6 million as of September 30, 2015 and 2014, respectively. These balances as a percent of accounts receivable, net of contractual adjustments, were 13.5% and 13.6% at September 30, 2015 and 2014, respectively. Healthcare's combined allowance for uncollectible accounts, uninsured discounts, and charity care covered approximately 79% and 66% of combined uninsured and self-pays after insurance accounts receivable at September 30, 2015 and 2014, respectively.

The increase in the allowance for uncollectible accounts during the year ended September 30, 2015, was primarily due to the increase in and aging of self-pay patient accounts receivable at September 30, 2015, compared to September 30, 2014.

A summary of Healthcare's allowance for uncollectible accounts activity during the fiscal years ended September 30 is as follows (in thousands):

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Accounts Written Off, Net of Recoveries and Other	Balance at End of Year
Allowance for doubtful accounts:				
2015	**$ 10,616**	**$ 9,330**	**$ (8,593)**	**$ 11,353**
2014	$ 24,220	$ 5,331	$ (18,935)	$ 10,616

5. Concentrations of Credit Risk

Healthcare grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables, net of reserves for contractual allowances, charity care, and uncollectible accounts, at September 30, was as follows:

	2015	2014
Medicare	**28.0%**	29.5%
Medicaid	**19.0**	26.0
Managed care	**43.5**	42.0
Other third-party payors	**3.5**	2.0
Self-pay patients	**6.0**	0.5
	100%	100%

6. Investments

The composition of investments restricted under bond financings and assets limited as to use, at September 30, was as follows (in thousands):

	2015	2014
Investments restricted under bond financings:		
Cash and cash equivalents	$ –	$ –
Assets limited as to use:		
Internally designated for operations and liquidity:		
Cash and money market funds	$ **100**	$ 229
U.S. government and agency obligations	**16,976**	21,321
Corporate bonds	**49,081**	62,868
Municipal bonds	**3,940**	3,169
	70,097	87,587
Internally designated for capital replacement:		
Cash and cash equivalents	**2,643**	139
Alternative investments	**28,887**	29,139
Fund of funds	**44,381**	41,458
Mutual funds	**250,246**	283,735
	326,157	354,471
Internally designated for insurance:		
Mutual funds	**26,643**	27,709
	26,643	27,709
Internally and externally designated for endowment:		
Mutual funds	**4,068**	3,439
Total assets limited as to use	$ **426,965**	$ 473,206

APPENDIX I

6. Investments (continued)

The composition and presentation of investment income are as follows for the years ended September 30 (in thousands):

	2015	2014
Interest and dividends	$ **7,743**	$ 7,108
Net realized gains on investments	**16,359**	20,556
Change in net unrealized gains and losses on investments	**(28,372)**	5,980
	$ **(4,270)**	$ 33,644
Reported as:		
Other operating revenue	$ **488**	$ 1,468
Investment income	**(5,089)**	32,012
Temporarily restricted investment income	**331**	166
	$ **(4,270)**	$ 33,646

7. Fair Value Measurements

All investments in marketable securities are reported at fair value as defined in ASC 820, *Fair Value Measurement.*

ASC 820-10-50-2 establishes a three-level valuation hierarchy. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

7. Fair Value Measurements (continued)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following table presents the financial instruments carried at fair value, except certain alternative investments (which are reported on the equity method of accounting), as of September 30, 2015, by caption on the consolidated balance sheet by the valuation hierarchy defined above (in thousands):

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 14,097	$ –	$ –	$ 14,097
Internally designated for operations and liquidity:				
Cash and money market funds	100	–	–	100
U.S. government and agency obligations	–	16,976	–	16,976
Corporate bonds	–	49,081	–	49,081
Municipal bonds	–	3,940	–	3,940
	100	69,997	–	70,097
Internally designated for capital replacement:				
Cash and cash equivalents	2,643	–	–	2,643
Mutual funds:				
U.S. equity	185,571	–	–	185,571
Fixed income	64,675	–	–	64,675
	252,889	–	–	252,889
Internally designated for insurance:				
Mutual funds – short-term fixed income	26,643	–	–	26,643
Internally and externally designated for endowment:				
Mutual funds:				
U.S. equity	1,377	–	–	1,377
International equity	624	–	–	624
Fixed income	2,067	–	–	2,067
	4,068	–	–	4,068
Interest rate swap	–	40	–	40
Assets at fair value	$ 297,797	$ 70,037	$ –	$ 367,834

7. Fair Value Measurements (continued)

The following table presents the financial instruments carried at fair value, except certain alternative investments (which are reported on the equity method of accounting), as of September 30, 2014, by caption on the consolidated balance sheet by the valuation hierarchy defined above (in thousands):

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 23,850	$ –	$ –	$ 23,850
Internally designated for operations and liquidity:				
Cash and money market funds	229	–	–	229
U.S. government and agency obligations	–	21,321	–	21,321
Corporate bonds	–	62,868	–	62,868
Municipal bonds	–	3,169	–	3,169
	229	87,358	–	87,587
Internally designated for capital replacement:				
Cash and cash equivalents	139	–	–	139
Mutual funds:				
U.S. equity	211,764	–	–	211,764
Fixed income	71,972	–	–	71,972
	283,875	–	–	283,875
Internally designated for insurance:				
Mutual funds – short-term fixed income	27,709	–	–	27,709
Internally and externally designated for endowment:				
Mutual funds:				
U.S. equity	1,800	–	–	1,800
International equity	486	–	–	486
Fixed income	1,153	–	–	1,153
	3,439	–	–	3,439
Assets at fair value	$ 339,102	$ 87,358	$ –	$ 426,460
Liabilities				
Interest rate swap	$ –	$ 643	$ –	$ 643

7. Fair Value Measurements (continued)

The fair value of Level 1 investments is based on quoted market prices and is valued on a daily basis. Level 2 pricing is based on the custodian's pricing methodologies that are based on institutional bid evaluations. Institutional bid evaluations are estimated prices computed by pricing vendors. These prices are determined using observable inputs for similar securities as of the measurement date. Redemption frequency is monthly. The fair value of the interest rate swap is based on discounted cash flows adjusted for non-performance risk. The adjustment is based on bond pricing for equivalent credit-related entities.

The carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates fair value because of the short maturity of those assets and liabilities.

The estimated fair value of long-term debt (including current portion), based on quoted market prices for the same or similar issues, was $270,742,000 and $278,861,000 at September 30, 2015 and 2014, respectively. The estimated fair value of long-term debt is provided by a third-party service and is based on pricing of similar debt issues. Based on these inputs, the fair value disclosure is considered a Level 2 fair value measurement.

Healthcare's investments are exposed to various kinds and levels of risk. Equity securities and mutual funds expose Healthcare to market risk, performance risk, and liquidity risk. Market risk is the risk associated with major movements of the equity markets. Performance risk is the risk associated with a company's operating performance. Fixed income securities and mutual funds expose Healthcare to interest rate risk, credit risk, and liquidity risk. As interest rates change, the values of many fixed income securities are affected, including those with fixed interest rates. Credit risk is the risk that the obligor of the security will not fulfill its obligations. Liquidity risk is affected by the willingness of market participants to buy and sell particular securities, and tends to be higher for equities related to small capitalization companies. Due to the volatility in the capital markets, there is a reasonable possibility of subsequent changes in fair value, resulting in additional gains and losses in the near term.

8. Long-Term Obligations

Healthcare's long-term debt is issued pursuant to a master trust indenture dated February 1, 2002. The master trust indenture establishes an "Obligated Group," consisting of the Hospital and Healthcare. Members of the Obligated Group are jointly and severally obligated to pay all debt under the master trust indenture and are required to maintain their status as tax-exempt, not-for-profit healthcare providers.

8. Long-Term Obligations (continued)

All obligations issued under the master trust indenture are secured by a security interest in the receivables of the Obligated Group as defined in the master trust indenture.

Under the terms of the master trust indenture and reimbursement agreements obtained in relation to the Series 2011 debt, the Obligated Group must meet certain financial covenants, including minimum debt service coverage levels. As of September 30, 2015, the Obligated Group was in compliance with these covenants.

Bond interest during 2015 and 2014 was $8,633,000 and $8,784,000, respectively. Including financing fees, investment fees, and swap settlements total interest expense was $9,281,000 and $9,606,000 for 2015 and 2014, respectively.

Series 2011 Bonds

Pursuant to the Bond Supplemental Master Indenture dated December 1, 2011, the Illinois Finance Authority (IFA) issued $53,100,000 of variable rate demand revenue bonds (the Series 2011 debt) on behalf of the Hospital. The proceeds were used to currently refund the Series 2002B debt. The bonds were initially purchased by a bank. For an initial term of ten years, the bonds bear interest at a variable rate based on a percentage of the London Interbank Offered Rate (LIBOR) plus an agreed-upon spread. Effective December 1, 2021, the bonds will be payable on demand. The bonds have a final maturity date of July 1, 2032. The average interest rate during fiscal 2015 and 2014 was 1.52% and 1.51%, respectively.

Series 2008A Bonds

In September 2008, the IFA issued $154,765,000 of revenue bonds (the Series 2008A debt) on behalf of the Hospital to fund certain capital projects. The bonds are payable in varying installments through July 1, 2038, and bear interest at fixed rates ranging from 4.00% to 5.50% annually. Proceeds from the Series 2008A debt were used to reimburse the Hospital for prior capital expenditures and to pay issuance costs of the bonds.

Series 2008B and Series 2008C Bonds

In October 2008, the IFA issued $86,820,000 of variable rate demand revenue bonds (the Series 2008B/C debt) on behalf of the Hospital. The proceeds were used to refinance a taxable bank loan originally obtained to refund the Obligated Group's Series 2002A debt. The bonds are payable in varying installments through July 1, 2032, and bear interest at a variable rate not to exceed 12%. The average interest rate during fiscal 2015 and 2014 was 0.04% and 0.06%, respectively.

8. Long-Term Obligations (continued)

The direct pay letter of credit securing the Series 2008B/C debt was replaced on December 1, 2011, with irrevocable transferable letters of credit that expire on December 1, 2016. The letters of credit provide a commitment to provide funds for the purchase of Series 2008B/C bonds that may be tendered pursuant to an optional or a mandatory tender, and that have not been remarketed. Such advances convert to term loans, with principal payments payable no earlier than a year and a day from the date of the advance.

Unamortized underwriting fees and other costs related to the issuance of the Series 2008 and 2011 bonds of $4,872,000 and $5,145,000, respectively, are included in other long-term assets at September 30, 2015 and 2014, respectively.

The future principal payments on the bonds are as follows (in thousands):

	Series 2008A	Series 2008B/C	Series 2011	Total
Year ending September 30:				
2016	$ 1,855	$ 3,150	$ 1,700	$ 6,705
2017	1,960	3,250	1,800	7,010
2018	2,075	3,340	1,900	7,315
2019	2,170	3,450	2,000	7,620
2020	2,280	3,460	2,200	7,940
Thereafter	135,030	50,110	37,300	222,440
Total principal payments	$ 145,370	$ 66,760	$ 46,900	$ 259,030

9. Derivatives

The Hospital has an interest rate-related derivative instrument to manage its exposure to its variable rate debt, and does not enter into derivative instruments for any purpose other than risk management purposes. By using a derivative financial instrument to manage the risk of changes in interest rates, the Hospital exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Hospital, which creates credit risk for the Hospital. When the fair value of a derivative contract is negative, the Hospital owes the counterparty and therefore does not possess credit risk. The Hospital minimizes the credit risk in its derivative instrument by requiring that the counterparty post collateral for the benefit of the Hospital based on the credit rating of the counterparty and the fair value of the derivative contract. Market risk is the adverse effect on the value of a financial instrument that results from changes in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. The Hospital also mitigates risk through periodic review of its derivative position in the context of the total blended cost of capital.

During 2003, the Hospital entered into an interest rate swap agreement (the swap agreement) with a notional amount of $100,000,000 to hedge against changing interest rates. Under the terms of the swap agreement, the Hospital receives semiannual payments based upon 81% of the one-month LIBOR and makes semiannual payments based upon the Securities Industry and Financial Markets Association (SIFMA) Index. The scheduled termination date of the swap agreement is July 1, 2032. During 2015, the notional amount was reduced to $66,725,000.

The Hospital's swap agreement contains a provision requiring posting of collateral to the counterparty if the swap is in a liability position and the liability amount exceeds certain specific threshold amounts. The threshold amounts are determined based on the credit rating assigned by Moody's or Standard & Poor's to the Hospital's variable rate bonds. Similarly, the swap agreement requires the counterparty to post collateral to the Hospital if the swap is in an asset position and exceeds certain threshold amounts. As of September 30, 2015 and 2014, no collateral has been posted.

For the years ended September 30, 2015 and 2014, net amounts paid or received under the swap agreement totaled approximately $86,000 and $55,000, respectively, and are included in interest expense. The change in the fair value of the swap agreement was approximately $682,000 and $368,000 in 2015 and 2014, respectively, and is recorded as a non-operating gain. The fair value of the swap agreement recognized as a non-current asset approximates $40,000 at September 30, 2015, and approximates $643,000 as a non-current liability at September 30, 2014.

9. Derivatives (continued)

Following is a summary of the swap agreement as of September 30:

Year	Notional Amount	Maturity Date	Rate Paid	Rate Received
2015	$ **66,725,000**	July 2032	USD-SIFMA Municipal Swap Index	81% of LIBOR
2014	$ 69,850,000	July 2032	USD-SIFMA Municipal Swap Index	81% of LIBOR

The fair value of derivative instruments at September 30 is as follows (in thousands):

	Balance Sheet Location	2015	2014
Derivative not designated as hedging instrument under ASC 815, *Derivatives and Hedging*:			
Interest rate contract	Interest rate swap	$ **40**	$ (643)

The effects of derivative instruments on the consolidated statements of operations and changes in net assets are as follows (in thousands):

	Location of Gain	Amount of Gain 2015	Amount of Gain 2014
Derivative not designated as hedging instrument under ASC 815:			
Interest rate contract	Included in (deficit) excess of revenue over expenses		
	Interest expense	$ **86**	$ 55
	Change in value of interest rate swap (non-operating gain)	**682**	368

10. Restricted Net Assets

Restricted net assets are available for the following purposes at September 30 (in thousands):

	2015	2014
Temporarily restricted:		
Patient care addition/emergency department expansion	$ –	$ 167
Intensive care nursery	1	11
Specific hospital programs	124	79
Other special uses	1,572	1,507
Youth treatment center	24	18
Nursing education	58	35
Women's services	1,167	155
Community services	39	37
Cancer services	1,847	2,001
Presidents innovation	165	225
Pediatrics	25	31
Cardiac services	1,168	610
Aim for Excellence	–	399
	$ 6,190	$ 5,275
Permanently restricted:		
Youth treatment center	$ 318	$ 318
Nursing education	504	572
Endowment – general	227	227
	$ 1,049	$ 1,117

Healthcare's endowment consists of individual donor-restricted funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the donor-imposed restrictions.

Healthcare has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), as adopted by the state of Illinois, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Healthcare classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the directions of the applicable donor gift instrument at the time the accumulation is added to the fund.

10. Restricted Net Assets (continued)

Any remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the donor intent or, where silent, standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Healthcare considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The purposes of Healthcare and the endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments

Healthcare has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that must be held in perpetuity. Under the investment policy, endowment assets are invested in a manner that is intended to produce a real return, net of inflation, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, Healthcare relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Healthcare targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term objective within prudent risk constraints.

Healthcare has a policy of appropriating for distribution each year 4% of the average of the most recent 12 quarters' endowment fund balance. In establishing this policy, Healthcare considered the long-term expected return on its endowment. Accordingly, over the long term, Healthcare expects to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

10. Restricted Net Assets (continued)

The changes in restricted net assets, are summarized below (in thousands):

	Temporarily Restricted	Permanently Restricted	Total
Restricted net assets, September 30, 2013	$ 6,094	$ 1,179	$ 7,273
Contributions	1,998	1	1,999
Investment gain	166	–	166
Appropriation for expenditure	(2,983)	–	(2,983)
Transfers to affiliates	–	(63)	(63)
Restricted net assets, September 30, 2014	5,275	1,117	6,392
Contributions	**2,042**	**1**	**2,043**
Investment gain	**331**	–	**331**
Appropriation for expenditure	**(1,458)**	–	**(1,458)**
Transfers to affiliates	–	**(69)**	**(69)**
Restricted net assets, September 30, 2015	**$ 6,190**	**$ 1,049**	**$ 7,239**

11. Insurance Programs

Healthcare is a defendant in certain lawsuits, and may be subject to additional claims alleging professional liability. Effective November 1, 1978, Healthcare began insuring basic professional and general liability coverage, subject to a nominal deductible, through the Chicago Hospital Risk Pooling Program (CHRPP). CHRPP was a self-insured trust established under the Illinois Religious and Charitable Risk Pooling Trust Act of 1977.

As of December 31, 2010, CHRPP discontinued the issuance of professional and general liability coverage and commenced a voluntary runoff of its claim portfolio effective January 1, 2011. As of that date, Healthcare established a self-insured retention program in which it retains the risk for all claims with individual values under $4,000,000. An additional "buffer" self-insured retention exists for the first claim that exceeds $4,000,000. Healthcare has obtained commercial insurance on a claims-made basis for claims exceeding the self-insured retention.

On January 1, 2013, Healthcare incorporated a related captive insurance company in the Cayman Islands. The newly formed company provides medical professional and general liability coverage for the risks of Healthcare, which was previously self-insured. In addition, the new company is providing prospective coverage for the employed physicians who were previously covered by NCHCI.

11. Insurance Programs (continued)

Healthcare's self-insurance and tail liabilities as of September 30, 2015 and 2014, of $50,654,000 and $47,302,000, respectively, are reported on the accompanying consolidated balance sheets on an undiscounted basis, with the exception of the tail liability, which is recorded at present value based on an annual discount rate of 5% as of September 30, 2015 and 2014. The undiscounted gross self-insurance and tail liabilities were $54,100,000 and $50,521,000 at September 30, 2015 and 2014, respectively. Provisions for professional and general liability risks are based on an actuarial estimate of losses using actual loss data adjusted for industry trends and current conditions. The provision for estimated self-insured claims includes estimates of ultimate costs for both reported claims and claims incurred but not reported. A reinsurance receivable of $16,893,000 and $16,992,000 was recorded at September 30, 2015 and 2014, respectively.

Actuarial estimates are subject to uncertainty from various sources, including changes in claim reporting patterns, claim settlement patterns, judicial decisions, legislation, and economic conditions. The actual claim payments could be materially different from the estimate. In the opinion of management, although certain of these claims could potentially exceed Healthcare's coverage, the final premiums and costs, and the ultimate disposition of claims covered under the self-insured program, will not have a material adverse effect on the consolidated financial position of Healthcare.

12. Commitments

Healthcare leases space under operating lease agreements and under capital lease obligations. There are no long-term equipment leases. Total expense recognized for operating lease agreements during fiscal 2015 and 2014 was approximately $4,900,000 and $3,873,000, respectively.

12. Commitments (continued)

As of September 30, 2015, Healthcare is required to make the following future minimum payments under the non-cancelable lease agreements (in thousands):

2016	$	2,939
2017		2,258
2018		2,149
2019		1,678
2020		760
Thereafter		2,418
	$	12,202

13. Employee Retirement Plans

Substantially all employees of Healthcare participate in one of two retirement plans. The Northwest Community Hospital Employees' Retirement Plan (the Plan) is a trusteed, non-contributory, defined benefit plan. The Northwest Community Healthcare Employees' Retirement Plan (the DC Plan) is a defined contribution plan.

Defined Benefit Plan

ASC 715, *Compensation – Retirement Benefits*, requires plan sponsors of defined benefit pension plans to recognize the funded status of their plans on the balance sheet, measure the fair value of plan assets and benefit obligations as of the date of the fiscal year-end balance sheet, and provide additional disclosures. A September 30 measurement date was utilized for 2015 and 2014.

During fiscal 2010, the Hospital elected to freeze benefit accruals for all participants in the Plan. An amendment to the Plan eliminated all future benefit accruals, including participants' credited service, final average earnings, and final average compensation amounts used to calculate Plan benefits.

The Plan's actuarial losses (gains) included in unrestricted net assets during 2015 and 2014 were $11,091,000 and $(1,288,000) respectively.

13. Employee Retirement Plans (continued)

The status of the Plan at September 30, and for the years then ended, is as follows (in thousands):

	2015	2014
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 185,153	$ 194,269
Interest cost	6,589	7,199
Actuarial loss	8,396	13,707
Settlements	(26,848)	(28,322)
Benefits paid	(1,622)	(1,700)
Projected benefit obligation at end of year	171,668	185,153
Change in plan assets:		
Fair value of plan assets at beginning of year	174,335	175,342
Actual gain on plan assets	444	20,615
Employer contributions	8,400	8,400
Settlements	(26,848)	(28,322)
Benefits paid	(1,622)	(1,700)
Fair value of plan assets at end of year	154,709	174,335
Funded status as of measurement date	(16,959)	(10,818)
Unrestricted net assets:		
Adjustment to unrestricted net assets	(63,990)	(52,899)
Components of unrestricted net assets:		
Unrecognized net actuarial loss	63,990	52,899
Net amount recognized at end of year	$ (16,959)	$ (10,818)

Net periodic pension cost for all of the Plan's participants consists of the following for the years ended September 30 (in thousands):

	2015	2014
Interest cost on projected benefit obligation	$ 6,589	$ 7,199
Expected return on plan assets	(13,507)	(13,832)
Net amortization and deferral	1,199	1,000
Settlement charge	9,169	7,211
Net periodic pension cost	$ 3,450	$ 1,578

13. Employee Retirement Plans (continued)

The accumulated benefit obligation for the Plan was approximately $171,668,000 and $185,153,000 at September 30, 2015 and 2014, respectively.

Weighted-average assumptions used to determine benefit obligations at the measurement date are as follows:

	2015	2014
Discount rate	**3.9%**	3.7%
Expected long-term rate of return on plan assets	**8.0%**	8.0%
Rate of compensation increase	**N/A**	N/A

Weighted-average assumptions used to determine net periodic pension cost for the years ended September 30 are as follows:

	2015	2014
Discount rate	**3.7%**	3.9%
Expected long-term rate of return on plan assets	**8.0%**	8.0%
Rate of compensation increase	**N/A**	N/A

The expected long-term rate of return on plan assets was developed using expected investment returns of the Plan's investment portfolio. The portfolio's actual annual rate of return has averaged 6.9% since 2001.

The Plan's weighted-average asset allocations at September 30, by asset category, are as follows:

	2015		2014	
	Target	**Actual**	**Target**	**Actual**
Asset category				
Equity securities	**46%**	**30%**	30%	28%
Fixed income securities	**44**	**58**	60	61
Alternative investments	**10**	**12**	10	11
	100%	**100%**	100%	100%

APPENDIX I

13. Employee Retirement Plans (continued)

The Plan exists to provide retirement benefits for covered employees consistent with the long-term interests of the Plan's participants and their beneficiaries. The Plan's investment objectives may include, but are not limited to, the following: maintaining a portfolio of assets of appropriate liquidity and diversification, which generate investment returns that, together with future contributions, are sufficient to maintain or improve the Plan's funding level; limiting the increase or variability of future contributions; and earning a rate of return in excess of a customized index.

Minimum employer contributions for 2016 are expected to be $8,400,000.

The following are the Plan's financial instruments at September 30, 2015, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 7 (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 79	$ –	$ –	$ 79
Mutual funds:				
U.S. equity	29,433	–	–	29,433
International equity	16,757	–	–	16,757
Fixed income	82,844	–	–	82,844
High-yield bonds	4,610	–	–	4,610
Emerging markets debt	2,986	–	–	2,986
Hedge fund of funds	–	–	18,000	18,000
	$ 136,709	$ –	$ 18,000	$ 154,709

13. Employee Retirement Plans (continued)

The following are the Plan's financial instruments at September 30, 2014, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 7 (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 79	$ –	$ –	$ 79
Mutual funds:				
U.S. equity	32,397	–	–	32,397
International equity	17,344	–	–	17,344
Fixed income	97,619	–	–	97,619
High-yield bonds	4,864	–	–	4,864
Emerging markets debt	3,141	–	–	3,141
Hedge fund of funds	–	–	18,891	18,891
	$ 155,444	$ –	$ 18,891	$ 174,335

Fair value methodologies for Level 1 and Level 2 are consistent with the inputs described in Note 7. Fair value measurements for Level 3 represent the Plan's ownership interests in the net asset value of a limited partnership investing in hedge funds for which active markets do not exist (alternative investments). The fair values of the alternative investments that do not have readily determinable fair values are determined by the general partner or fund manager taking into consideration, among other things, the cost of the securities or other investments, prices of recent significant transfers of like assets, and subsequent developments concerning the companies or other assets to which the alternative investments relate.

There is inherent uncertainty in such valuations, and the estimated fair values may differ from the values that would have been used had a ready market for these investments existed. The Plan's alternative investments also have liquidity restrictions and can be divested only at specified times based on terms in the partnership agreements.

The Plan's investment assets are exposed to the same kinds and levels of risk as described in Note 7.

13. Employee Retirement Plans (continued)

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets (in thousands):

	Hedge Fund of Funds
Value at September 30, 2013	$ 17,786
Change in unrealized gain related to holdings at September 30, 2014	1,105
Value at September 30, 2014	18,891
Realized gain	**73**
Sales	**(18,964)**
Purchases	**18,000**
Value at September 30, 2015	**$ 18,000**

The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid (in thousands):

	Pension Benefits
2016	$ 15,097
2017	15,176
2018	15,389
2019	14,044
2020	13,839
2021 to 2025	55,745

Defined Contribution Plan

As of January 1, 2005, substantially all new employees are eligible for the DC Plan. Total DC plan expense was approximately $9,740,000 and $9,775,000 in 2015 and 2014, respectively, and is included in salaries and employee benefits. In 2014, certain plan provisions were changed, effectively reducing Healthcare's defined contribution expense.

14. Functional Expenses

Healthcare provides general health care services to residents within its geographic location. Expenses related to providing these services are approximately as follows (in thousands):

	2015	2014
Health care services	$ **431,341**	$ 404,483
General and administrative	**87,244**	84,724
Fundraising	**453**	403
	$ **519,038**	$ 489,610

15. Illinois Hospital Assessment Program

In December 2008, the Illinois Hospital Assessment Program (HAP) was approved by the Federal Centers for Medicare and Medicaid Services. In fiscal years 2015 and 2014, the Hospital was subject to and paid the inpatient assessment and during fiscal 2014 was assessed a new outpatient assessment for the period June 10, 2012 through June 30, 2014.

In June 2014, the Hospital was notified of inpatient and outpatient assessments for July 1, 2014 through June 30, 2015. Under HAP, Illinois receives additional federal Medicaid funds for the state's health care system administered by the Illinois Department of Healthcare and Family Services. HAP includes both a payment to the Hospital from the state and an assessment against the Hospital, which is paid to the state in the same year.

The Hospital recognized the following amounts in the years ended September 30, (in thousands):

	2015	2014
HAP revenue in net patient service revenue	$ **20,515**	$ 22,278
HAP assessment in operating expense	**16,783**	22,594
Net benefit (deficit) from HAP	$ **3,732**	$ (316)

16. Subsequent Events

Healthcare evaluated events and transactions occurring subsequent to September 30, 2015, through January 26, 2016, the issuance date of these consolidated financial statements. During this period, it is management's determination that there were no other subsequent events requiring recognition that have not been recorded in the consolidated financial statements, and no subsequent events requiring disclosure in the consolidated financial statements.

Supplementary Information

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Minneapolis, MN 55402-4509

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ey.com

Report of Independent Auditors on Supplementary Information

The Audit and Compliance Committee and the Board of Directors
Northwest Community Healthcare and Subsidiaries

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements of Northwest Community Healthcare and Subsidiaries. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements themselves in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst + Young LLP

January 26, 2016

	Northwest Community Healthcare	Northwest Community Hospital	NWC Hospital Foundation
Assets			
Current assets:			
Cash and cash equivalents	$ 2,111,578	$ 2,398,569	$ 3,420,900
Investments restricted under bond financing	–	97	–
Patient accounts receivable, less allowance for uncollectible accounts of $11,353,000	–	65,022,151	–
Other receivables	394,099	16,132,975	592,739
Prepaid expenses and other	2,006,756	11,526,693	–
Due from affiliates	–	4,587,385	–
Total current assets	4,512,433	99,667,870	4,013,639
Assets limited as to use, at fair value:			
Internally designated for operations and liquidity	–	70,096,536	–
Internally designated for capital replacement	326,156,547	–	–
Internally designated for insurance	–	–	–
Internally designated for endowment	–	–	2,135,552
Externally designated for endowment	–	–	1,932,971
	326,156,547	70,096,536	4,068,523
Property and equipment, at cost:			
Land and land improvements	8,524,872	14,413,382	–
Buildings	51,553,474	303,921,767	–
Fixed equipment and leasehold improvements	14,909,066	211,515,760	–
Major movable equipment	968,076	190,417,886	–
Construction-in-progress	4,683	10,002,371	–
	75,960,171	730,271,166	–
Less accumulated depreciation	(40,202,242)	(312,839,845)	–
	35,757,929	417,431,321	–
Interest in net assets of Foundation	–	8,040,402	–
Interest in affiliate	–	–	–
Reinsurance receivable	–	13,074,307	–
Interest rate swap	–	39,814	–
Other long-term assets	(3,071,014)	4,929,482	673,428
Investment in subsidiaries	70,688,004	–	–
	67,616,990	26,084,005	673,428
Total assets	$ 434,043,899	$ 613,279,732	$ 8,755,590

Northwest Community]

Details of Consolidated

September 30,

		Northwest Community Healthcare		Northwest Community Hospital		NWC Hospital Foundation
Liabilities, net assets, and equity						
Current liabilities:						
Accounts payable	$	269,657	$	23,492,809	$	5,750
Accrued expenses and other		1,674,308		41,068,545		113,468
Current maturities of long-term obligations		–		6,705,000		–
Due to third-party payors		–		48,009,705		–
Due to affiliates		54,782		58,767		56,584
Total current liabilities		1,998,747		119,334,826		175,802
Series 2008A bonds		–		143,515,000		–
Series 2008B bonds		–		31,805,000		–
Series 2008C bonds		–		31,805,000		–
Series 2011 bonds		–		45,200,000		–
		–		252,325,000		–
Asset retirement obligation		–		809,743		–
Other long term liabilities		–		2,283,219		–
Reserve for self-insurance		–		22,611,197		–
Pension obligation		–		16,957,136		–
Total noncurrent liabilities		–		294,986,295		–
Total liabilities		1,998,747		414,321,121		175,802
Net assets and equity:						
Unrestricted		432,045,152		190,918,209		1,340,791
Temporarily restricted		–		6,991,402		6,189,997
Permanently restricted		–		1,049,000		1,049,000
Common shares		–		–		–
Retained earnings		–		–		–
Total net assets and equity		432,045,152		198,958,611		8,579,788
Total liabilities, net assets, and equity	$	434,043,899	$	613,279,732	$	8,755,590

Northwest Community]

Details of Consolidated Statement o

Year Ended Septeml

	Northwest Community Healthcare	Northwest Community Hospital	NWC Hospital Foundation
Revenue			
Net patient service revenue (net of contractual)	$ –	$ 441,111,020	$ –
Provision for uncollectible accounts	–	(8,259,761)	–
Net patient service revenue after provision for uncollectible accounts	–	432,851,259	–
Other operating revenue	10,873,300	11,336,169	854,665
Total revenue	10,873,300	444,187,428	854,665
Expenses			
Salaries and employee benefits	2,210,270	229,283,606	780,545
Supplies and other	1,638,100	75,189,803	122,049
Professional fees and purchased services	2,403,176	56,839,694	108,780
Depreciation and amortization	2,322,140	33,369,289	–
Illinois hospital assessment	–	16,782,682	–
Interest	–	9,280,558	–
Total expenses	8,573,686	420,745,632	1,011,374
Operating income (loss)	2,299,614	23,441,796	(156,709)
Non-operating (expense) revenue			
Investment (expense) income	(5,455,192)	–	365,756
Change in value of interest rate swap	–	682,397	–
Other	(12,882)	(61,494)	–
Net non-operating (expense) revenue	(5,468,074)	620,903	365,756
(Deficiency) excess of revenue over expenses	$ (3,168,460)	$ 24,062,699	$ 209,047

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APPENDIX I

Northwest Community]

Details of Consolidated Statement of Ope

Year Ended Septeml

	Northwest Community Healthcare	Northwest Community Hospital	NWC Hospital Foundation
Unrestricted net assets			
(Deficiency) excess of revenue over expenses	$ (3,168,460)	$ 24,062,699	$ 209,047
Transfers (to) from affiliates	(9,000,000)	(1,300,000)	–
Pension-related changes other than net periodic pension cost	–	(11,090,588)	–
Net assets released from restrictions used for purchase of property and equipment or operations	198,560	508,268	–
Distribution to CyberKnife investors	–	–	–
Distribution to DSC-II investors	–	–	–
Capital from DSC investors	–	–	–
(Decrease) increase in unrestricted net assets	(11,969,900)	12,180,379	209,047
Temporarily restricted net assets			
Excess of revenue over expense	–	–	2,041,787
Investment income	–	–	331,059
Transfers to affiliates	–	–	(1,492,822)
Net assets released from restrictions used for:			
Purchase of property and equipment	(198,560)	(508,268)	–
Operations	–	(785,993)	35,444
Change in interest in net assets of Foundation	198,560	2,839,201	–
Increase in temporarily restricted net assets	–	1,544,940	915,468
Permanently restricted net assets			
Excess of revenue over expense	–	–	1,388
Transfers to affiliates	–	–	(69,589)
Change in interest in net assets of Foundation	–	221,082	–
Increase in permanently restricted net assets	–	221,082	(68,201)
(Decrease) increase in net assets	(11,969,900)	13,946,401	1,056,314
Net assets at beginning of year	444,015,052	185,012,209	7,523,474
Net assets at end of year	$ 432,045,152	$ 198,958,610	$ 8,579,788

FOOT & ANKLE SURGERY FACILITY LTD

DBA REGENERATIVE SURGERY CENTER

FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

1 Month and 12 Months Ended

DECEMBER 31, 2015

Prepared by

PBC ADVISORS, LLC

Accountant's Compilation Report

The Board of Directors
FOOT & ANKLE SURGERY FACILITY LTD
750 GLENDALE DR
GLENVIEW, IL 60025

We have compiled the accompanying Statement of Assets, Liabilities, and Equity - Cash Basis of FOOT & ANKLE SURGERY FACILITY LTD (an S corporation) as of December 31, 2015, and 2014 and the related Statements of Revenues and Expenses, Retained Earnings - Cash Basis, and the accompanying Supplementary Information which are presented only for supplementary analysis purposes for the 1 month and the 12 months then ended.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the cash basis of accounting. If the omitted disclosures were included in the financial statements, and supplementary information they might influence the user's conclusions about the Company's assets, liabilities, equity, revenues, and expenses. Accordingly, these financial statements and supplementary information are not designed for those who are not informed about such matters.

We are not independent with FOOT & ANKLE SURGERY FACILITY LTD.

PBC Advisors, LLC

September 30, 2016

FOOT & ANKLE SURGERY FACILITY LTD
DBA REGENERATIVE SURGERY CENTER
COMPARATIVE STATEMENT OF ASSETS, LIABILITIES AND EQUITY-CASH BASIS
DECEMBER 31, 2015 and 2014

ASSETS

	December 31, 2015	December 31, 2014
CURRENT ASSETS		
CHECKING	$ 982,775.69	$ 737,689.28
Total Current Assets	982,775.69	737,689.28
PROPERTY AND EQUIPMENT		
FURNITURE & FIXTURES	17,532.19	17,532.19
EQUIPMENT - MEDICAL	580,994.63	547,821.74
EQUIPMENT - OFFICE	74,355.50	70,844.29
CURRENT YR CAPITAL PURCHASES	35,157.16	36,684.10
LEASEHOLD IMPROVEMENTS	823,555.58	823,555.58
Less: Accumulated Depreciation	(1,176,194.96)	(1,091,222.96)
Net Property and Equipment	355,400.10	405,214.94
OTHER ASSETS		
DEPOSITS	3,000.00	3,000.00
ORGANIZATION COSTS	736.63	736.63
ACCUM AMORITZ-ORG COSTS	(736.63)	(736.63)
START UP COSTS	17,904.00	17,904.00
ACCUM DEPREC-START UP COSTS	(17,904.00)	(17,904.00)
Total Other Assets	3,000.00	3,000.00
TOTAL ASSETS	$ 1,341,175.79	$ 1,145,904.22

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
OFFICER LOAN PAYABLE	$ 14,800.00	$ 14,800.00
ACCRUED PROF-SHARING CONTRIB	16,182.66	12,382.06
Total Current Liabilities	30,982.66	27,182.06
LONG-TERM LIABILITIES		
Total Liabilities	30,982.66	27,182.06
STOCKHOLDERS' EQUITY		
CAPITAL STOCK	1,000.00	1,000.00
ADD'L PAID IN CAPITAL	149,563.00	149,563.00
RETAINED EARNINGS	968,159.16	1,086,111.61
CURRENT YEAR DIVIDENDS	(300,000.00)	(500,000.00)
Net Income or (Loss)	491,470.97	382,047.55
Total Stockholders' Equity	1,310,193.13	1,118,722.16
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,341,175.79	$ 1,145,904.22

See accompanying accountants' report

FOOT & ANKLE SURGERY FACILITY LTD
DBA REGENERATIVE SURGERY CENTER
STATEMENT OF REVENUES AND EXPENSES
CASH BASIS
DECEMBER 31, 2015

	1 Month Ended December 31, 2015	%	12 Months Ended December 31, 2015	%
SERVICES RENDERED-MEMO				
SERVICES RENDERED	$ 1,067,538.44	130.95	$ 6,673,907.28	140.23
ADJUSTMENTS	(252,308.63)	(30.95)	(1,914,621.84)	(40.23)
Net Services Rendered-Memo	$ 815,229.81	100.00	$ 4,759,285.44	100.00
PROFESSIONAL INCOME				
FEE INCOME	$ 772,526.59	180.03	$ 5,257,228.83	250.82
Total Professional Income	772,526.59	180.03	5,257,228.83	250.82
FEE INCOME REFUNDS	(228,882.48)	(53.34)	(2,465,278.79)	(117.62)
FEE INCOME REFUNDS WFAS	(10,730.79)	(2.50)	(83,400.12)	(3.98)
FEE INCOME REFUND - WFAOI	(103,800.00)	(24.19)	(612,566.99)	(29.23)
Gross Income	429,113.32	100.00	2,095,982.93	100.00
OPERATING EXPENSES				
ACCOUNTANT EXP	1,120.00	0.26	10,535.00	0.50
ACCREDITATION	0.00	0.00	4,360.00	0.21
ANESTHESIA, DRUGS & SUPPLIES	3,210.05	0.75	33,065.29	1.58
ANESTHESIA SERVICES	354.69	0.08	17,576.23	0.84
AUTO EXPENSE-EMP	0.00	0.00	58.87	0.00
BANK CHARGES	81.09	0.02	1,322.78	0.06
BANK CHARGES - VISA	2,019.97	0.47	20,344.55	0.97
COLLECTIONS	120.60	0.03	216.86	0.01
CONSULTING COMMITTEE	0.00	0.00	2,000.00	0.10
COMPUTER SUPPLIES	0.00	0.00	777.70	0.04
DUES - PROF ORZ - DR.	0.00	0.00	600.00	0.03
EDUCATION EXP - STAFF	0.00	0.00	1,731.00	0.08
EQUIPMENT MAINT & INSEPCTION	1,469.81	0.34	17,400.90	0.83
EXPRESS MAIL EXP	0.00	0.00	330.42	0.02
INS - DENTAL	599.96	0.14	637.82	0.03
INS - MEDICAL	8,883.46	2.07	30,024.52	1.43
INS - PROF LIAB	0.00	0.00	12,157.00	0.58
LEGAL EXP	332.50	0.08	599.55	0.03
LICENSES	0.00	0.00	300.00	0.01
LUNCH EXP	0.00	0.00	522.73	0.02
MEDICAL SUPPLIES	0.00	0.00	7,971.31	0.38
OFC EXP	1,189.64	0.28	11,451.60	0.55
OFC ECP - EMPLOYMENT	0.00	0.00	763.31	0.04
OFC EXP-FAST BILLS	79.60	0.02	3,140.64	0.15
OFC EXP-REFRESHMENTS	281.18	0.07	1,823.48	0.09
OFC EXP-UNIFORMS	194.99	0.05	364.81	0.02
PAYROLL PROCESSING	143.81	0.03	1,745.95	0.08
PAYROLL TAX EXP - FICA	4,765.84	1.11	49,375.65	2.36
PAYROLL TAX EXP - SUTA	15.29	0.00	12,823.03	0.61
PAYROLL TAX EXP - FUTA	1.43	0.00	656.52	0.03
POSTAGE EXP	0.00	0.00	1,068.70	0.05
RENT-128,130,131,132,134	24,914.19	5.81	294,635.99	14.06

See accompanying accountants' report

FOOT & ANKLE SURGERY FACILITY LTD
DBA REGENERATIVE SURGERY CENTER
STATEMENT OF REVENUES AND EXPENSES
CASH BASIS
DECEMBER 31, 2015

	1 Month Ended December 31, 2015	%	12 Months Ended December 31, 2015	%
REPAIRS	0.00	0.00	12,910.17	0.62
SALARIES	63,304.56	14.75	657,247.36	31.36
SEMINARS, CONV, MTGS	0.00	0.00	90.00	0.00
SUBSCRIP/LITERATURE,MEDICAL	82.90	0.02	82.90	0.00
SURGICAL HARDWARE	3,106.13	0.72	54,960.82	2.62
SURGICAL INSTRUMENTS	0.00	0.00	16,254.32	0.78
SURGICAL SUPPLIES	17,734.74	4.13	175,981.09	8.40
SURG SUPPLIES-IMPLANTS	3,356.82	0.78	27,112.35	1.29
UTILITIES - ELEC	963.45	0.22	12,631.74	0.60
UTILITIES - GAS	223.56	0.05	3,614.57	0.17
X-RAY EXP	0.00	0.00	600.00	0.03
WASTE DISPOSAL	84.00	0.02	1,008.00	0.05
Total Operating Expenses	138,634.26	32.31	1,502,875.53	71.70
GROSS PROFIT	290,479.06	67.69	593,107.40	28.30
OTHER INCOME (EXPENSES)				
DIVIDEND INTEREST	5.96	0.00	34.73	0.00
MISC INCOME	0.00	0.00	1,807.00	0.09
AMERINET REBATE	0.00	0.00	215.50	0.01
ANESTHESIA RENT	0.00	0.00	3,000.00	0.14
Total Other Income (Expenses)	5.96	0.00	5,057.23	0.24
ADJUSTED GROSS PROFIT	290,485.02	67.69	598,164.63	28.54
ADDITIONAL EXPENSES				
PENS/P-S CONTRIBUTION	4,830.66	1.13	16,182.66	0.77
CORP STATE TAX - PRIOR	0.00	0.00	5,539.00	0.26
DEPREC	26,417.13	6.16	84,972.00	4.05
Total Additional Expenses	31,247.79	7.28	106,693.66	5.09
NET INCOME OR (LOSS)	$ 259,237.23	60.41	$ 491,470.97	23.45

FOOT & ANKLE SURGERY FACILITY LTD
DBA REGENERATIVE SURGERY CENTER
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES
CASH BASIS
DECEMBER 31, 2015 and 2014

	12 Months Ended December 31, 2015	12 Months Ended December 31, 2014	Increase (Decrease)	%
SERVICES RENDERED-Memo				
SERVICES RENDERED	$ 6,673,907.28	$ 6,675,969.02	(2,061.74)	(0.03)
ADJUSTMENTS	(1,914,621.84)	(2,069,367.84)	$ 154,746.00	7.48
Net Services Rendered-Memo	$ 4,759,285.44	4,606,601.18	$ 152,684.26	3.31
PROFESSIONAL INCOME				
FEE INCOME	$ 5,257,228.83	$ 5,247,965.40	$ 9,263.43	0.18
Total Professional Income	5,257,228.83	5,247,965.40	9,263.43	0.18
FEE INCOME REFUNDS	(2,465,278.79)	(2,806,516.20)	341,237.41	12.16
FEE INCOME REFUNDS WFAS	(83,400.12)	(93,471.10)	10,070.98	10.77
FEE INCOME REFUND - RPC	0.00	(831.36)	831.36	100.00
FEE INCOME REFUND - WFAOI	(612,566.99)	(405,222.00)	(207,344.99)	(51.17)
Gross Income	2,095,982.93	1,941,924.74	154,058.19	7.93
OPERATING EXPENSES				
ACCOUNTANT EXP	10,535.00	9,815.00	720.00	7.34
ACCREDITATION	4,360.00	7,950.00	(3,590.00)	(45.16)
ANESTHESIA, DRUGS & SUPPLIES	33,065.29	28,696.34	4,368.95	15.22
ANESTHESIA SERVICES	17,576.23	6,203.13	11,373.10	183.34
AUTO EXPENSE-EMP	58.87	0.00	58.87	0.00
BANK CHARGES	1,322.78	1,045.74	277.04	26.49
BANK CHARGES - VISA	20,344.55	14,946.10	5,398.45	36.12
COLLECTIONS	216.86	343.90	(127.04)	(36.94)
CONSULTING COMMITTEE	2,000.00	0.00	2,000.00	0.00
COMPUTER SUPPLIES	777.70	940.50	(162.80)	(17.31)
COMPUTER EXPENSE	0.00	2,112.79	(2,112.79)	(100.00)
DUES - PROF ORZ - DR.	600.00	600.00	0.00	0.00
EDUCATION EXP - STAFF	1,731.00	2,049.00	(318.00)	(15.52)
EQUIPMENT MAINT & INSEPCTION	17,400.90	22,855.99	(5,455.09)	(23.87)
EXPRESS MAIL EXP	330.42	509.77	(179.35)	(35.18)
INS-GENERAL	0.00	994.25	(994.25)	(100.00)
INS - DENTAL	637.82	(1,231.98)	1,869.80	(151.77)
INS - MEDICAL	30,024.52	58,719.38	(28,694.86)	(48.87)
INS - PROF LIAB	12,157.00	13,532.00	(1,375.00)	(10.16)
INS - WC	0.00	1,939.00	(1,939.00)	(100.00)
INS RECOVERY EXP	0.00	75.98	(75.98)	(100.00)
LEGAL EXP	599.55	0.00	599.55	0.00
LICENSES	300.00	450.00	(150.00)	(33.33)
LUNCH EXP	522.73	340.50	182.23	53.52
MEDICAL SUPPLIES	7,971.31	1,570.96	6,400.35	407.42
MISC SERVICES	0.00	10.00	(10.00)	(100.00)
OFC EXP	11,451.60	11,727.46	(275.86)	(2.35)
OFC ECP - EMPLOYMENT	763.31	6.50	756.81	11,643.23
OFC EXP-FAST BILLS	3,140.64	1,583.82	1,556.82	98.30
OFC EXP-REFRESHMENTS	1,823.48	2,420.94	(597.46)	(24.68)
OFC EXP-STATIONERY & PRINT	0.00	297.47	(297.47)	(100.00)
OFC EXP-UNIFORMS	364.81	424.11	(59.30)	(13.98)
PAYROLL PROCESSING	1,745.95	1,833.21	(87.26)	(4.76)
PAYROLL TAX EXP - FICA	49,375.65	46,303.22	3,072.43	6.64

See accompanying accountants' report

APPENDIX II

FOOT & ANKLE SURGERY FACILITY LTD
DBA REGENERATIVE SURGERY CENTER
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES
CASH BASIS
DECEMBER 31, 2015 and 2014

	12 Months Ended December 31, 2015	12 Months Ended December 31, 2014	Increase (Decrease)	%
PAYROLL TAX EXP - SUTA	12,823.03	16,483.01	(3,659.98)	(22.20)
PAYROLL TAX EXP - FUTA	656.52	832.30	(175.78)	(21.12)
POSTAGE EXP	1,068.70	0.00	1,068.70	0.00
RENT-128,130,131,132,134	294,635.99	291,336.30	3,299.69	1.13
REPAIRS	12,910.17	2,781.00	10,129.17	364.23
SALARIES	657,247.36	613,409.74	43,837.62	7.15
SEMINARS, CONV, MTGS	90.00	821.00	(731.00)	(89.04)
SUBSCRIP/LITERATURE;MEDICAL	82.90	0.00	82.90	0.00
SURGICAL HARDWARE	54,960.82	105,185.15	(50,224.33)	(47.75)
SURGICAL INSTRUMENTS	16,254.32	2,165.00	14,089.32	650.78
SURGICAL SUPPLIES	175,981.09	155,366.93	20,614.16	13.27
SURG SUPPLIES-IMPLANTS	27,112.35	15,082.03	12,030.32	79.77
UTILITIES - ELEC	12,631.74	13,098.38	(466.64)	(3.56)
UTILITIES - GAS	3,614.57	4,593.16	(978.59)	(21.31)
X-RAY EXP	600.00	0.00	600.00	0.00
WASTE DISPOSAL	1,008.00	1,008.00	0.00	0.00
Total Operating Expenses	1,502,875.53	1,461,227.08	41,648.45	2.85
GROSS PROFIT	593,107.40	480,697.66	112,409.74	23.38
OTHER INCOME (EXPENSES)				
OTHER INTEREST INCOME	0.00	6.78	(6.78)	(100.00)
DIVIDEND INTEREST	34.73	37.31	(2.58)	(6.92)
MISC INCOME	1,807.00	0.00	1,807.00	0.00
AMERINET REBATE	215.50	307.82	(92.32)	(29.99)
ANESTHESIA RENT	3,000.00	6,000.00	(3,000.00)	(50.00)
Total Other Income (Expenses)	5,057.23	6,351.91	(1,294.68)	(20.38)
ADJUSTED GROSS PROFIT	598,164.63	487,049.57	111,115.06	22.81
ADDITIONAL EXPENSES				
PENS/P-S CONTRIBUTION	16,182.66	12,382.06	3,800.60	30.69
CORP STATE TAX - PRIOR	5,539.00	8,000.00	(2,461.00)	(30.76)
DEPREC	84,972.00	84,619.96	352.04	0.42
Total Additional Expenses	106,693.66	105,002.02	1,691.64	1.61
NET INCOME OR (LOSS)	$ 491,470.97	$ 382,047.55	$ 109,423.42	(28.64)

See accompanying accountants' report

APPENDIX II

FOOT & ANKLE SURGERY FACILITY LTD
DBA REGENERATIVE SURGERY CENTER
STATEMENT OF RETAINED EARNINGS
DECEMBER 31, 2015 and 2014

	12 Months Ended December 31, 2015	12 Months Ended December 31, 2014
BEGINNING OF PERIOD	$ 968,159.16	$ 1,086,111.61
NET INCOME(LOSS)	491,470.97	382,047.55
DIVIDENDS	(300,000.00)	(500,000.00)
RETAINED EARNINGS END OF PERIOD	$ 1,159,630.13	$ 968,159.16

See accompanying accountants' report

APPENDIX II

SUPPLEMENTARY INFORMATION

FOOT & ANKLE SURGERY FACILITY LTD
DBA REGENERATIVE SURGERY CENTER
STATEMENT OF ASSETS, LIABILITIES AND EQUITY
CASH BASIS

	YE 2014	1/31/15	2/28/15	3/31/15	4/30/15	5/31/15	6/30/15	7/31/15	8/31/15	9/30/
Current Assets:										
CHECKING	$ 737,689	869,696	243,859	218,863	254,692	269,733	341,618	325,051	272,838	358
PREPAID PAYROLL	-	-	-	-	-	-	-	-	-	30
Total Current Assets	737,689	869,697	243,860	218,864	254,693	269,734	341,619	325,052	272,839	388
Property and Equipment										
FURNITURE & FIXTURES	17,532	17,532	17,532	17,532	17,532	17,532	17,532	17,532	17,532	17
EQUIPMENT - MEDICAL	547,822	580,995	580,995	580,995	580,995	580,995	580,995	580,995	580,995	580
EQUIPMENT - OFFICE	70,844	74,355	74,355	74,355	74,355	74,355	74,355	74,355	74,355	74
CURRENT YR CAPITAL PURCHASE	36,684	-	2,175	2,175	11,857	11,857	14,663	14,663	14,663	35
LEASEHOLD IMPROVEMENTS	823,556	823,556	823,556	823,556	823,556	823,556	823,556	823,556	823,556	823
Less: Accumulated Depreciation	(1,091,223)	(1,096,54	(1,101,869	(1,107,192	(1,112,516	(1,117,83	(1,123,162	(1,128,485	(1,133,808)	(1,139,
Total Capital Assets	405,215	399,892	396,743	391,420	395,779	390,456	387,938	382,615	377,292	392
Other Assets:										
EMPLOYEE PAY ADVANCES	-	-	-	-	-	-	-	-	-	
DEPOSITS	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3
ORGANIZATION COSTS	737	737	737	737	737	737	737	737	737	
ACCUM AMORITZ-ORG COSTS	(737)	(737)	(737)	(737)	(737)	(737)	(737)	(737)	(737)	(
START UP COSTS	17,904	17,904	17,904	17,904	17,904	17,904	17,904	17,904	17,904	17
ACCUM DEPREC-START UP COST	(17,904)	(17,904)	(17,904)	(17,904)	(17,904)	(17,904)	(17,904)	(17,904)	(17,904)	(17
Total Other Assets	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3
TOTAL ASSETS	1,145,904	1,272,589	643,603	613,284	653,472	663,190	732,557	710,667	653,131	784
Current Liabilities:										
OFFICER LOAN PAYABLE	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14
ACCRUED PROF-SHARING CONTRI	12,382	14,071	14,446	15,478	16,510	17,542	18,574	19,606	8,256	9
Total Current Liabilities	27,182	28,871	29,246	30,278	31,310	32,342	33,374	34,406	23,056	24
CAPITAL STOCK	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1
ADD'L PAID IN CAPITAL	149,563	149,563	149,563	149,563	149,563	149,563	149,563	149,563	149,563	149
RETAINED EARNINGS	1,086,112	968,159	968,159	968,159	968,159	968,159	968,159	968,159	968,159	968
CURRENT YEAR DIVIDENDS	(500,000)	-	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,
Net Income or (Loss)	382,048	124,995	(204,365)	(235,716)	(196,560)	(187,874)	(119,539)	(142,461)	(188,647)	(58
TotalStockholders' Equity	1,118,722	1,243,717	614,357	583,006	622,162	630,848	699,183	676,261	630,075	760
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 1,145,904	1,272,589	643,603	613,284	653,472	663,190	732,557	710,667	653,131	784

See accompanying accountants' report

APPENDIX II

FOOT & ANKLE SURGERY FACILITY LTD
DBA REGENERATIVE SURGERY CENTER
STATEMENT OF REVENUES AND EXPENSES - CASH BASIS
12 MONTH COMPARISON FOR 2015

	1/31/15	2/28/15	3/31/15	4/30/15	5/31/15	6/30/15	7/31/15	8/31/15	9/30/15	10/
Services Rendered-Memo										
Net Services Rendered-Memo	$ 335,703	144,234	230,468	425,672	365,760	430,656	295,425	477,307	278,205	463
Professional Income										
FEE INCOME	$ 519,020	275,142	324,174	369,422	353,562	469,664	332,215	317,745	475,191	399,
Total Professional Income	519,020	275,142	324,174	369,422	353,562	469,664	332,215	317,745	475,191	399,
FEE INCOME REFUNDS	(230,933)	(424,073)	(233,437)	(111,446)	(177,708)	(198,291)	(179,417)	(180,945)	(155,174)	(137,
FEE INCOME REFUNDS WFAS	(10,906)	(7,704)	(2,318)	(17,310)	(6,681)	(6,860)	(6,696)	(1,945)	(5,797)	(6,
FEE INCOME REFUND - WFAO	(31,080)	(54,445)	(2,000)	(58,262)	(29,500)	(93,400)	(35,000)	(50,200)	(47,280)	(84,
Gross Income	246,101	(211,080)	86,418	182,404	139,673	171,113	111,102	84,654	266,941	171,
Operating Expenses										
ACCOUNTANT EXP	560	1,120	-	3,815	560	560	560	560	560	
ACCREDITATION	-	-	-	-	-	-	4,360	-	-	
ANESTHESIA, DRUGS & SUPPLI	2,474	4,599	2,530	2,246	3,275	1,690	3,863	2,401	1,497	4,
ANESTHESIA SERVICES	850	1,250	-	500	350	2,066	805	500	500	10,
AUTO EXPENSE-EMP	-	-	-	-	39	-	-	20	-	
BANK CHARGES	92	93	91	94	167	90	93	87	88	
BANK CHARGES - VISA	1,188	1,934	1,307	1,234	2,177	1,793	1,812	1,399	1,842	2,
COLLECTIONS	-	-	-	-	47	-	-	50	-	
CONSULTING COMMITTEE	-	-	-	-	-	-	-	-	2,000	
COMPUTER SUPPLIES	-	-	-	464	-	-	314	-	-	
DUES - PROF ORZ - DR.	-	-	-	-	-	-	-	-	-	
EDUCATION EXP - STAFF	139	-	-	-	-	70	115	-	306	
EQUIPMENT MAINT & INSEPCTI	1,300	-	971	-	2,328	549	955	5,570	1,142	
EXPRESS MAIL EXP	53	16	-	7	21	24	9	-	-	
INS - DENTAL	86	86	38	(28)	105	(168)	378	105	(168)	(
INS - MEDICAL	2,351	2,823	2,740	2,176	3,189	(486)	6,863	3,189	(486)	(
INS - PROF LIAB	-	-	-	12,157	-	-	-	-	-	
LEGAL EXP	-	-	-	-	-	267	-	-	-	
LICENSES	-	-	-	-	-	300	-	-	-	
LUNCH EXP	433	-	-	-	-	-	-	-	-	
MEDICAL SUPPLIES	419	1,963	271	1,609	-	20	-	205	146	2,
OFC EXP	564	457	1,265	782	1,143	644	1,260	751	1,324	1,
OFC ECP - EMPLOYMENT	-	-	-	-	-	-	141	267	-	
OFC EXP-FAST BILLS	194	68	101	170	76	88	57	143	2,035	
OFC EXP-REFRESHMENTS	173	48	-	290	230	96	212	125	119	
OFC EXP-UNIFORMS	-	-	-	-	-	-	-	-	170	
PAYROLL PROCESSING	282	123	116	172	116	116	126	116	174	
PAYROLL TAX EXP - FICA	3,235	3,140	3,192	4,567	3,658	3,480	3,598	3,864	4,711	6,
PAYROLL TAX EXP - SUTA	2,728	2,590	2,028	2,173	908	242	388	564	517	
PAYROLL TAX EXP - FUTA	254	171	102	20	10	5	25	20	29	
POSTAGE EXP	-	986	-	-	-	-	68	17	-	

See accompanying accountants' report

APPENDIX II

FOOT & ANKLE SURGERY FACILITY LTD
DBA REGENERATIVE SURGERY CENTER
STATEMENT OF REVENUES AND EXPENSES - CASH BASIS
12 MONTH COMPARISON FOR 2015

	1/31/15	2/28/15	3/31/15	4/30/15	5/31/15	6/30/15	7/31/15	8/31/15	9/30/15	10/
RENT-128,130,131,132,134	25,353	24,147	24,147	24,385	24,237	24,237	24,237	24,237	24,914	24,
REPAIRS	361	120	-	-	490	-	448	180	3,221	5,
SALARIES	44,042	42,317	42,888	61,442	48,469	46,146	47,684	51,159	62,240	87,
SEMINARS, CONV, MTGS	-	-	-	-	-	-	-	-	-	
SHEINKOP EXXPENSES	332	(332)	-	236	(236)	-	-	287	(287)	
SUBSCRIP/LITERATURE,MEDICA	-	-	-	-	-	-	-	-	-	
SURGICAL HARDWARE	6,432	8,486	6,213	4,429	4,579	1,312	8,239	2,488	5,877	1,
SURGICAL INSTRUMENTS	-	-	-	-	16,254	-	-	-	-	
SURGICAL SUPPLIES	14,990	13,263	14,696	15,003	9,885	9,997	17,660	21,294	15,451	16,
SURG SUPPLIES-IMPLANTS	3,577	1,559	1,503	1,431	3,906	376	2,765	3,251	751	2,
UTILITIES - ELEC	1,097	930	861	-	-	2,611	-	1,794	803	2,
UTILITIES - GAS	456	545	515	437	348	216	206	152	161	
X-RAY EXP	-	-	300	-	-	-	-	-	-	
WASTE DISPOSAL	84	84	-	84	168	84	84	-	168	
Total Operating Expenses	114,100	112,586	105,876	139,895	126,498	96,424	127,322	124,794	129,807	172,
Gross Profit	132,001	(323,665)	(19,457)	42,509	13,175	74,689	(16,221)	(40,140)	137,134	(1,
Other Income (Expenses)										
DIVIDEND INTEREST	6	3	1	1	2	2	2	2	2	
MISC INCOME	-	-	-	-	1,649	-	(349)	307	-	
AMERINET REBATE	-	-	-	-	216	-	-	-	-	
ANESTHESIA RENT	-	-	-	3,000	-	-	-	-	-	
Total Other Inc (Exp)	6	3	1	3,001	1,866	2	(347)	309	2	
Adjusted Gross Profit	132,007	(323,662)	(19,457)	45,511	15,041	74,691	(16,567)	(39,831)	137,136	(
Additional Expenses										
PENS/P-S CONTRIBUTION	1,689	375	1,032	1,032	1,032	1,032	1,032	1,032	1,521	
CORP STATE TAX - PRIOR	-	-	5,539	-	-	-	-	-	-	
DEPREC	5,323	5,323	5,323	5,323	5,323	5,323	5,323	5,323	5,323	5,
Total Additional Expenses	7,012	5,698	11,894	6,355	6,355	6,355	6,355	6,355	6,844	5,
Net Income or (Loss)	$ 124,995	(329,360)	(31,351)	39,156	8,686	68,335	(22,922)	(46,186)	130,292	(6,

See accompanying accountants' report

APPENDIX II