

E-034-17

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

ORIGINAL**RECEIVED****SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION****This Section must be completed for all projects.**

AUG 02 2017

Facility/Project Identification**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Facility Name:	Illinois Sports Medicine & Orthopedic Surgery Center, LLC		
Street Address:	9000 Waukegan Road, Suite 120		
City and Zip Code:	Morton Grove, 60053		
County:	Cook	Health Service Area	7 Health Planning Area: 31

Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name:	CMK 9000 Waukegan, LLC
Street Address:	One Town Center Road, Suite 300
City and Zip Code:	Boca Raton, FL 33486
Name of Registered Agent:	National Registered Agents Inc.
Registered Agent Street Address:	160 Greentree Drive, Suite 101
Registered Agent City and Zip Code:	Dover, DE 19904
Name of Chief Executive Officer:	Albert Rabil, III
CEO Street Address:	One Town Center Road, Suite 300
CEO City and Zip Code:	Boca Raton, FL 33486
CEO Telephone Number:	561-300-6200

Type of Ownership of Applicants

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

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

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

Primary Contact [Person to receive ALL correspondence or inquiries]

Name:	Joe Ourth
Title:	Partner
Company Name:	Arnstein & Lehr LLP
Address:	161 N. Clark Street, Suite 4200, Chicago, IL 60601
Telephone Number:	312-876-7815
E-mail Address:	jourth@arnstein.com
Fax Number:	312-8766215

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

Name:	
Title:	
Company Name:	

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD APPLICATION FOR EXEMPTION PERMIT

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City and Zip Code:	Morton Grove, 60053		
County:	Cook	Health Service Area	7 Health Planning Area: 31

Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name:	Morton Grove 9000 Medical Properties, LLC
Street Address:	One Town Center Road, Suite 300
City and Zip Code:	Boca Raton, FL 33486
Name of Registered Agent:	National Registered Agents Inc.
Registered Agent Street Address:	160 Greentree Drive, Suite 101
Registered Agent City and Zip Code:	Dover, DE 19904
Name of Chief Executive Officer:	Albert Rabil, III
CEO Street Address:	One Town Center Road, Suite 300
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City and Zip Code:	Morton Grove, 60053		
County:	Cook	Health Service Area	7 Health Planning Area: 31

Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name:	GBRE GIP Medical Office Investor, LLC Center, LLC
Street Address:	515 South Flower Street, Suite 3100
City and Zip Code:	Los Angeles, California 90071
Name of Registered Agent:	The Corporation Trust Company
Registered Agent Street Address:	1209 Orange Street
Registered Agent City and Zip Code:	Wilmington, Delaware 19801
Name of Chief Executive Officer:	Matthew Tepper, President
CEO Street Address:	800 Boylston Street, Suite 2800
CEO City and Zip Code:	Boston, Massachusetts 02199
CEO Telephone Number:	617-425-2805

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City and Zip Code:	Morton Grove, 60053		
County:	Cook	Health Service Area	7 Health Planning Area: 31

Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name:	KAREP III MO REIT, LLC
Street Address:	1800 Avenue of the Stars, Third Floor
City and Zip Code:	Los Angeles, CA 90067
Name of Registered Agent:	The Corporation Trust Company
Registered Agent Street Address:	1209 Orange Street
Registered Agent City and Zip Code:	Wilmington, DE 19801
Name of Chief Executive Officer:	Albert Rabil, III
CEO Street Address:	One Town Center Road, Suite 300
CEO City and Zip Code:	Boca Raton, FL 33486
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Fax Number:	312-8766215

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

Name:	
Title:	
Company Name:	

Post Exemption Permit Contact

[Person to receive all correspondence subsequent to permit issuance-**THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960**]

Name:	Gregg Graines
Title:	General Counsel & Senior Vice President
Company Name:	MBRE Healthcare
Address:	181 W. Madison, Suite 4700, Chicago, IL 60602
Telephone Number:	312-487-5960
E-mail Address:	ggraines@mbres.com
Fax Number:	312-807-3853

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner:	Morton Grove 9000 Medical Properties, LLC
Address of Site Owner:	
Street Address or Legal Description of the Site:	9000 Waukegan Road, Morton Grove, IL 60053
Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.	
APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

Operating Identity/Licensee

[Provide this information for each applicable facility and insert after this page.]

Exact Legal Name:	Illinois Sports Medicine & Orthopedic Surgery Center, LLC		
Address:	9000 Waukegan Road, Suite 120, Morton Grove, Illinois 60053		
☐ Non-profit Corporation	☐ Partnership		
☐ For-profit Corporation	☐ Governmental		
☒ Limited Liability Company	☐ Sole Proprietorship	☐ Other	
- Corporations and limited liability companies must provide an Illinois Certificate of Good Standing. - Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner. - Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.			
APPEND DOCUMENTATION AS ATTACHMENT 3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

Organizational Relationships

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

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

Flood Plain Requirements N/A/ Change of Ownership of building only

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2006-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements, please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at www.FEMA.gov or www.illinoisfloodmaps.org. This map must be in a readable format. In addition, please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2006-5 ([http:// www.illinois.gov/sites/hfsrb](http://www.illinois.gov/sites/hfsrb)).

APPEND DOCUMENTATION AS ATTACHMENT 5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Historic Resources Preservation Act Requirements N/A – Change of Ownership of building only

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.

APPEND DOCUMENTATION AS ATTACHMENT 6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT**1. Project Classification**

[Check those applicable - refer to Part 1110.40 and Part 1120.20(b)]

Part 1110 Classification:

- ☒ Change of Ownership
- ☐ Discontinuation of an Existing Health Care Facility or of a category of service
- ☐ Establishment or expansion of a neonatal intensive care or beds

The transaction is for the change of ownership of the property owner. The property owners and the facility are not related entities. There is no change to the licensee.

2. Narrative Description

In the space below, provide a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms**, **NOT WHY** it is being done. If the project site does **NOT** have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

Illinois Sports Medicine & Orthopedic Surgery Center, LLC (the "License Holder") is located within a medical office building located at 9000 Waukegan Road, Morton Grove (the "Property"). The current owner of that Property, Morton Grove 9000 Medical Properties, LLC ("Existing Owner") is controlled by and majority owned by KAREP III MO REIT, LLC a real estate investment trust (REIT) focused on investing in health care real estate (together with the Existing Owner, the "Owner"). The Property is improved with an approximately 86,500 square foot medical office building (the "Building"). The License Holder is a tenant in the Building and leases approximately 15,000 square feet of the Building (the "Leased Space") from the Existing Owner. The License Holder and the Owner are unrelated, unaffiliated entities.

This application for a certificate of exemption is for the change in ownership of the physical plant only and there is no change to the ownership or operation of the facility. The License Holder, is unrelated to the Owners and is not party to the proposed transaction. The Property is currently managed by MB Real Estate Services, Inc. ("MBRE"), an entity associated with the Existing Owner.

The Owner and other entities affiliated with the Owner have executed a Purchase and Sale Agreement dated July 7, 2017 to sell the Property (along with other properties) to CMK 9000 Waukegan, LLC (the "New Owner"). The purchase agreement for the Property is subject to the approval of a COE by the Review Board. The purchase price for the Property is \$38,700,000 and the Property will be conveyed to the New Owner through a special warranty deed which will be recorded with the Cook County Recorder's Office. The New Owner is controlled by and majority owned by CBRE GIP Medical Office Investor, LLC ("GIP") and affiliates of the Existing Owner and GIP will be forming a new joint venture partnership to own and operate the Property. After acquisition of Property, the Property will continue to be managed by MBRE.

As the Leased Space represents approximately 17.5% percent of the total square feet of the Building, the estimated value of the Property attributable to the Leased Space is approximately \$6,800,000. The acquisition of the Property by the New Owner is not expected to have any changes in the operations of the License Holder or the activities or operations conducted in the Lease Space.

Related Project Costs

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

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

Project Status and Completion Schedules

For facilities in which prior permits have been issued please provide the permit numbers.	
Indicate the stage of the project's architectural drawings:	
☒ None or not applicable	☐ Preliminary
☐ Schematics	☐ Final Working
Anticipated project completion date (refer to Part 1130.140): August 3, 2017	
Indicate the following with respect to project expenditures or to financial commitments (refer to Part 1130.140):	
☐ Purchase orders, leases or contracts pertaining to the project have been executed. ☐ Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies	
☒ Financial Commitment will occur after permit issuance.	
APPEND DOCUMENTATION AS ATTACHMENT 8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

State Agency Submittals [Section 1130.620(c)]

Are the following submittals up to date as applicable:
☒ Cancer Registry
☐ APORS N/A
☒ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
☐ All reports regarding outstanding permits N/A
Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

CERTIFICATION

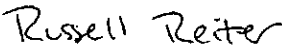
The Application must be signed by the authorized representatives of the applicant entity. Authorized representatives are:

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

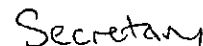
This Application is filed on the behalf of KAREP III MO REIT, LLC*
in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this Application on behalf of the applicant entity. The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



SIGNATURE



PRINTED NAME



PRINTED TITLE

Notarization:

Subscribed and sworn to before me
this 21st day of July



Signature of Notary

Seal  MEEGAN MOTISI
MY COMMISSION # FF 075036
EXPIRES: December 8, 2017
Bonded Thru Budget Notary Services



SIGNATURE



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*Insert the EXACT legal name of the applicant

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- o in the case of a sole proprietor, the individual that is the proprietor.

This Application is filed on the behalf of Morton Grove 9000 Medical Properties, LLC* in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this Application on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the fee required for this application is sent herewith or will be paid upon request.



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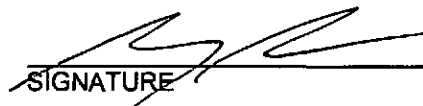


Signature of Notary



MICHELLE ROBERTSON
OFFICIAL SEAL
Notary Public, State of Illinois
My Commission Expires
November 03, 2019

*Insert the EXACT legal name of the applicant



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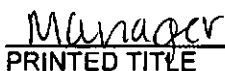
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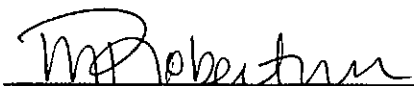
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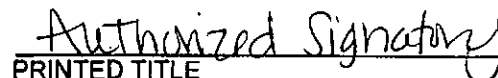
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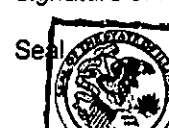
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SIGNATURE

Matthew Tepper
PRINTED NAME

President
PRINTED TITLE


SIGNATURE

Justin Seaman
PRINTED NAME

Vice President
PRINTED TITLE

Notarization:

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this 26th day of July, 2017

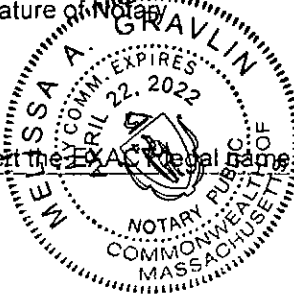
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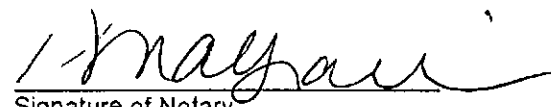
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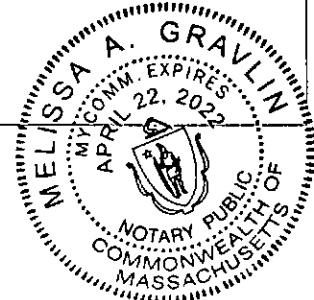
Seal

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Signature of Notary

Seal



SECTION III. BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES
- INFORMATION REQUIREMENTS

This Section is applicable to all projects except those that are solely for discontinuation with no project costs.

Background

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.
3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**
4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest that the information was previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT 11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

Criterion 1110.230 – Purpose of the Project, and Alternatives (Not applicable to Change of Ownership)

For projects involving modernization, describe the conditions being upgraded, if any. For facility projects, include statements of the age and condition of the project site, as well as regulatory citations, if any. For equipment being replaced, include repair and maintenance records.

NOTE: Information regarding the "Purpose of the Project" will be included in the State Board Report.

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

ALTERNATIVES

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

Alternative options **must** include:

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

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

SECTION V. CHANGE OF OWNERSHIP (CHOW)**1130.520 Requirements for Exemptions Involving the Change of Ownership of a Health Care Facility**

1. Prior to acquiring or entering into a contract to acquire an existing health care facility, a person shall submit an application for exemption to HFSRB, submit the required application-processing fee (see Section 1130.230) and receive approval from HFSRB.
2. If the transaction is not completed according to the key terms submitted in the exemption application, a new application is required.
3. READ the applicable review criteria outlined below and **submit the required documentation (key terms) for the criteria:**

APPLICABLE REVIEW CRITERIA	CHOW
1130.520(b)(1)(A) - Names of the parties	X
1130.520(b)(1)(B) - Background of the parties, which shall include proof that the applicant is fit, willing, able, and has the qualifications, background and character to adequately provide a proper standard of health service for the community by certifying that no adverse action has been taken against the applicant by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application.	X
1130.520(b)(1)(C) - Structure of the transaction	X
1130.520(b)(1)(D) - Name of the person who will be licensed or certified entity after the transaction	
1130.520(b)(1)(E) - List of the ownership or membership interests in such licensed or certified entity both prior to and after the transaction, including a description of the applicant's organizational structure with a listing of controlling or subsidiary persons.	X
1130.520(b)(1)(F) - Fair market value of assets to be transferred.	X
1130.520(b)(1)(G) - The purchase price or other forms of consideration to be provided for those assets. [20 ILCS 3960/8.5(a)]	X
1130.520(b)(2) - Affirmation that any projects for which permits have been issued have been completed or will be completed or altered in accordance with the provisions of this Section	X
1130.520(b)(2) - If the ownership change is for a hospital, affirmation that the facility will not adopt a more restrictive charity care policy than the policy that was in effect one year prior to the transaction. The hospital must provide affirmation that the compliant charity care policy will remain in effect for a two-year period following the change of ownership transaction	X

1130.520(b)(2) - A statement as to the anticipated benefits of the proposed changes in ownership to the community	X
1130.520(b)(2) - The anticipated or potential cost savings, if any, that will result for the community and the facility because of the change in ownership;	X
1130.520(b)(2) - A description of the facility's quality improvement program mechanism that will be utilized to assure quality control;	X
1130.520(b)(2) - A description of the selection process that the acquiring entity will use to select the facility's governing body;	X
1130.520(b)(2) - A statement that the applicant has prepared a written response addressing the review criteria contained in 77 Ill. Adm. Code 1110.240 and that the response is available for public review on the premises of the health care facility	X
1130.520(b)(2)- A description or summary of any proposed changes to the scope of services or levels of care currently provided at the facility that are anticipated to occur within 24 months after acquisition.	X

Application for Change of Ownership Among Related Persons

When a change of ownership is among related persons, and there are no other changes being proposed at the health care facility that would otherwise require a permit or exemption under the Act, the applicant shall submit an application consisting of a standard notice in a form set forth by the Board briefly explaining the reasons for the proposed change of ownership. [20 ILCS 3960/8.5(a)]

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

SECTION X. CHARITY CARE INFORMATION (CHOW ONLY)

Charity Care information **MUST** be furnished for **ALL** projects [1120.20(c)].

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

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

A table in the following format must be provided for all facilities as part of Attachment 21.

CHARITY CARE			
	2013	2014	2015
Net Patient Revenue	\$29,538,379	\$11,112,242	\$10,880,915
Amount of Charity Care (charges)	\$0	\$0	\$0
Cost of Charity Care	\$0	\$0	\$0

APPEND DOCUMENTATION AS **ATTACHMENT 21**, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

After paginating the entire completed application indicate, in the chart below, the page numbers for the included attachments:

INDEX OF ATTACHMENTS			
ATTACHMENT NO.			PAGES
1	Applicant Identification including Certificate of Good Standing		19-26
2	Site Ownership		27
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.		28
4	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.		29-31
5	Flood Plain Requirements		32
6	Historic Preservation Act Requirements		33
7	Project and Sources of Funds Itemization		
8	Financial Commitment Document if required		
9	Cost Space Requirements		
10	Discontinuation		34
11	Background of the Applicant		
12	Purpose of the Project		
13	Alternatives to the Project		
	Service Specific:		
14	Neonatal Intensive Care Services		
15	Change of Ownership		35-39
	Financial and Economic Feasibility:		
16	Availability of Funds		
17	Financial Waiver		
18	Financial Viability		
19	Economic Feasibility		
20	Safety Net Impact Statement		
21	Charity Care Information		40

Section I, Identification, General Information and Certification

Attachment 1, Type of Ownership of Applicants

An organizational chart showing the current ownership structure of the Applicants along with the post-closing ownership structure of the Applicants is included in Attachment 4. Good standing certificates for the Applicants are also attached:

1. Illinois Sports Medicine & Orthopedic Surgery Center, LLC (the "License Holder"): the License Holder is an Illinois limited liability company and is the licensed operator of Illinois Sports Medicine & Orthopedic Surgery Center (the "Surgery Center"). The License Holder leases space within a medical office building for its surgery center. Other than the lease, the License Holder has no relationship or affiliation with the owner of the property and there is no change in any operations at the Surgery Center. The License Holder is not affiliated and not a party to the transaction involving the realty, and is included for informational purposes, but not as an applicant.
2. Morton Grove 9000 Medical Properties, LLC ("Morton Grove 9000 Properties"): Morton Grove 9000 Properties is Delaware limited liability company and the current owner of the medical office building in which the Surgery Center is located.
3. KAREP III MO REIT, LLC ("KAREP"): KAREP is a Delaware limited liability company. KAREP is a real estate investment trust and is the controlling entity of Morton Grove 9000 Properties and is consequently included as a co-applicant. Because KAREP performs no operations in Illinois, it is not required to obtain authorization to do business in Illinois, therefore an Illinois Certificate of Good Standing for a foreign limited liability company is not applicable, but a Delaware Certificate of Good Standing is included.
4. CMK 9000 Waukegan, LLC ("CMK 9000"): CMK 9000 is a Delaware limited liability company and will be the entity that will hold title to the property under the proposed transaction.
5. CBRE GIP Medical Office Investor, LLC ("GIP"): GIP is a Delaware limited liability company and is the controlling entity of CMK 9000 and is consequently included as a co-applicant. Because GIP performs no operations in Illinois, it is not required to obtain authorization to do business in Illinois, therefore an Illinois Certificate of Good Standing for a foreign limited liability company is not applicable, but a Delaware Certificate of Good Standing is included.

ATTACHMENT 1

CERTIFICATES OF GOOD STANDING FOLLOW

ATTACHMENT 1



To all to whom these Presents Shall Come, Greeting:

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

CMK 9000 WAUKEGAN, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON JUNE 23, 2017, 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 FOREIGN LIMITED LIABILITY COMPANY ADMITTED TO TRANSACT BUSINESS 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 27TH
day of JULY A.D. 2017 .***

Jesse White

SECRETARY OF STATE

Authentication #: 1720802008 verifiable until 07/27/2018

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



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

MORTON GROVE 9000 MEDICAL PROPERTIES, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON APRIL 10, 2015, 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 FOREIGN LIMITED LIABILITY COMPANY ADMITTED TO TRANSACT BUSINESS 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 27TH day of JULY A.D. 2017 .

Jesse White

SECRETARY OF STATE

Delaware

The First State

Page 1

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "CMK 9000 WAUKEGAN, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-SEVENTH DAY OF JULY, A.D. 2017.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "CMK 9000 WAUKEGAN, LLC" WAS FORMED ON THE TWENTY-FIRST DAY OF JUNE, A.D. 2017.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL TAXES HAVE BEEN ASSESSED TO DATE.



6452274 8300

SR# 20175446230

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

A handwritten signature in black ink, appearing to read "JBullock", is written over a horizontal line. Below the line, the text "Jeffrey W. Bullock, Secretary of State" is printed in a small font.

Authentication: 202960884

Date: 07-27-17

Delaware

The First State

Page 1

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "CMK 9000 WAUKEGAN, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-SEVENTH DAY OF JULY, A.D. 2017.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "CMK 9000 WAUKEGAN, LLC" WAS FORMED ON THE TWENTY-FIRST DAY OF JUNE, A.D. 2017.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL TAXES HAVE BEEN ASSESSED TO DATE.



6452274 8300

SR# 20175446230

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

A handwritten signature in black ink, appearing to read "JB", is written over a horizontal line. Below the line, the text "Jeffrey W. Bullock, Secretary of State" is printed in a small font.

Authentication: 202960884

Date: 07-27-17

Delaware

The First State

Page 1

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "KAREP III MO REIT, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-SIXTH DAY OF JULY, A.D. 2017.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "KAREP III MO REIT, LLC" WAS FORMED ON THE NINTH DAY OF DECEMBER, A.D. 2013.

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



5445802 8300

SR# 20175420664

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

A handwritten signature in black ink, appearing to read "JB", is written over a horizontal line. Below the line, the text "Jeffrey W. Bullock, Secretary of State" is printed.

Authentication: 202952053

Date: 07-26-17

Delaware

The First State

Page 1

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "MORTON GROVE 9000 MEDICAL PROPERTIES, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTIETH DAY OF JULY, A.D. 2017.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "MORTON GROVE 9000 MEDICAL PROPERTIES, LLC" WAS FORMED ON THE SEVENTH DAY OF APRIL, A.D. 2015.

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



5724146 8300

SR# 20175325652

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

A handwritten signature of Jeffrey W. Bullock in black ink, written over a horizontal line. Below the line, the text "Jeffrey W. Bullock, Secretary of State" is printed.

Jeffrey W. Bullock, Secretary of State

Authentication: 202917223

Date: 07-20-17

Section I, Identification, General Information and Certification

Attachment 2, Site Ownership

Illinois Sports Medicine Surgery Center is a tenant in the office building at 9000 Waukegan Road in Morton Grove. There will be no change in the surgery center as a result of this transaction. The transaction is for the sale of the realty only. The site is presently owned by, Morton Grove 9000 Medical Properties LLC, a Delaware limited liability company. In the proposed transaction the underlying real property will be sold to CMK 9000 Waukegan, LLC. The property will continue to be managed by MB Real Estate Services, Inc.

Section I, Identification, General Information and Certification

Attachment 3, Operating Identity/Licensee

Illinois Sports Medicine & Orthopedic Surgery Center, LLC ("Illinois Sports Medicine") will be the licensed entity operating the facility.

Illinois Sports Medicine is an Illinois limited liability company.

An organizational chart showing the current ownership structure of the realty companies and Illinois Sports Medicine, along with the post-closing ownership structure of the Applicants is included in Attachment 4.

Section I, Identification, General Information and Certification

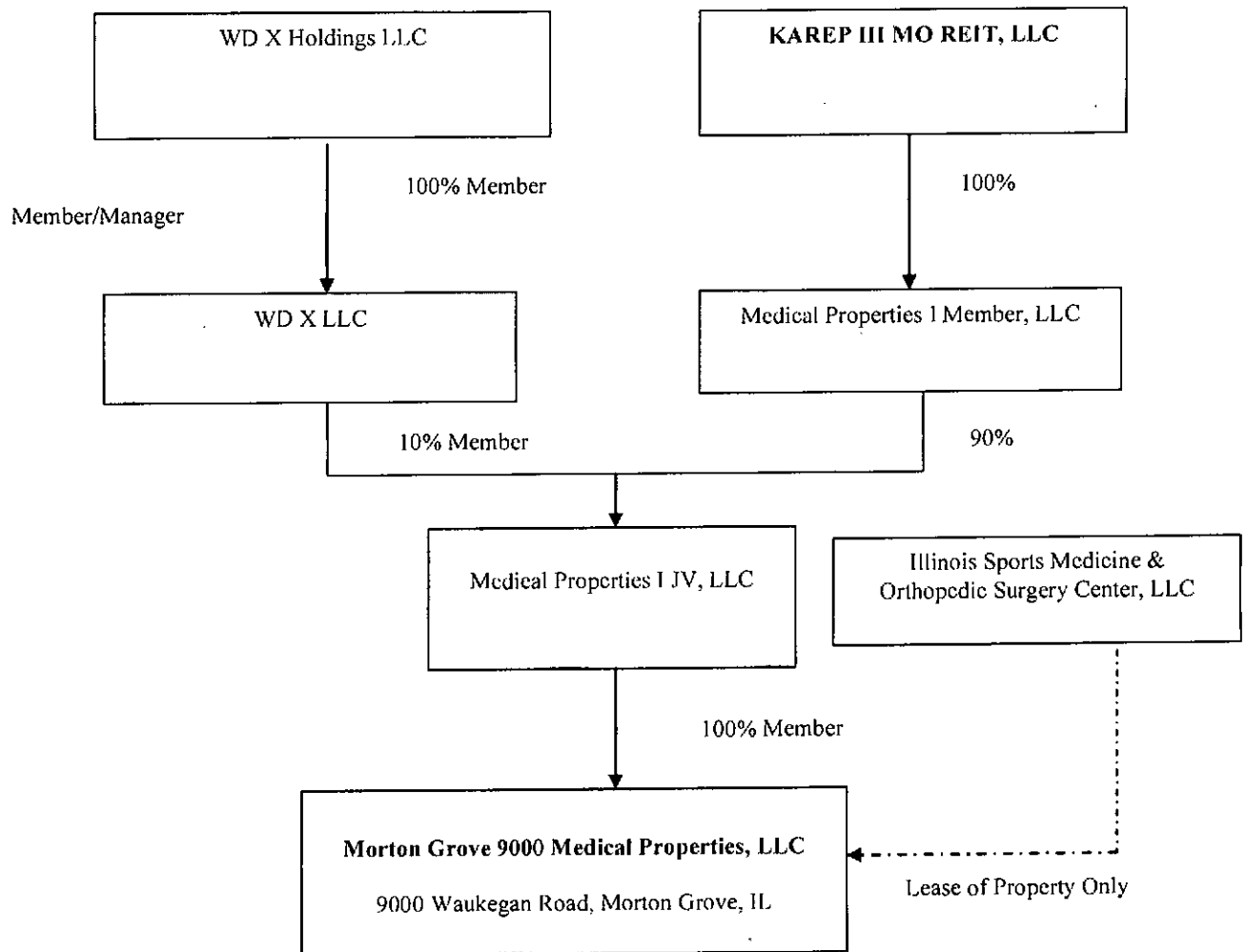
Attachment 4, Organizational Relationships

The organizational charts in this attachment show the current ownership structure of the realty and the ownership after the closing of the transaction.

Current Organization Chart

Owner of Realty

(Illinois Sports Medicine & Orthopedic Surgery Center)

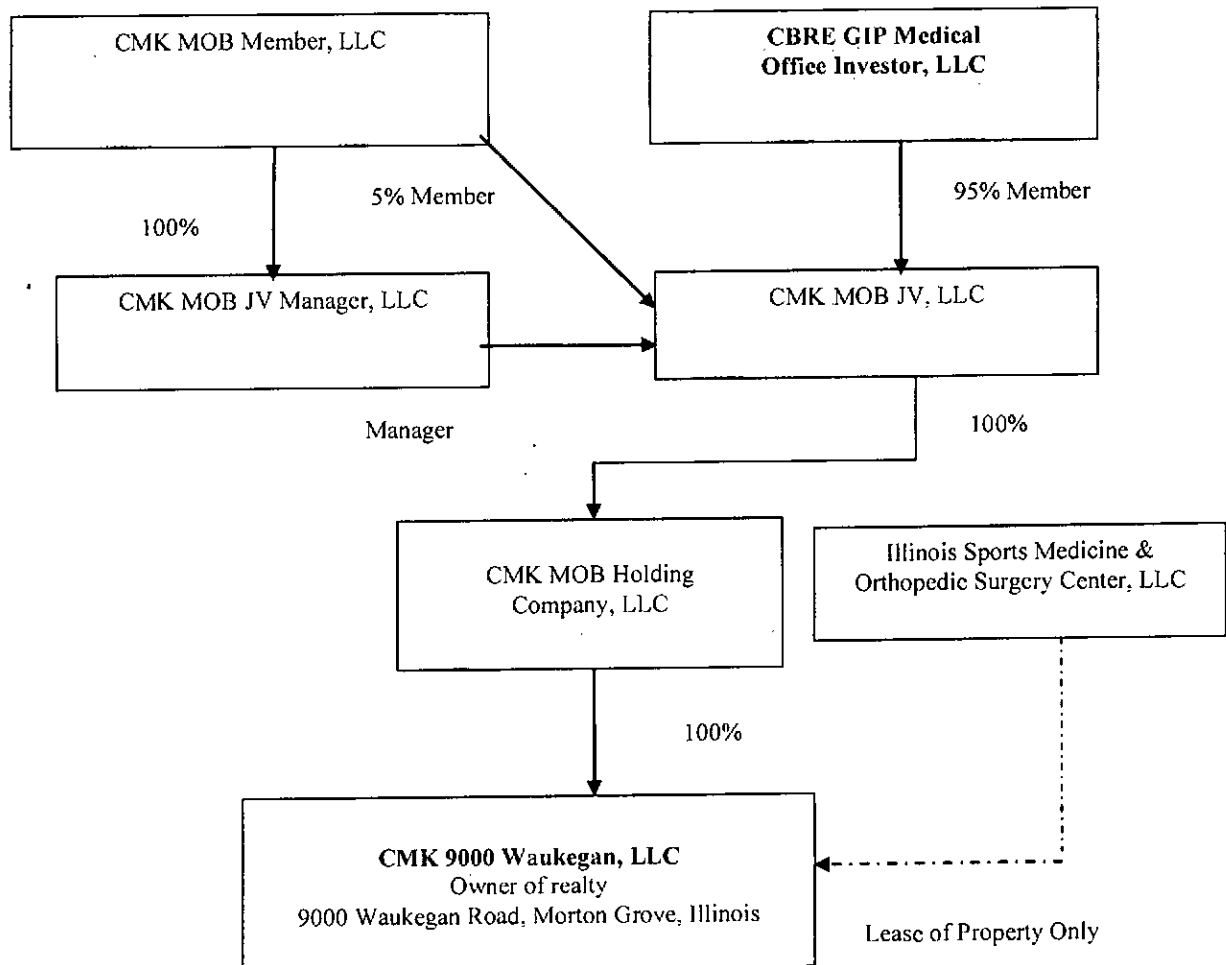


Bold names demote necessary applicants

Post Closing Organizational Chart

Owner of Realty

(Illinois Sports Medicine & Orthopedic Surgery Center)



Bold names denote necessary applicants

ATTACHMENT 4

Section I, Identification, General Information and Certification

Attachment 5, Flood Plain Requirement

This section appears not to be applicable to a change of ownership COE application.

Section I, Identification, General Information and Certification

Attachment 6, Historic Resources Preservation Act Requirements

This section appears not to be applicable to a change of ownership COE application.

Section III, Background, Purpose of the Project, and Alternatives

Attachment 11, Background

1. A listing of all health care facilities owned or operated by the Applicant, including licensing, and certificate if applicable.

None of the applicants own any health care facilities.

2. A certified listing of any adverse action taken against any facility owned and/or operated by the Applicant during the three years prior to the filing of the application.

By their signatures on the Certification pages to this application, each of the Applicants attest that no adverse action has been taken against any facility owned and/or operated by them during the three (3) years prior to the filing of this application.

3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations.

By their signatures to the Certification pages to this application, each of the Applicants authorize HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: (i) official records of DPH or other State agencies; (ii) the licensing or certification records of other states, when applicable; and (iii) the records of nationally recognized accreditation organizations.

Section IV, Change of Ownership

Attachment 15, Requirements for Exemptions Involving the Change of Ownership of a Health Care Facility

Section 1130.520, Information Requirements for Change of Ownership of a Health Care Facility

1. 1130.520(b)(1)(A), Names of Parties:

An organizational chart showing the current ownership structure of the entities listed as b through e below (the "Applicants") and the surgery center, along with the post-closing ownership structure of the Applicants is included in Attachment 4. Good standing certificates for the Applicants are also attached:

- a. Illinois Sports Medicine & Orthopedic Surgery Center, LLC (the "License Holder"): the License Holder is an Illinois limited liability company and is the licensed operator of Illinois Sports Medicine & Orthopedic Surgery Center (the "Surgery Center"). The License Holder leases space within a medical office building for its surgery center. Other than the lease, the License Holder has no relationship or affiliation with the owner of the property and there is no change in any operations at the Surgery Center. The License Holder is not affiliated and not a party to the transaction involving the realty, and is included for informational purposes, but not as an applicant.
- b. Morton Grove 9000 Properties, LLC ("Morton Grove 9000 Properties"): Morton Grove 9000 Properties is a Delaware limited liability company and the current owner of the medical office building in which the Surgery Center is located.
- c. KAREP III MO REIT, LLC ("KAREP"): KAREP is a Delaware limited liability company. KAREP is a real estate investment trust and is the controlling entity of Morton Grove 9000 Properties and is consequently included as a co-applicant. Because KAREP performs no operations in Illinois, it is not required to obtain authorization to do business in Illinois, therefore an Illinois Certificate of Good Standing for a foreign limited liability company is not applicable, but a Delaware Certificate of Good Standing is included.
- d. CMK 9000 Waukegan, LLC ("CMK 9000"): CMK 9000 is a Delaware limited liability company and will be the entity that will hold title to the property under the proposed transaction.
- e. CBRE GIP Medical Office Investor, LLC ("GIP"): GIP is a Delaware limited liability company and is the controlling entity of CMK 9000 and is consequently included as a co-

ATTACHMENT 15

applicant. Because GIP performs no operations in Illinois, it is not required to obtain authorization to do business in Illinois, therefore an Illinois Certificate of Good Standing for a foreign limited liability company is not applicable, but a Delaware Certificate of Good Standing is included.

2. **1130.520(b)(1)(B), Background of Parties:** Each of the Applicants, by their signatures to the Certification pages of this application, attest that they are fit, willing, able and have the qualifications, background and character to adequately provide a proper standard of health service for the community.

By their signatures on the Certification pages to this application, each of the Applicants attest that no adverse action has been taken against any facility owned and/or operated by each of them during the three (3) years prior to the filing of this application.

3. **1130.520(b)(1)(C), Structure of the Transaction:**

Illinois Sports Medicine & Orthopedic Surgery Center, LLC (the "License Holder") is located within a medical office building located at 9000 Waukegan Road, Morton Grove (the "Property"). The current owner of that Property, Morton Grove 9000 Medical Properties, LLC ("Existing Owner"), and other entities affiliated with the Owner have executed a Purchase and Sale Agreement dated July 7, 2017 to sell the Property (along with other properties) to CMK 9000 Waukegan, LLC (the "New Owner"). Closing on the purchase agreement for the Property is subject to the approval of a COE by the Review Board.

The purchase price for the Property is \$38,700,000 and the Property will be conveyed to the New Owner through a special warranty deed which will be recorded with the Cook County Recorder's Office. The New Owner is controlled by and majority owned by CBRE GIP Medical Office Investor, LLC ("GIP") and affiliates of the Existing Owner and GIP will be forming a new joint venture partnership to own and operate the Property. Neither the New Owner nor GIP are related to or affiliated with the License Holder and the License Holder is not a party to transaction selling the land. The Property is currently managed by MB Real Estate Services, Inc. ("MBRE") and will continue to manage the Property after the transaction.

This application for a certificate of exemption is for the change in ownership of the physical plant only and there is no change to the ownership or operation of the facility.

The Property is improved with an approximately 86,500 square foot medical office building (the "Building"). The License Holder is a tenant in the Building and leases approximately 15,000 square feet of the Building (the "Leased Space") from the Existing

Owner. As the Leased Space represents approximately 17.5% percent of the total square feet of the Building, the estimated value of the Property attributable to the Leased Space is approximately \$6,800,000. The acquisition of the Property by the New Owner is not expected to result in any changes in the operations of the License Holder or the activities or operations conducted in the Lease Space.

4. **1130.520(b)(1)(D), Name of Licensed Entity after Transaction:** Illinois Sports Medicine & Orthopedics Surgery Center, LLC will continue to be the licensed entity after the Proposed Transaction. There is no change in the licensed entity as a consequence of the Proposed Transaction.
5. **1130.520(b)(1)(E), List of Ownership/Membership Interests in Licensed Entity Prior to and After Transaction:** An organizational chart showing the current ownership structure of the Applicants, along with the post-closing ownership structure of the Applicants is included in Attachment 4. Good standing certificates for each of the Applicants are included in Attachment 1.
6. **1130.520(b)(1)(F), Fair Market Value of Assets to be Transferred:** The purchase price for the entire medical office building is \$38,700,000. The space leased by Illinois Sports Medicine & Orthopedics Surgery Center is approximately 17.5% of the total building, meaning the fair market value of the licensed surgery center space would be approximately \$6,800,000.
7. **1130.520(b)(1)(G), Purchase Price or Other Forms of Consideration to be Provided:** The purchase price for the entire medical office building is \$38,700,000. The space leased by Illinois Sports Medicine & Orthopedics Surgery Center is approximately 17.5% of the total building, meaning the fair market value of the licensed surgery center space would be approximately \$6,800,000.
8. **1130.520(b)(2), Affirmations:** In accordance with 77 Ill. Adm. Code §1130.520, each of the Applicants affirm the following:
 - a. The transaction documents contain a provision that closing is subject to COE approvals.
 - b. No adverse action has been taken against any of the Applicants by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois against any health care facility owned or operated by any of the Applicants, directly or indirectly, within the past three years.

- c. Any projects for which permits have been issued by the Review Board have been completed or will be completed or altered in accordance with the provisions of 77 Ill. Adm. Code §1130.520.
 - d. The Applicants understand that failure to complete the transaction in accordance with the applicable provisions of Section 1130.500(d) no later than 24 months from the date of exemption approval and failure to comply with the material change requirements of this Section will invalidate the exemption.
9. **1130.520(b)(2), Statement as to the Anticipated Benefits of the Proposed Changes in Ownership to the Community.**
- There should be no change in the operation of the Applicant facility as a result of the proposed transaction.
10. **1130.520(b)(2), Statement as to the Anticipated or Potential Cost Savings, if any, That Will Result for the Community and the Facility as a Result of the Change in Ownership.**
- There should be no change in the operation of the Applicant facility as a result of the proposed transaction.
11. **1130.520(b)(2), Description of the Facility's Quality Improvement Program Mechanism that will be Utilized to Assure Quality Control.**
- There should be no change in the operation of the Applicant facility as a result of the proposed transaction.
12. **1130.520(h)(2), Description of the applicants' organizational structure, including a listing of controlling or subsidiary persons.**
- Diagrams illustrating the ownership structure, both current and post transaction, are provided in Attachment 4.
13. **1130.520(b)(2), Description of the selection process that the acquiring entity will use to select the facility's governing body.**
- There should be no change in the process for selecting the governing board of the facility as a result of the proposed transaction.
14. **1130.520(b)(2), Statement that the applicants have prepared a written response addressing the review criteria contained in 77 Ill. Adm. Code 1110.240 and that the response is available for public review on the premises of the health care facility.**

The Applicants have or will prepare a written response addressing the review criteria contained in 77 Ill. Adm. Code 1110.240 that will be available for public review.

15. 1130.520(b)(2), Description or summary of any proposed changes to the scope of services or levels of care currently provided at the facility that are anticipated to occur within twenty-four (24) months after acquisition.

There are no proposed changes to the scope of services or levels of care currently provided at the facility that are anticipated to occur within twenty-four (24) months as a result of the transaction.

Section X, Charity Care Information

Attachment 21, Charity Care Information

CHARITY CARE			
	2013	2014	2015
Net Patient Revenue	\$29,538,379	\$11,112,242	\$10,880,915
Amount of Charity Care (charges)	\$0	\$0	\$0
Cost of Charity Care	\$0	\$0	\$0