

E-043-17

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SEP 12 2017

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD  
APPLICATION FOR EXEMPTION PERMIT

HEALTH FACILITIES &  
SERVICES REVIEW BOARD

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name: Vista Medical Center West
Street Address: 2615 Washington Street
City and Zip Code: Waukegan, Illinois 60085
County: Lake County      Health Service Area 008      Health Planning Area: A-09

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

Exact Legal Name: Waukegan Illinois Hospital Company, LLC
Street Address: 1573 Mallory Lane, Suite 100
City and Zip Code: Brentwood, Tennessee 37027
Name of Registered Agent: C T Corporation System
Registered Agent Street Address: 208 South LaSalle Street, Suite 814
Registered Agent City and Zip Code: Chicago, Illinois 60604
Name of Chief Executive Officer: Mike Cullota
CEO Street Address: 1573 Mallory Lane, Suite 100
CEO City and Zip Code: Brentwood, Tennessee 37027
CEO Telephone Number:

Type of Ownership of Applicants

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

- o Corporations and limited liability companies must provide an Illinois certificate of good standing.
- o Partnerships must provide the name of the state in which 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: John P. Kniery
Title: Health Care Consultant
Company Name: Foley and Associates, Inc.
Address: 133 South 4 <sup>th</sup> Street, Suite 200, Springfield, Illinois 62701
Telephone Number: (217) 544-1551
E-mail Address: jkniery@foleyandassociates.com
Fax Number: (217) 544-3615

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

Name: Kenneth F. King
Title: Senior Vice President, Acquisitions
Company Name: Quorum Health
Address: 1573 Mallory Lane, Brentwood, TN 37027
Telephone Number: (615) 221-3508
E-mail Address: Ken King@QuorumHealth.com
Fax Number:

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

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

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**Facility/Project Identification**

Facility Name: <b>Vista Medical Center West</b>		
Street Address: <b>2615 Washington Street</b>		
City and Zip Code: <b>Waukegan, Illinois 60085</b>		
County: <b>Lake County</b>	Health Service Area <b>008</b>	Health Planning Area: <b>A-09</b>

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

Exact Legal Name: <b>Quorum Health Corporation</b>
Street Address: <b>1573 Mallory Lane, Suite 100</b>
City and Zip Code: <b>Brentwood, Tennessee 37027</b>
Name of Registered Agent: <b>CT Corporation System</b>
Registered Agent Street Address: <b>208 S. LaSalle Street</b>
Registered Agent City and Zip Code: <b>Chicago, Illinois 60604</b>
Name of Chief Executive Officer: <b>Tom Miller</b>
CEO Street Address: <b>1573 Mallory Lane, Suite 100</b>
CEO City and Zip Code: <b>Brentwood, TN 37027</b>
CEO Telephone Number: <b>(615) 221-1400</b>

**Type of Ownership of Applicants**

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

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E-mail Address: <b>jkniery@foleyandassociates.com</b>
Fax Number: <b>(217) 544-3615</b>

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

Name: <b>Clare E. Connor</b>
Title: <b>Partner</b>

Company Name: <b>McDermott Will &amp; Emery LLP</b>
Address: <b>444 West Lake Street, Suite 4000, Chicago, Illinois 60606</b>
Telephone Number: <b>(312) 984-3365</b>
E-mail Address: <b>Cconnor@mwe.com</b>
Fax Number: <b>(312) 984-7700</b>

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County: <b>Lake County</b>	Health Service Area <b>008</b>	Health Planning Area: <b>A-09</b>

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

Exact Legal Name: <b>V Covington Realty, LLC</b>
Street Address: <b>32 East 57th Street, 17th Floor</b>
City and Zip Code: <b>New York, New York 10022</b>
Name of Registered Agent: <b>C T Corporation System</b>
Registered Agent Street Address: <b>208 South LaSalle Street, Suite 814</b>
Registered Agent City and Zip Code: <b>Chicago, Illinois 60604</b>
Name of Chief Executive Officer: <b>Richard Kresch, M.D.</b>
CEO Street Address: <b>32 East 57th Street, 17th Floor</b>
CEO City and Zip Code: <b>New York, New York 10022</b>
CEO Telephone Number: <b>(212) 243-5565</b>

**Type of Ownership of Applicants**

<input type="checkbox"/> Non-profit Corporation	<input type="checkbox"/> Partnership	
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E-mail Address: <b>jkniery@foleyandassociates.com</b>
Fax Number: <b>(217) 544-3615</b>

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

Name: <b>Charles H. Foley, MHSA</b>
Title: <b>Health Care Consultant</b>

Company Name: <b>Foley and Associates, Inc.</b>
Address: <b>133 South 4<sup>th</sup> Street, Suite 200, Springfield, Illinois 62701</b>
Telephone Number: <b>(217) 544-1551</b>
E-mail Address: <b><a href="mailto:cfoley@foleyandassociates.com">cfoley@foleyandassociates.com</a></b>
Fax Number: <b>(217) 544-3615</b>

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E-mail Address: <b>jkniery@foleyandassociates.com</b>
Fax Number: <b>(217) 544-3615</b>

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

Name: <b>Martina Sze</b>
Title: <b>Executive Vice President</b>
Company Name: <b>US HealthVest, LLC</b>

Address: 32 East 57 <sup>th</sup> Street, 17 <sup>th</sup> Floor, New York, New York 10022
Telephone Number: (212) 243-5565
E-mail Address: <a href="mailto:msze@ushealthvest.com">msze@ushealthvest.com</a>
Fax Number: (212) 243-1099

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

Exact Legal Name: <b>US HealthVest, LLC</b>
Street Address: <b>32 East 57th Street, 17th Floor</b>
City and Zip Code: <b>New York, New York 10022</b>
Name of Registered Agent: <b>C T Corporation System</b>
Registered Agent Street Address: <b>208 South LaSalle Street, Suite 814</b>
Registered Agent City and Zip Code: <b>Chicago, Illinois 60604</b>
Name of Chief Executive Officer: <b>Richard Kresch, M.D.</b>
CEO Street Address: <b>32 East 57th Street, 17th Floor</b>
CEO City and Zip Code: <b>New York, New York 10022</b>
CEO Telephone Number: <b>(212) 243-5565</b>

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Telephone Number: <b>(217) 544-1551</b>
E-mail Address: <b><a href="mailto:jkniery@foleyandassociates.com">jkniery@foleyandassociates.com</a></b>
Fax Number: <b>(217) 544-3615</b>

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

Name: <b>Mark J. Silberman</b>
Title: <b>Partner</b>
Company Name: <b>Benesch, Friedlander, Coplan &amp; Aronoff, LLP</b>



Address: 333 West Wacker Drive, Suite 1900, Chicago, Illinois 60606-2211
Telephone Number: (312) 212-4952
E-mail Address: <a href="mailto:mjsilberman@beneschlaw.com">mjsilberman@beneschlaw.com</a>
Fax Number: (877) 357-4913

**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: <b>Martina Sze</b>
Title: <b>Executive Vice President</b>
Company Name: <b>US HealthVest, LLC</b>
Address: <b>32 East 57<sup>th</sup> Street, 17<sup>th</sup> Floor, New York, New York 10022</b>
Telephone Number: <b>(212) 243-5565</b>
E-mail Address: <b>msze@ushealthvest.com</b>
Fax Number: <b>(212) 243-1099</b>

**Site Ownership**

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: <b>V Covington Realty, LLC</b>
Address of Site Owner: <b>32 East 57th Street, 17th Floor, New York, New York 10022</b>
Street Address or Legal Description of the Site: <b>2615 Washington Street, Waukegan, IL 60085</b>
<b>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.</b>
<b>APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>

**Operating Identity/Licensee**

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

Exact Legal Name: <b>V Covington, LLC</b>
Address: <b>32 East 57th Street, 17th Floor, New York, New York 10022</b>
<input type="checkbox"/> Non-profit Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> For-profit Corporation <input type="checkbox"/> Governmental <input checked="" type="checkbox"/> Limited Liability Company <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Other
<ul style="list-style-type: none"> <li>o Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.</li> <li>o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.</li> <li>o <b>Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.</b></li> </ul>
<b>APPEND DOCUMENTATION AS ATTACHMENT 3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>

**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**

[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](http://www.FEMA.gov) or [www.illinoisfloodmaps.org](http://www.illinoisfloodmaps.org). **This map must be in a readable format.** In addition, please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #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**

[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

## 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.

This application seeks an exemption for a Change of Ownership in the existing IDPH licensed Vista Medical Center West. The name of this facility will change to Vista West Behavioral Hospital upon project approval.

The Applicants are **Waukegan Illinois Hospital Company, LLC** (current Owner & Operator/Licensee), **Quorum Health Corporation** (final control of Waukegan Illinois Hospital Company, LLC), **V Covington Realty, LLC** (post-closing Owner), **V Covington, LLC** (post-closing Operator/Licensee), and **US HealthVest, LLC** (post-closing Sole Corporate Member of both Owner and Operator/Licensee).

**US HealthVest, LLC** local entities, **V Covington Realty, LLC** and **V Covington, LLC**, propose to acquire Vista Medical Center West real estate and operations, respectively, from **Waukegan Illinois Hospital Company, LLC**. The facility is located at 2615 Washington Street, Waukegan, Lake County, Illinois. The facility is licensed for 46 acute mental illness (AMI) beds and 25 rehabilitation beds.

This Change of Ownership is the first step in a much larger strategic plan. This COE is tied to and contingent upon a preceding COE application for discontinuation of the rehabilitation category of service AND subsequent Certificate of Need (CON) Application for expansion and modernization of the resultant AMI Specialty Hospital, which seeks to expand and enhance the AMI beds and services, making it truly a comprehensive mental health resource in Lake County.

This application is for the Change of Ownership of an existing hospital, thus, this project is classified as "Non-Substantive" according to the *77 Illinois Administrative Code, Chapter II, Section 1110.140.b of subchapter a.*

**Related Project Costs**

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

Land acquisition is related to project	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Purchase Price:	<b>\$2,000,000.00</b>	
Fair Market Value:	<b><u>As an arms-length transaction between two unrelated entities, the Fair Market Value is reflective of the Purchase Price.</u></b>	
The project involves the establishment of a new facility or a new category of service		
	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If yes, provide the dollar amount of all <b>non-capitalized</b> operating start-up costs (including operating deficits through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.		
Estimated start-up costs and operating deficit cost is \$ <u>N/A</u> .		

**Project Status and Completion Schedules**

<b>For facilities in which prior permits have been issued please provide the permit numbers.</b>	
Indicate the stage of the project's architectural drawings:	
<input checked="" type="checkbox"/> None or not applicable	<input type="checkbox"/> Preliminary
<input type="checkbox"/> Schematics	<input type="checkbox"/> Final Working
Anticipated project completion date (refer to Part 1130.140): <u>To coincide with the approval of the Certificate of Need for modernization and expansion of this facility filed subsequent to this exemption application.</u>	
Indicate the following with respect to project expenditures or to financial commitments (refer to Part 1130.140):	
<b>THIS ITEM IS NOT APPLICABLE</b>	
<input type="checkbox"/> Purchase orders, leases or contracts pertaining to the project have been executed.	
<input type="checkbox"/> 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	
<input type="checkbox"/> Financial Commitment will occur after permit issuance.	
<b>APPEND DOCUMENTATION AS ATTACHMENT 8 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>	

**State Agency Submittals [Section 1130.620(c)]**


Are the following submittals up to date as applicable:
<input checked="" type="checkbox"/> Cancer Registry
<input checked="" type="checkbox"/> APORS
<input checked="" type="checkbox"/> All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
<input checked="" type="checkbox"/> All reports regarding outstanding permits
<b>Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.</b>


**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.

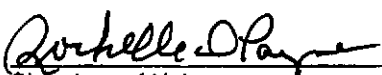
This Application is filed on the behalf of Waukegan Illinois Hospital Company, LLC  
d/b/a Vista Medical Center West \*  
 in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file 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.

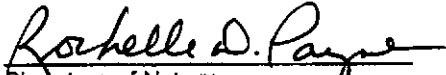
  
 SIGNATURE  
 PRINTED NAME  
**Hal McCard**  
**Sr. VP and Assistant Secretary**  
 PRINTED TITLE

  
 SIGNATURE  
**MARTIN Smith**  
 PRINTED NAME  
**DIRECTOR**  
 PRINTED TITLE

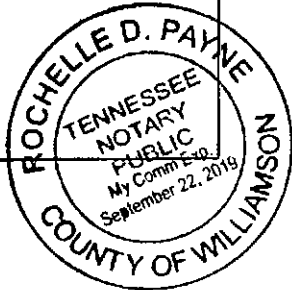
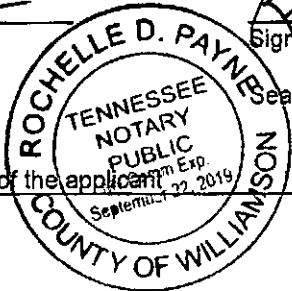
Notarization:  
 Subscribed and sworn to before me  
 this 18th day of August, 2017

Notarization:  
 Subscribed and sworn to before me  
 this 18th day of August, 2017

  
 Signature of Notary

  
 Signature of Notary

Seal



\*Insert the EXACT legal name of the applicant


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- 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 Quorum Health Corporation \*

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  
**Hal McCard**  
**Sr. VP and Assistant Secretary**

PRINTED TITLE

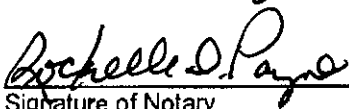
  
 SIGNATURE


PRINTED NAME  
**MARTIN Smith**

PRINTED TITLE  
**DIRECTOR**

Notarization:  
 Subscribed and sworn to before me  
 this 15th day of August 2017

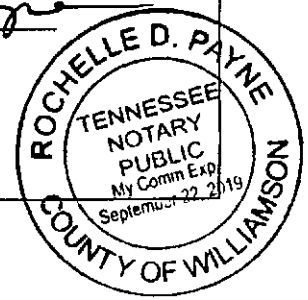
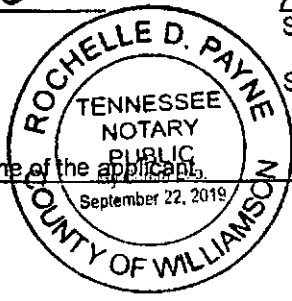
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 Subscribed and sworn to before me  
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 Signature of Notary

  
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Seal

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\*Insert the EXACT legal name of the applicant.

**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 V Covington Realty, 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.

Mat J. Sz  
SIGNATURE

\_\_\_\_\_  
SIGNATURE

Matina Sz  
PRINTED NAME

\_\_\_\_\_  
PRINTED NAME

Executive Vice President  
PRINTED TITLE

\_\_\_\_\_  
PRINTED TITLE

Notarization:  
Subscribed and sworn to before me  
this 22 day of August 2017

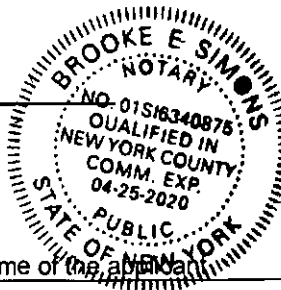
Notarization:  
Subscribed and sworn to before me  
this \_\_\_\_\_ day of \_\_\_\_\_

BE [Signature]  
Signature of Notary

\_\_\_\_\_  
Signature of Notary

Seal

Seal



\*Insert the EXACT legal name of the applicant



**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 V Covington, 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.

*McL Jye*  
 SIGNATURE

\_\_\_\_\_  
 SIGNATURE

Martina Sze  
 PRINTED NAME

\_\_\_\_\_  
 PRINTED NAME

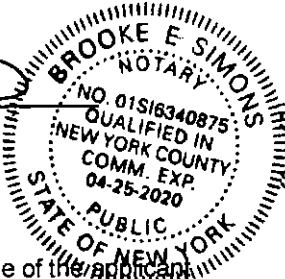
Executive Vice President  
 PRINTED TITLE

\_\_\_\_\_  
 PRINTED TITLE

Notarization:  
 Subscribed and sworn to before me  
 this 22 day of August 2017

Notarization:  
 Subscribed and sworn to before me  
 this \_\_\_\_ day of \_\_\_\_\_

*BE Simon*  
 Signature of Notary



\_\_\_\_\_  
 Signature of Notary

Seal

Seal

\*Insert the EXACT legal name of the applicant

**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 US HealthVest, 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.

Michael J. See  
 SIGNATURE

\_\_\_\_\_  
 SIGNATURE

Martina See  
 PRINTED NAME

\_\_\_\_\_  
 PRINTED NAME

Executive Vice President  
 PRINTED TITLE

\_\_\_\_\_  
 PRINTED TITLE

Notarization:  
 Subscribed and sworn to before me  
 this 22 day of August 2017

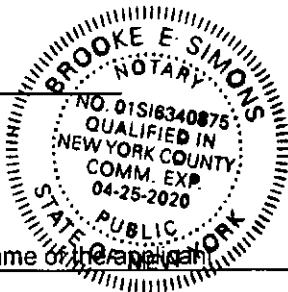
Notarization:  
 Subscribed and sworn to before me  
 this \_\_\_\_ day of \_\_\_\_\_

[Signature]  
 Signature of Notary

\_\_\_\_\_  
 Signature of Notary

Seal

Seal



\*Insert the EXACT legal name of the applicant

### **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)**

#### **PURPOSE OF PROJECT**

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other relevant area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.
4. Cite the sources of the documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to

**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:**

<b>APPLICABLE REVIEW CRITERIA</b>	<b>CHOW</b>
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	X

the proposed changes in ownership to the community	
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**

**THIS ITEM IS NOT APPLICABLE**

*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 VII. 1120.130 - FINANCIAL VIABILITY**

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

**Financial Viability Waiver**

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

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

See Section 1120.130 Financial Waiver for information to be provided

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

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which **audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion.** When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

**Because of compliance the financial viability waiver (item 2 above) this is not applicable.**

	Historical 3 Years			Projected
<b>Enter Historical and/or Projected Years:</b>				
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

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

2. Variance

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

obligations should the applicant default.

**APPEND DOCUMENTATION AS ATTACHMENT 18, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

## **SECTION VIII. 1120.140 - ECONOMIC FEASIBILITY**

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

### **A. Reasonableness of Financing Arrangements**

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

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

### **B. Conditions of Debt Financing – THIS ITEM IS NOT APPLICABLE.**

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

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

### **C. Reasonableness of Project and Related Costs – THIS ITEM IS NOT APPLICABLE.**

Read the criterion and provide the following:

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

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod. Foot	Gross Sq. Ft. New Circ.*		Gross Sq. Ft. Mod. Circ.*		Const. \$ (A x C)	Mod. \$ (B x E)	
Contingency									
<b>TOTALS</b>									

\* Include the percentage (%) of space for circulation

**D. Projected Operating Costs**

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

**E. Total Effect of the Project on Capital Costs**

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

APPEND DOCUMENTATION AS ATTACHMENT 19, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**SECTION IX. SAFETY NET IMPACT STATEMENT (DISCONTINUATION ONLY)**  
**THIS ITEM IS NOT APPLICABLE**

**SAFETY NET IMPACT STATEMENT that describes all of the following must be submitted for ALL SUBSTANTIVE PROJECTS AND PROJECTS TO DISCONTINUE STATE-OWNED HEALTH CARE FACILITIES [20 ILCS 3960/5.4]:**

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

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

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by



**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 41.

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

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:

<b>INDEX OF ATTACHMENTS</b>		
<b>ATTACHMENT NO.</b>		<b>PAGES</b>
1	Applicant Identification including Certificate of Good Standing	27 - 32
2	Site Ownership	33 - 47
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	48 - 51
4	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	52 - 54
5	Flood Plain Requirements	55 - 56
6	Historic Preservation Act Requirements	57
7	Project and Sources of Funds Itemization	
8	Financial Commitment Document if required	
9	Cost Space Requirements	
10	Discontinuation	
11	Background of the Applicant	58 - 62
12	Purpose of the Project	
13	Alternatives to the Project	
	<b>Service Specific:</b>	
14	Neonatal Intensive Care Services	
15	Change of Ownership	63 - 121
	<b>Financial and Economic Feasibility:</b>	
16	Availability of Funds	
17	Financial Waiver	122 - 180
18	Financial Viability	181 - 182
19	Economic Feasibility	
20	Safety Net Impact Statement	
21	Charity Care Information	

**SECTION I – IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION**

Continued i

**Applicant /Co-Applicant Identification**

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

- Corporations and limited liability companies must provide an **Illinois certificate of good standing**.

The Applicants are **Waukegan Illinois Hospital Company, LLC** (current Owner & Operator/Licensee), **Quorum Health Corporation** (entity with final control), **V Covington Realty, LLC** (post-closing Owner), **V Covington, LLC** (post-closing Operator/Licensee), and **US HealthVest, LLC** (post-closing Sole Corporate Member of both ownership and operating entities). Collectively, these entities are the Applicant. The entities' Certificates of Good Standing are appended as **ATTACHMENT-1A**. Upon permit issuance, **Waukegan Illinois Hospital Company, LLC** and **Quorum Health Corporation** will fall off as Applicants to the project.

**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*

WAUKEGAN ILLINOIS HOSPITAL COMPANY, LLC, HAVING ORGANIZED IN THE STATE OF ILLINOIS ON DECEMBER 20, 2005, 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.

***In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 17TH day of AUGUST A.D. 2017 .***



Authentication #: 1722902556 verifiable until 08/17/2018  
Authenticate at: <http://www.cyberdriveillinois.com>

*Jesse White*

SECRETARY OF STATE

ATTACHMENT-1A

# Delaware

Page 1

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "QUORUM HEALTH CORPORATION" IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE SEVENTEENTH DAY OF AUGUST, A.D. 2017.

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

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



5792308 8300

SR# 20175778517

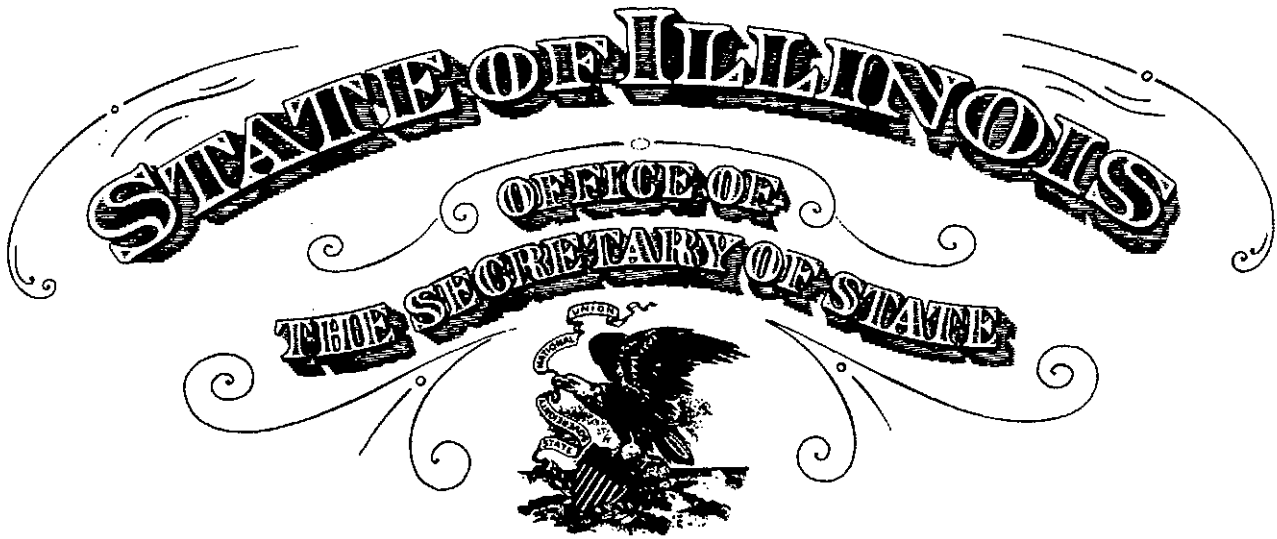
You may verify this certificate online at [corp.delaware.gov/authver.shtml](http://corp.delaware.gov/authver.shtml)

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.

Authentication: 203078404

Date: 08-17-17

ATTACHMENT-1A



**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*

V COVINGTON REALTY, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON JANUARY 12, 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 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 17TH day of AUGUST A.D. 2017 .***



Authentication #: 1722902500 verifiable until 08/17/2018  
Authenticate at: <http://www.cyberdriveillinois.com>

*Jesse White*

SECRETARY OF STATE

ATTACHMENT-1A



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*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*

V COVINGTON, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON JANUARY 12, 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 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 17TH day of AUGUST A.D. 2017 .***

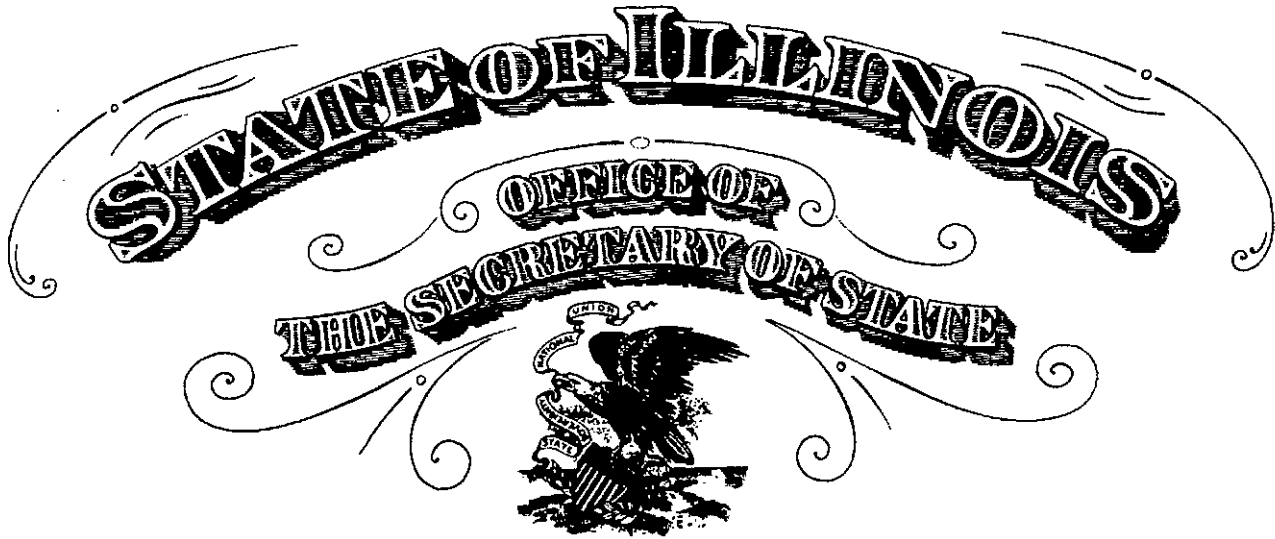


*Jesse White*

SECRETARY OF STATE

ATTACHMENT-1A

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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*

U S HEALTHVEST, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON OCTOBER 06, 2014, 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 17TH day of AUGUST A.D. 2017 .***



Authentication #: 1722902540 verifiable until 08/17/2018  
Authenticate at: <http://www.cyberdriveillinois.com>

*Jesse White*

SECRETARY OF STATE

ATTACHMENT-1A



**SECTION I – IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION**

Continued ii

**Site Ownership**

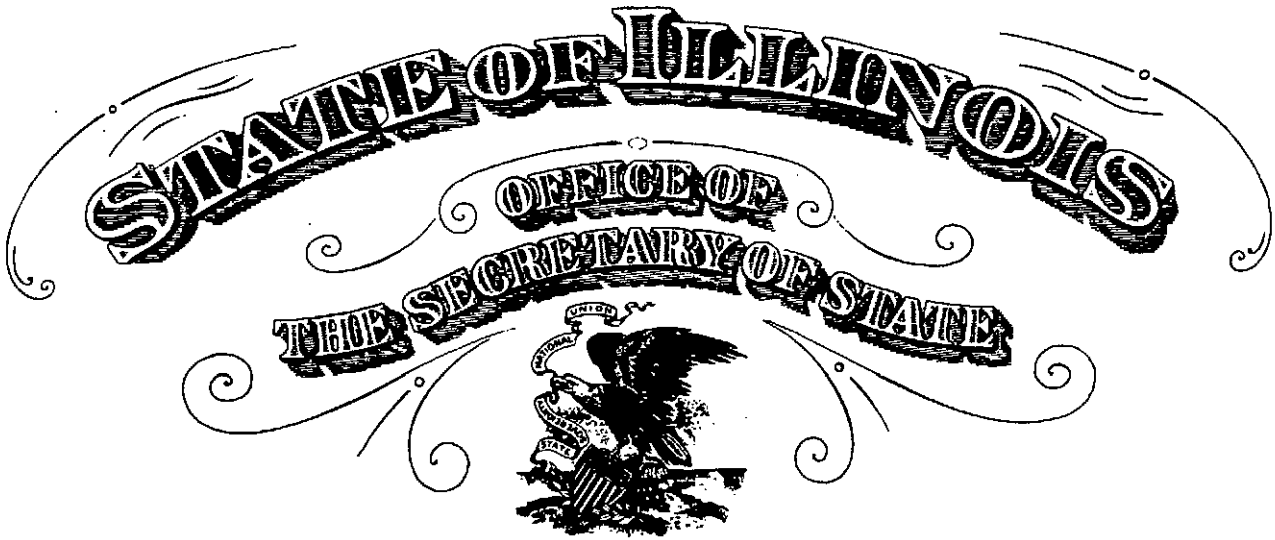
**Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statement, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease or a lease.**

The current ownership entity for Vista Medical Center West, the proposed project, is **Waukegan Illinois Hospital Company, LLC**. The post-closing ownership entity for Vista West Behavioral Hospital is **V Covington Realty, LLC**. The Illinois Certificates of Good Standing for these entities are appended as **ATTACHMENT-2A**.

Through the Asset Purchase Agreement and the approval of this exemption application, control will be transferred to **V Covington Realty, LLC**.

Appended as **ATTACHMENT-2B**, is the legal description for the existing and proposed hospital site. Please note that the site does not change in any way.

**ATTACHMENT-2**



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

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

WAUKEGAN ILLINOIS HOSPITAL COMPANY, LLC, HAVING ORGANIZED IN THE STATE OF ILLINOIS ON DECEMBER 20, 2005, 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.

***In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 17TH day of AUGUST A.D. 2017 .***



Authentication #: 1722902556 verifiable until 08/17/2018  
Authenticate at: <http://www.cyberdriveillinois.com>

*Jesse White*

SECRETARY OF STATE

ATTACHMENT-2A



**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*

V COVINGTON REALTY, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON JANUARY 12, 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 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 17TH day of AUGUST A.D. 2017 .***



Authentication #: 1722902500 verifiable until 08/17/2018  
Authenticate at: <http://www.cyberdriveillinois.com>

*Jesse White*

SECRETARY OF STATE

ATTACHMENT-2A

This instrument prepared by:  
Kris E. Curran, Esq.  
Ungaretti & Harris LLP  
3500 Three First National Plaza  
Chicago, Illinois 60602

When recorded return to:  
David C. Dillender, Esq.  
Boult Cummings Conners & Berry PLC  
1600 Division Street, Suite 700  
Nashville, Tennessee 37203

**SPECIAL WARRANTY DEED**

This SPECIAL WARRANTY DEED is made as of the 27<sup>th</sup> day of June, 2006, by VISTA HEALTH (f/k/a Victory/St. Therese Enterprises, Inc.), a not-for-profit corporation, created and existing under and by virtue of the laws of the State of Illinois and duly authorized to transact business in the State of Illinois ("Grantor"), whose address is 1324 North Sheridan Road, Waukegan, Illinois 60085, to WAUKEGAN ILLINOIS HOSPITAL COMPANY, LLC, an Illinois limited liability company ("Grantee"), whose address is c/o Community Health Systems, 7100 Commerce Way, Suite 100, Brentwood, Tennessee 37027.

**WITNESSETH:**

That Grantor, in consideration of Ten Dollars (\$10.00) in hand paid by Grantee, for other valuable consideration, receipt of which is hereby acknowledged, DOES HEREBY CONVEY, GRANT, BARGAIN AND SELL UNTO GRANTEE, its successors and assigns, FOREVER, the real property situated in the County of Lake, State of Illinois, legally described on Exhibit A attached hereto and incorporated herein by this reference, together with all buildings, structures, fixtures and other improvements located thereon, and all and singular the hereditaments and appurtenances thereunto belonging, or in anywise appertaining, and the reversion or reversions, remainder or remainders, rents, issues and profits thereof, and all the estate, right, title, interest, claim or demand whatsoever, of the Grantor, either in law or equity of, in and to the above described premises, with the hereditaments and appurtenances:

TO HAVE AND TO HOLD the said premises as above described, with the appurtenances, unto the Grantee, its successors and assigns, forever.

And the Grantor, for itself and its successors, does covenant, promise and agree to and with the Grantee and its successors and assigns, that Grantor has not done or suffered to be done, anything whereby the said premises hereby granted are, or may be, in any manner encumbered or charged except as herein recited; and that Grantor will WARRANT AND DEFEND, the said premises against all persons claiming, or to claim the same, by, through or under Grantor, subject only to the permitted encumbrances set forth on Exhibit B attached hereto and incorporated herein by this reference.

IN WITNESS WHEREOF, Grantor has executed this Special Warranty Deed as of the day and year first above written.

VISTA HEALTH,  
an Illinois not-for-profit corporation

By: Barbara J. Martin  
Barbara J. Martin, President and  
Chief Operating Officer

**THIS TRANSACTION IS EXEMPT FROM TRANSFER TAX UNDER THE PROVISIONS OF SECTION 45 (b) OF THE ILLINOIS REAL ESTATE TRANSFER TAX LAW (35 ILCS 200/31-45(B)).**

Dated this 21<sup>st</sup> day of June, 2006

Barbara J. Martin  
Transferor or representative

**ACKNOWLEDGEMENT**

STATE OF ILLINOIS     )  
  ) SS.  
COUNTY OF COOK )

I, VICTORIA MCELROY, a Notary Public in and for the said County, in the State aforesaid, DO HEREBY CERTIFY that Barbara J. Martin, President and Chief Operating Officer of VISTA HEALTH, an Illinois not-for-profit corporation, personally known to me to be the same person whose name is subscribed to the foregoing instrument, as such officer, appeared before me this day in person, and acknowledged that she signed and delivered such instrument as her free and voluntary acts and as the free and voluntary act of said corporation, and for the uses and purposes therein set forth.

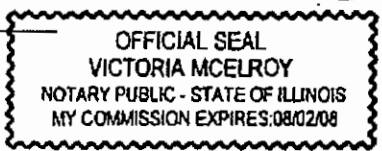
GIVEN under my hand and official seal, this 27<sup>th</sup> day of JUNE, 2006.

{Seal}

Victoria McElroy  
Notary Public

My Commission expires \_\_\_\_\_

Vista Health Deed  
749001



ATTACHMENT-2B

**EXHIBIT A**  
**LEGAL DESCRIPTION**

**THE PROPERTY CONVEYED HEREBY CONSISTS OF THREE (3) TRACTS;**  
**THE LEGAL DESCRIPTIONS, COMMON ADDRESSES AND PIN NUMBERS FOR**  
**THE THREE (3) TRACTS ARE SET FORTH ON THE THREE (3) FOLLOWING**  
**PAGES: THE LEGAL DESCRIPTIONS FOR TRACTS 1, 2 AND 3 CONSIST OF ONE (1)**  
**PAGE EACH**

11 : 282

**EXHIBIT A**  
**LEGAL DESCRIPTION**

**TRACT I: St. Therese Hospital Campus**

**PARCEL 1:**

THAT PART OF THE SOUTH EAST 1/4 OF THE SOUTH EAST 1/4 OF SECTION 19, TOWNSHIP 45 NORTH, RANGE 12, EAST OF THE THIRD PRINCIPAL MERIDIAN, LYING SOUTH OF THE HIGHWAY (COMMONLY CALLED WASHINGTON STREET) AND EAST OF THE EAST LINE OF PRAIRIE AVENUE AS SHOWN ON THE PLAT OF USSATT'S SUBDIVISION RECORDED AS DOCUMENT 325908, IN BOOK "T" OF PLATS, PAGE 29, IN LAKE COUNTY, ILLINOIS.

**PARCEL 2:**

THAT PART OF THE SOUTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 20, TOWNSHIP 45 NORTH, RANGE 12, EAST OF THE THIRD PRINCIPAL MERIDIAN, BOUNDED AND DESCRIBED AS FOLLOWS, TO-WIT: COMMENCING AT THE NORTHWEST CORNER OF THE SOUTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SAID SECTION 20; THENCE SOUTH ALONG THE WEST LINE OF SAID SECTION, 80 RODS, MORE OR LESS, TO THE SOUTHWEST CORNER OF SAID SECTION; THENCE EAST ALONG THE SOUTH LINE OF SAID SECTION 20, 8 RODS; THENCE NORTH PARALLEL WITH THE WEST LINE OF SECTION 20, 80 RODS, MORE OR LESS, TO THE NORTH LINE OF SAID QUARTER QUARTER SECTION; THENCE WEST 8 RODS TO THE POINT OF BEGINNING, IN LAKE COUNTY, ILLINOIS.

**PARCEL 3:**

LOT 8 IN WOLANSER'S SUBDIVISION OF THE EAST 10 RODS OF THE WEST 18 RODS OF THE SOUTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 20, TOWNSHIP 45 NORTH, RANGE 12, EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO THE PLAT THEREOF RECORDED APRIL 29, 1926 AS DOCUMENT 277899, IN BOOK "P" OF PLATS, PAGE 29, IN LAKE COUNTY ILLINOIS.

118

Permanent Index Number: 08-19-400-039; 08-20-300-007; 08-20-309-010; 08-19-400-040  
Commonly known as: 2615 and 2645 West Washington Street, Waukegan, Illinois

**EXHIBIT A**  
**LEGAL DESCRIPTION**

**TRACT 2: MRI Institute Parcel.**

LOT 5 IN SULLIVANS SUBDIVISION BEING A SUBDIVISION OF PARTS OF THE SOUTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 45 NORTH, RANGE 11, EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO THE PLAT THEREOF RECORDED SEPTEMBER 21, 1979, AS DOCUMENT 2023106 IN BOOK 72 OF PLATS, PAGE 21, IN LAKE COUNTY, ILLINOIS

Permanent Index Number: 07-24-305-005-0000

Commonly known as: 60 South Greenleaf, Waukegan, Illinois

Vista Health Deed

Tract 2  
Page 1 of 1

ATTACHMENT-2B



**EXHIBIT A**  
**LEGAL DESCRIPTION**

**TRACT 3: Vacant Parcel**

BEGINNING AT THE SOUTHEAST CORNER OF THE RESUBDIVISION OF LOT "A" IN GRANWOOD PARK UNIT NO. 1, BEING A RESUBDIVISION OF PART OF THE SOUTH EAST 1/4 OF SECTION 7, TOWNSHIP 45 NORTH, RANGE 11, EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO THE PLAT THEREOF RECORDED JULY 14, 1970 AS DOCUMENT 1465828, IN BOOK 48 OF PLATS, PAGE 17, THENCE NORTHERLY ALONG THE EAST LINE OF SAID RESUBDIVISION OF LOT "A", SAID LINE BEING THE EAST LINE OF THE WEST 1/2 OF THE SOUTH EAST 1/4 OF SAID SECTION 7, A DISTANCE OF 429.75 FEET RECORD (MEASURED 429.64 FEET BEARING NORTH 00 DEGREES 15 MINUTES 09 SECONDS WEST) TO THE SOUTHEAST CORNER OF WOODLAND TERRACE RIGHT OF WAY AS SHOWN ON THE PLAT OF SUBDIVISION OF GRANDWOOD PARK UNIT NO. 1, RECORDED AS DOCUMENT 1058518, ON JANUARY 1, 1960, IN BOOK 35 OF PLATS, PAGE 7; THENCE EASTERLY ALONG THE SOUTH RIGHT OF WAY LINE OF WOODLAND TERRACE AS DEDICATED AND SHOWN IN THE BLAZEVIK SUBDIVISION, AS RECORDED ON NOVEMBER 21, 1986 AS DOCUMENT 2507792, A DISTANCE OF 233.00 FEET BEARING NORTH 89 DEGREES 44 MINUTES 34 SECONDS EAST; THENCE SOUTHERLY ALONG A LINE, 233.00 FEET DISTANT FROM AND PARALLEL TO THE EAST LINE OF THE WEST 1/2 OF THE SOUTH EAST 1/4 OF SAID SECTION 7, A DISTANCE OF 417.40 FEET BEARING SOUTH 00 DEGREES 15 MINUTES 09 SECONDS EAST TO A POINT ON THE NORTH RIGHT OF WAY LINE OF GRAND AVENUE (F. A. S. ROUTE 3), ACCORDING TO THE PLAT OF SURVEY RECORDED ON FEBRUARY 24, 1969 AS DOCUMENT 1411767; THENCE WESTERLY ALONG THE NORTH RIGHT OF WAY LINE OF GRAND AVENUE (F. A. S. ROUTE 3), SAID NORTH RIGHT OF WAY LINE BEING ALONG A CURVE TO THE SOUTH HAVING A RADIUS OF 16,455.22 FEET AND A DELTA ANGLE OF 1 DEGREE 36 MINUTES 29 SECONDS, A DISTANCE OF 171.56 FEET (CHORD DISTANCE 171.56 FEET BEARING SOUTH 86 DEGREES 45 MINUTES 19 SECONDS WEST) TO A POINT OF TANGENCY; THENCE CONTINUING WESTERLY ALONG SAID NORTH RIGHT OF WAY LINE, A DISTANCE OF 61.78 FEET RECORD (MEASURED 61.76 FEET BEARING SOUTH 86 DEGREES 40 MINUTES 54 SECONDS WEST) TO THE POINT OF BEGINNING, ALL IN LAKE COUNTY, ILLINOIS.

Permanent Index Number: 07-07-400-010-0000

Commonly known as: 18824 W. Grand, Gurnee, Illinois

Vista Health Decd

Tract 3  
Page 1 of 1

ATTACHMENT-2B

**EXHIBIT B**

**PERMITTED ENCUMBRANCES**

**THE PERMITTED ENCUMBRANCES ARE SET FORTH BY TRACT ON THE FOLLOWING FOUR (4) PAGES; THE PERMITTED ENCUMBRANCES APPLICABLE TO TRACT 1 CONSISTS OF TWO (2) PAGES; THE PERMITTED ENCUMBRANCES FOR EACH OF TRACTS 2 AND 3 CONSIST OF ONE (1) PAGE.**

PERMITTED ENCUMBRANCES APPLICABLE TO TRACT 1

1. TAXES FOR THE YEAR 2006 AND SUBSEQUENT YEARS.

2. RIGHT OF THE CITY OF WAUKEGAN TO CONSTRUCT, OPERATE AND MAINTAIN A STORM SEWER OVER, ALONG AND UNDER A 10 FEET STRIP OF LAND, THE CENTER LINE OF WHICH IS DESCRIBED AS FOLLOWS: COMMENCING 24 FEET SOUTH OF THE NORTH LINE OF CATALPA AVENUE AND 140 FEET WEST OF THE WEST LINE OF KELLER AVENUE; THENCE NORTH 70 DEGREES WEST TO A PART IN THE WEST LINE OF THE SOUTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 20, AS GRANTED BY INSTRUMENT DATED MARCH 27, 1928 AND RECORDED SEPTEMBER 24, 1929 AS DOCUMENT 343748.  
(AFFECTS PARCEL 2)

AS SHOWN ON THAT CERTAIN SURVEY PREPARED BY WEBSTER, MCGRATH & AHLBERG, LTD., JOB NUMBER 41529, DATED APRIL 10, 2006 AND LAST REVISED ON JUNE 29, 2006.

3. EASEMENT IN FAVOR OF THE NORTH SHORE GAS COMPANY TO CONSTRUCT, MAINTAIN, ETC., A PIPELINE OR PIPELINES AND APPURTENANT EQUIPMENT OVER, THROUGH, UNDER, ALONG, AND ACROSS THE NORTH 10 FEET OF THE WEST 70 FEET OF THE EAST 102 FEET OF PARCEL 2, TOGETHER WITH THE RIGHT TO USE ADJOINING LAND WHEN REASONABLY REQUIRED TO PERFORM SAID FUNCTIONS, AS GRANTED BY INSTRUMENT DATED AUGUST 6, 1979 AND RECORDED AUGUST 14, 1979 AS DOCUMENT 2014014 AND SHOWN ON EXHIBIT "A" ATTACHED THERETO.

(AFFECTS PARCEL 2)

AS SHOWN ON THAT CERTAIN SURVEY PREPARED BY WEBSTER, MCGRATH & AHLBERG, LTD., JOB NUMBER 41529, DATED APRIL 10, 2006 AND LAST REVISED ON JUNE 29, 2006.

4. RIGHT OF THE COMMONWEALTH EDISON COMPANY, ITS SUCCESSORS AND ASSIGNS, TO CONSTRUCT, LAY, MAINTAIN, ETC., UNDERGROUND CONDUITS, CABLES, ETC., WITH RIGHT OF ACCESS THERETO FOR THE MAINTENANCE THEREOF, IN, UPON, UNDER AND ALONG A PORTION OF THE NORTHERLY 20 FEET OF THE LAND AS GRANTED BY INSTRUMENT DATED MAY 30, 1980 AND RECORDED JULY 7, 1980 AS DOCUMENT 2067138 AS SHOWN AND DESCRIBED ON EXHIBIT "A" ATTACHED TO SAID INSTRUMENT.  
(AFFECTS PARCELS 1 AND 2)

AS SHOWN ON THAT CERTAIN SURVEY PREPARED BY WEBSTER, MCGRATH & AHLBERG, LTD., JOB NUMBER 41529, DATED APRIL 10, 2006 AND LAST REVISED ON JUNE 29, 2006.

Tract 1 Permitted Encumbrances

Vista Health Deed

ATTACHMENT-2B

5. RIGHT OF THE COMMONWEALTH EDISON COMPANY, ITS SUCCESSORS AND ASSIGNS, TO CONSTRUCT, LAY, MAINTAIN, ETC., UNDERGROUND CONDUITS, CABLES, ETC., WITH RIGHT OF ACCESS THERETO FOR THE MAINTENANCE THEREOF, IN, UPON, UNDER AND ALONG THAT PART OF THE LAND AS SHOWN ON EXHIBIT "A" ATTACHED THERETO AS GRANTED BY INSTRUMENT DATED SEPTEMBER 8, 1980 AND RECORDED OCTOBER 2, 1980 AS DOCUMENT 2081415.  
(AFFECTS PARCELS 1 AND 2)

AS SHOWN ON THAT CERTAIN SURVEY PREPARED BY WEBSTER, MCGRATH & AHLBERG, LTD., JOB NUMBER 41529, DATED APRIL 10, 2006 AND LAST REVISED ON JUNE 29, 2006.

6. RIGHTS OF THE CITY OF WAUKEGAN IN AND TO THE SOUTH 30 FEET OF THE LAND DEDICATED FOR STREET PURPOSES BY INSTRUMENT DATED FEBRUARY 2, 1956 AND RECORDED APRIL 3, 1956 AS DOCUMENT 903026.  
(AFFECTS THAT PART OF PARCELS 1 AND 2 FALLING WITHIN DEDICATED MELROSE STREET)

AS SHOWN ON THAT CERTAIN SURVEY PREPARED BY WEBSTER, MCGRATH & AHLBERG, LTD., JOB NUMBER 41529, DATED APRIL 10, 2006 AND LAST REVISED ON JUNE 29, 2006.

PERMITTED ENCUMBRANCES APPLICABLE TO TRACT 2

1. TAXES FOR THE YEAR 2006 AND SUBSEQUENT YEARS.

2. NOTATION CONTAINED ON THE PLAT OF SAID SUBDIVISION AS FOLLOWS:

3. EASEMENT FOR UTILITIES OVER THE SOUTH 10 FEET, THE WEST 5 FEET AND 5 FEET OVER THE NORTHWEST CORNER OF LOT 5 AS SHOWN ON PLAT OF SAID SUBDIVISION.

AS SHOWN ON PLAT OF SURVEY PREPARED BY WEBSTER, MCGRATH & AHLBERG, LTD. JOB NO. 41530 AND DATED APRIL 7, 2006 AND LAST REVISED JUNE 26, 2006.

4. EASEMENT FOR SANITARY SEWER, WATER AND UTILITIES TO THE VILLAGE OF GURNEE OVER THE NORTH 25 FEET OF LOT 5 AS SHOWN ON PLAT OF SAID SUBDIVISION.

AS SHOWN ON PLAT OF SURVEY PREPARED BY WEBSTER, MCGRATH & AHLBERG, LTD. JOB NO. 41530 AND DATED APRIL 7, 2006 AND LAST REVISED JUNE 26, 2006.

5. TERMS AND PROVISIONS CONTAINED IN PRE ANNEXATION AGREEMENT RECORDED MARCH 27, 1987 AS DOCUMENT NUMBER 2549373 AND ANNEXATION AGREEMENT RECORDED AS DOCUMENT NUMBER 2555129.

TERMS AND PROVISIONS CONTAINED IN ORDINANCE RECORDED AUGUST 8, 1989 AS DOCUMENT NUMBER 2818529 REGARDING WATER MAIN AND SANITARY SEWER.

6. DRIVEWAY AGREEMENT MADE BY AND BETWEEN CHICAGO TITLE AND TRUST COMPANY, AS TRUSTEE UNDER TRUST AGREEMENT DATED DECEMBER 12, 1986 AND KNOWN AS TRUST NUMBER 1089302 AND VICTORY MEMORIAL HOSPITAL ASSOCIATION AND THE FRANCISCAN SISTERS HEALTHCARE CORPORATION, AS ESTABLISHED BY AGREEMENT RECORDED/FILED OCTOBER 23, 1991, AS DOCUMENT NO. 3076341; AND THE PROVISIONS CONTAINED THEREIN, AFFECTING LOTS 4 AND 5.

AS SHOWN ON PLAT OF SURVEY PREPARED BY WEBSTER, MCGRATH & AHLBERG, LTD. JOB NO. 41530 AND DATED APRIL 7, 2006 AND LAST REVISED JUNE 26, 2006.

7. EASEMENT OVER THE LAND FOR THE PURPOSE OF INSTALLING AND MAINTAINING ALL EQUIPMENT NECESSARY TO SERVE THE SUBDIVISION AND OTHER LAND WITH TELEPHONE AND ELECTRICAL SERVICE, TOGETHER WITH THE RIGHT TO OVERHAND ARIEL SERVICE WIRES AND THE RIGHT OF ACCESS TO SUCH WIRES, AS CREATED BY GRANT TO ILLINOIS BELL TELEPHONE COMPANY AND THE COMMONWEALTH EDISON COMPANY AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS AND AS SHOWN ON THE PLAT OF SUBDIVISION RECORDED SEPTEMBER 21, 1979 AS DOCUMENT 2023106, AS SHOWN ON PLAT OF SURVEY PREPARED BY WEBSTER, MCGRATH & AHLBERG, LTD. JOB NO. 41530 AND DATED 7, 2006 AND LAST REVISED JUNE 26, 2006.

**PERMITTED ENCUMBRANCES APPLICABLE TO TRACT 3**

1. TAXES FOR THE YEAR 2006 AND SUBSEQUENT YEARS.
2. GRANT BY THE BOARD OF SUPERVISORS OF LAKE COUNTY, ILLINOIS, TO THE POSTAL TELEGRAPH COMPANY, ITS SUCCESSORS AND ASSIGNS, OF THE RIGHT, PERMISSION AND AUTHORITY TO CONSTRUCT AND MAINTAIN A LINE OF TELEGRAPH ON AND ALONG THE HWYS OF WARREN AND OTHER TOWNS, DATED MARCH 14, 1887 AND RECORDED DECEMBER 3, 1901 IN BOOK "B" OF INCORPORATIONS, PAGE 233, AS DOCUMENT 84029.



Plat Act Affidavit

18 N County St - 2<sup>nd</sup> Floor  
Waukegan, IL 60085-4358  
Phone: (847) 377-2575  
FAX: (847) 625-7200

STATE OF ILLINOIS  
COUNTY OF LAKE

} SS

DOCUMENT NUMBER \_\_\_\_\_

I, (name) Barbara J. Martin, President of VISTA HEALTH, being duly sworn on oath, state that I reside at 1324 N. Sheridan Road, Waukegan, Illinois 60085, and that the attached deed is not in violation of the Plat Act, Ch. 765 ILCS 205/1.1(b), as the provisions of this Act do not apply and no plat is required due to the following allowed exception (Circle the number applicable to the attached deed):

1. The division or subdivision of land into parcels or tracts of 5 acres or more in size which does not involve any new streets or easements of access;
2. The division of lots or blocks of less than 1 acre in any recorded subdivision which does not involve any new streets or easements of access;
3. The sale or exchange of parcels of land between owners of adjoining and contiguous land;
4. The conveyance of parcels of land or interests therein for use as a right of way for railroads or other public utility facilities and other pipe lines which does not involve any new streets or easements of access;
5. The conveyance of land owned by a railroad or other public utility which does not involve any new streets or easements of access;
6. The conveyance of land for highway or other public purposes or grants or conveyances relating to the dedication of land for public use or instruments relating to the vacation of land impressed with a public use;
7. Conveyances made to correct descriptions in prior conveyances;
8. The sale or exchange of parcels or tracts of land following the division into no more than 2 parts of a particular parcel or tract of land existing on July 17, 1959, and not involving any new streets or easements of access;
9. The sale of a single lot of less than 5 acres from a larger tract when a survey is made by an Illinois Registered Land Surveyor; provided, that this exemption shall not apply to the sale of any subsequent lots from the same larger tract of land, as determined by the dimensions and configuration of the larger tract on October 1, 1973, and provided also that this exemption does not invalidate any local requirements applicable to the subdivision of land;
10. The conveyance of land does not involve any land division and is described in the same manner as title was taken by grantor(s).

AFFIANT further states that this affidavit is made for the purpose of inducing the RECORDER OF LAKE COUNTY, ILLINOIS to accept the attached deed for recording. (This affidavit is not applicable to Facsimile Assignment of Beneficial Interest.)

VISTA HEALTH,  
an Illinois not for profit corporation

By: Barbara J. Martin  
(Signature)

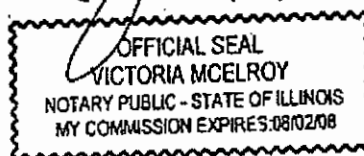
Barbara J. Martin, President  
Revised: June 13, 2001 10:15 AM

SUBSCRIBED and SWORN to before me this 27<sup>th</sup> day

of JUNE, 2006

Notary: Victoria Mcelroy

(seal)



ATTACHMENT-2B

**SECTION I – IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION**  
Continued iii

**Operating Identity/Licensee**

- 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.

The current Operator/Licensee of the proposed project is **Waukegan Illinois Hospital Company, LLC**. The post-closing Operator/Licensee entity is **V Covington, LLC**. The Illinois Certificates of Good Standing for these entities are appended as **ATTACHMENT-3A**.

Currently, the only entity with any interest in the licensee is **Waukegan Illinois Hospital Company, LLC**. Subsequent to the approval and closing, the only entity with 5 percent or greater interest in the proposed Licensee is the entity's Sole Corporate Member, **US HealthVest, LLC**. Its Certificate of Good Standing is also appended in **ATTACHMENT-3B**.

**ATTACHMENT-3**





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

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

WAUKEGAN ILLINOIS HOSPITAL COMPANY, LLC, HAVING ORGANIZED IN THE STATE OF ILLINOIS ON DECEMBER 20, 2005, 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.

***In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 17TH day of AUGUST A.D. 2017 .***



Authentication #: 1722902556 verifiable until 08/17/2018  
Authenticate at: <http://www.cyberdriveillinois.com>

*Jesse White*

SECRETARY OF STATE

ATTACHMENT-3A



**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*

V COVINGTON, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON JANUARY 12, 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 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 17TH day of AUGUST A.D. 2017 .***



Authentication #: 1722902524 verifiable until 08/17/2018  
Authenticate at: <http://www.cyberdriveillinois.com>

*Jesse White*

SECRETARY OF STATE

ATTACHMENT-3A



**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*

U S HEALTHVEST, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON OCTOBER 06, 2014, 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 17TH day of AUGUST A.D. 2017 .***



Authentication #: 1722902540 verifiable until 08/17/2018  
Authenticate at: <http://www.cyberdriveillinois.com>

*Jesse White*

SECRETARY OF STATE

ATTACHMENT-3B

**SECTION I – IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION**

Continued iv

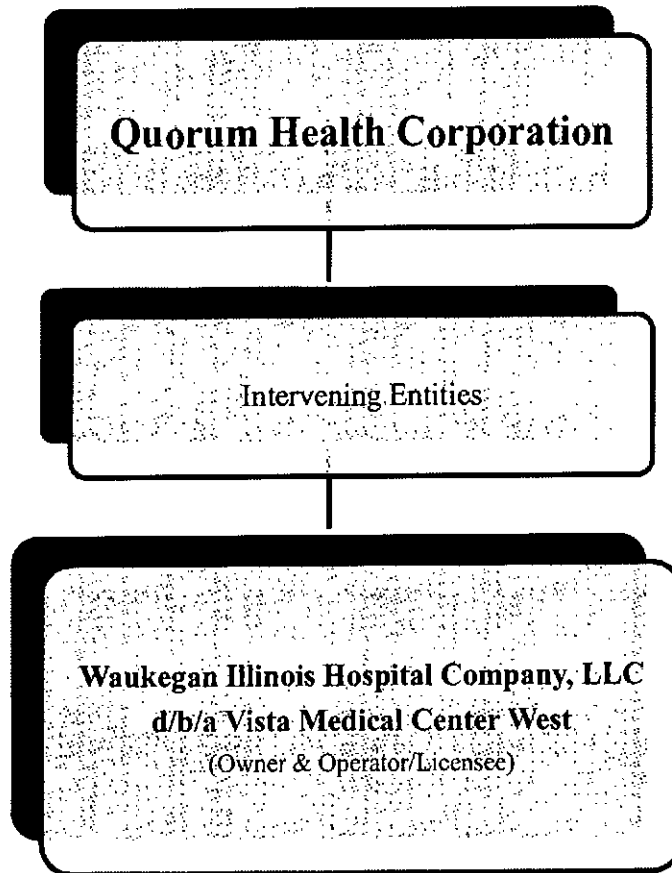
**Organizational Relationships**

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

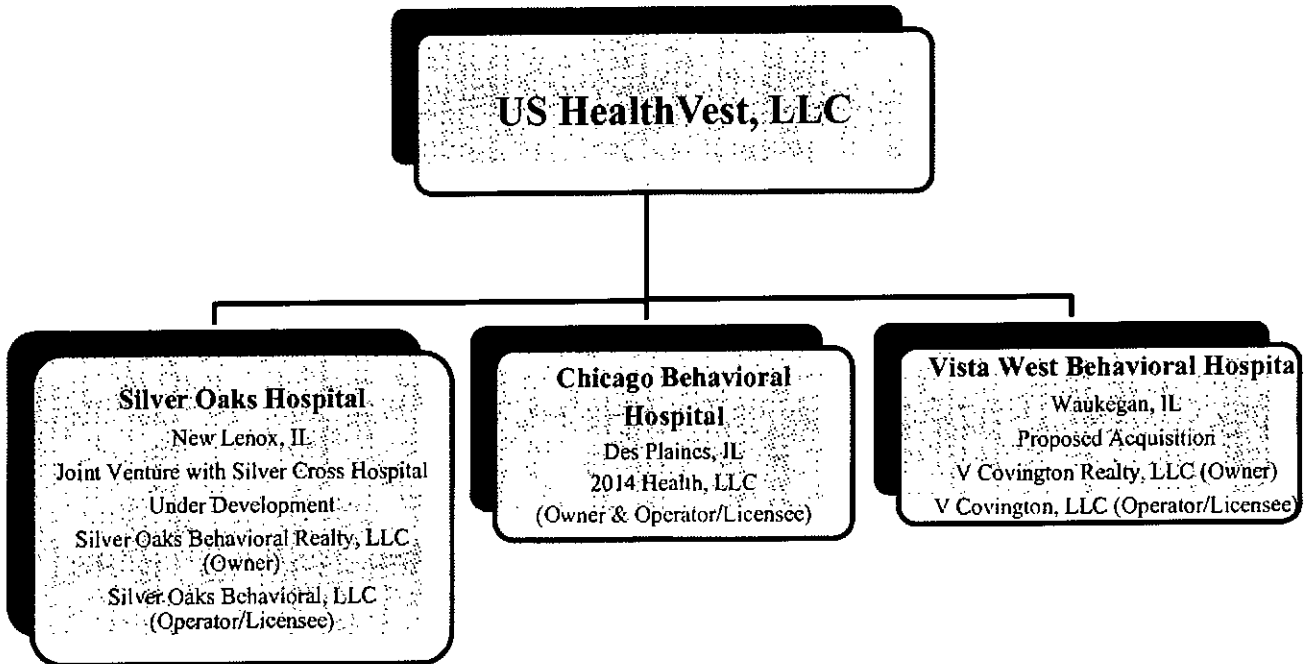
Appended as **ATTACHMENT-4A**, are the organizational charts, current and post-closing, for Vista Medical Center West.

**ATTACHMENT-4**

Vista Medical Center West  
Current Organizational Chart



Vista Medical Center West  
Post-Closing Organizational Chart



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

Continued v

### Flood Plain Requirements

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

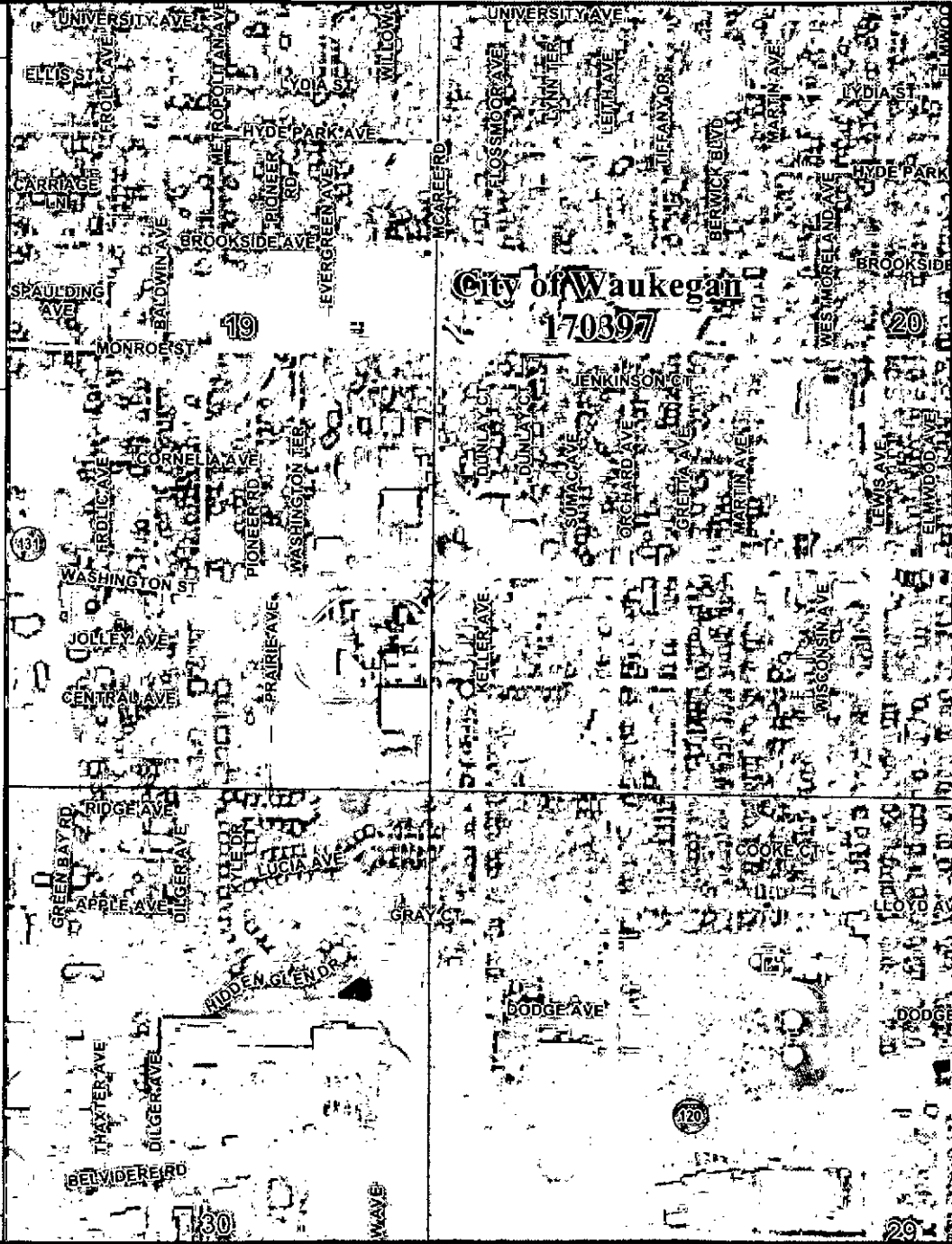
Appended as ATTACHMENT-5A is a FIRM Map printed from [www.FEMA.gov](http://www.FEMA.gov) illustrating that the site is not within a special flood hazard area.

ATTACHMENT-5

2075000 FT

JOINS PANEL 0157

2070000 FT



6620.



MAP SCALE 1" = 1000'



NATIONAL FLOOD INSURANCE PROGRAM

PANEL 0180K

**FIRM**  
**FLOOD INSURANCE RATE MAP**  
**LAKE COUNTY,**  
**ILLINOIS**  
**AND INCORPORATED AREAS**

**PANEL 180 OF 295**  
 (SEE MAP INDEX FOR FIRM PANEL LAYOUT)

CONTAINS:

COMMUNITY	NUMBER	PANEL	SUFFIX
LAKE COUNTY	170367	0180	K
NORTH CHICAGO, CITY OF	170384	0180	K
WAUKEGAN, CITY OF	170397	0180	K

Notice to User: The Map Number shown below should be used when placing map orders; the Community Number shown above should be used on insurance applications for the subject community.



**MAP NUMBER**  
**17097C0180K**  
**MAP REVISED**  
**SEPTEMBER 18, 2013**

Federal Emergency Management Agency

This is an official copy of a portion of the above referenced flood map. It was extracted using F-MIT On-Line. This map does not reflect changes or amendments which may have been made subsequent to the date on the title block. For the latest product information about National Flood Insurance Program flood maps check the FEMA Flood Map Store at [www.msc.fema.gov](http://www.msc.fema.gov)



## **SECTION I – IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION**

Continued vi

### **Historic Resources Preservation Act Requirements**

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

This project does not involve demolition of any structures; this project does not involve the construction of new buildings; this project does not involve modernization of existing buildings. Therefore, this item is not applicable.

**ATTACHMENT-6**

**SECTION III – BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES** *Continued*

**BACKGROUND OF THE APPLICANT**

The applicant shall provide:

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

The Owner and Operating entities, respectively **V Covington Realty, LLC** and **V Covington, LLC**, do not own or operate any licensed health care facilities. The Co-Applicant, **US HealthVest, LLC**, has within its organization 1 other freestanding Acute/Chronic Mental Illness facility in the state of Illinois, Chicago Behavioral Hospital. A copy of this related facility license and certifications as applicable are appended under **ATTACHMENT-11A**.

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.

The required documentation with regards to adverse action, as required under 1125.520, c) 2, is appended as **ATTACHMENT-11B**. It should be noted that the ownership and operating entities of the proposed Vista West Behavioral Hospital do not have any adverse action taken against them.

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.

The above requested authorization for the Health Facilities and Services Review Board and the Department of Public Health access to information is appended as **ATTACHMENT-11C**.

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

**ATTACHMENT-11**

**SECTION III – BACKGROUND, PURPOSE OF THE PROJECT, AND  
ALTERNATIVES** *Continued ii*

the information has been previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

This item is not germane.

ATTACHMENT-11



**Illinois Department of  
PUBLIC HEALTH**

HF 111780

**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
11/2/2017	Psychiatric Hospital	0005934
Effective: 11/03/2016		

**Chicago Behavioral Hospital**  
555 Wilson Lane  
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

← DISPLAY THIS PART IN A  
CONSPICUOUS PLACE

Exp. Date 11/2/2017

Lic Number 0005934

Date Printed 9/22/2016

Chicago Behavioral Hospital

555 Wilson Lane  
Des Plaines, IL 60016

FEE RECEIPT NO.

60

ATTACHMENT-11A

# US HealthVest

August 22, 2017

Ms. Courtney Avery  
Administrator  
Health Facilities and Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Dear Ms. Avery:

Please be advised that no adverse action as defined under 1130.140 has been taken against the Applicant or against any health care facility owned or operated by the Applicant, directly or indirectly, within three years preceding the filing of the Certificate of Need Application.


Sincerely,



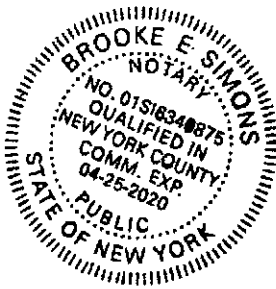
Martina Sze  
Executive Vice President  
US HealthVest

Notarization:

Subscribed and sworn to before me  
this 22 day of August 2017

  
Signature of Notary

Seal



32 East 57th Street  
17th Floor  
New York, New York 10022  
T 212.243.5565 · F 212.243.1099  
www.ushealthvest.com

ATTACHMENT-11B

# US HealthVest

August 22, 2017

Ms. Courtney Avery  
Administrator  
Health Facilities and Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

Dear Ms. Avery:

I hereby authorize the Health Facilities Planning Board and the Illinois Department of Public Health (IDPH) access to any documents necessary to verify the information submitted, including, but not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. I further authorize the Illinois Department of Public Health to obtain any additional documentation or information that said agency deems necessary for the review of this Application as it pertains to Background of Applicant.

Sincerely,



Martina Sze  
Executive Vice President  
US HealthVest

**SECTION V – 1130.520 – CHANGE OF OWNERSHIP (CHOW) Continued i**

**APPLICABLE REVIEW CRITERIA - CHOW**

1130.520(b)(1)(A) - Names of the parties

Please refer to **ATTACHMENT-1A** which identifies the parties of this Certificate of Exemption Permit Application. It should be noted that upon permit issuance, the Owner will be **V Covington Realty, LLC**, the Operator/Licensee will be **V Covington, LLC**, and **US HealthVest, LLC** as the Sole Corporate Member of both ownership and operating entities.

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.

**US HealthVest, LLC** has proven that it is fit, willing, and has the qualifications, background and character to adequately provide a proper standard of health service for the community in three separate CON/COE applications, E-016-14, 16-011, and most recently in 17-009. Refer to **ATTACHMENT-11B** for the additional statement that no related entity has received any adverse action.

1130.520(b)(1)(C) - Structure of the transaction

The transaction is structured as an asset purchase.

1130.520(b)(1)(D) - Name of the person who will be licensed or certified entity after the transaction

Please refer to **ATTACHMENT-3A** for the post-closing Operator/Licensee. It should be noted that upon permit issuance, **V Covington, LLC** will be the Operator/Licensee.

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.

**ATTACHMENT-15**

**SECTION V – 1130.520 – CHANGE OF OWNERSHIP (CHOW) Continued ii**

Please refer to **ATTACHMENT-4A** for the organizational charts for the current and post-closing entities for this project.

1130.520(b)(1)(F) - Fair market value of assets to be transferred.

As this transaction is an arms-length transaction between two unrelated entities, the Fair Market Value is the Purchase Price.

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)]

The purchase price for Vista Medical Center West (real estate and operations) is \$2,000,000.

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

**US HealthVest, LLC**, through its various subsidiaries, holds two outstanding permits approved and issued by this Board, 17-009 and 16-011 (refer to **ATTACHMENT-15A** for these projects' permit letters). Silver Oaks Hospital in New Lenox, Project Number 17-009, is proceeding with due diligence. This project is totally in compliance with the Board's post permit requirements. Northbrook Behavioral Hospital, Project Number 16-011 is totally in compliance with the Board's post permit requirements also. This project is proceeding, but has run up against strong resistance within the municipal zoning process. It is the intent of the Applicant to maintain this permit. However, should this exemption application and subsequent and contingent CON application for modernization and expansion be approved, the Applicant would abandon that permit as allowed within the provisions of the rules. By the signing of this application, the resulting Applicants affirm that both permits will remain in compliance with the provisions of this Section.

**ATTACHMENT-15**



**SECTION V – 1130.520 – CHANGE OF OWNERSHIP (CHOW)** Continued iii

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

Please refer to **ATTACHMENT-15B**, which is copy of the Vista Medical Center West's charity care policy. It should be known that the payer mix in the behavioral health department of the Vista System is more skewed toward the Medicaid and self-pay patients than the combined total of the entire system. Moreover, the payer mix of Vista West Behavioral Hospital will more closely resemble that of the system's behavioral health beds. Therefore, through the signing of the Certification pages of this application, the resultant Applicant entities affirm that it will not adopt a more restrictive charity care policy. Appended as **ATTACHMENT-15C**, is the proposed draft charity care policy which essentially adopts the previous policy.

1130.520(b)(2) - A statement as to the anticipated benefits of the proposed changes in ownership to the community;

It is anticipated that the proposed changes in ownership will benefit the community through the shoring up of one General Acute Care Hospital, i.e., Vista Medical Center East. This change of ownership allows **Waukegan Illinois Hospital Company, LLC** to focus all of its Waukegan energies and resources on a single facility, insuring that at least one entity is strong and able to provide a more robust safety net to the community's health issues. At the same time Vista Medical Center East is more focused, this transaction brings in a premier provider of Acute Mental Illness Services to ensure that the mental and behavioral health care needs of the community are met. **US HealthVest, LLC**, through its local entities, can actually enhance the services that are currently being provided with more: variety of programs, staffing, psychologists and psychiatrists, and additional financial resources.

**ATTACHMENT-15**

**SECTION V – 1130.520 – CHANGE OF OWNERSHIP (CHOW) Continued iv**

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;

The financial benefits of the transaction to the community are that they will have two strong independent hospital care providers who are each better when focusing on their respective business lines of care, i.e., general acute care vs. acute/chronic mental illness. Without this sale, Vista Medical Center West would be forced to evaluate the entire closure of the hospital.

1130.520(b)(2) - A description of the facility's quality improvement program mechanism that will be utilized to assure quality control;

Appended as **ATTACHMENT-15D** is the facility's proposed quality improvement program from its Policy and Procedure Manual that will be utilized to assure quality control.

1130.520(b)(2) - A description of the selection process that the acquiring entity will use to select the facility's governing body;

Appended as **ATTACHMENT-15E** is the draft Governing Board Bylaws describing the process that will used to select the facility's governing body.

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

The resultant Applicant has prepared a written statement addressing 1) Impact, 2) Access and 3) that the Applicant is not a Health Care System in the sense that the proposed project and its related AMI hospitals seek to work closely with all area acute care providers to expand Mental and Behavioral Health Services.

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.

As described, this application is part of a more robust strategic plan. This Application for Exemption proposes the Change of Ownership of the Specialty (AMI) Hospital. Immediately following the submission of this application is a Certificate of Need application proposing to

**ATTACHMENT-15**

**SECTION V – 1130.520 – CHANGE OF OWNERSHIP (CHOW) Continued v**

modernize and expand the services on site. The existing emergency room (ER) will be on stand-by status, consistent with traditional AMI Specialty Hospitals. It should be noted that the overwhelming majority of utilization in the existing ER was for mental health, thus, it is reasonably consistent to continue its utilization in this status. The general adult and adolescent behavioral programs will be expanded to meet the overall mental health needs of the community. Typical programs provided by **US HealthVest, LLC** include adult, senior, children and adolescents, women only, veteran, faith based and dual diagnosis care programs.

**ATTACHMENT-15**



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 • FAX: (217) 785-4111

June 22, 2017

Martina Sze, Executive V.P.  
US Healthvest, LLC  
32 East 57th Street, 17th Floor  
New York, NY 10022

**Re: Project Number: #17-009**  
**Facility Name: Silver Oaks Hospital**  
**Facility Address: Corner Rte 6 & Silver Cross Boulevard, New Lenox, Illinois**  
**Applicants: US HealthVest, LLC - New Lenox Behavioral Innovations Realty, LLC - New Lenox Behavioral Innovations, LLC - Silver Oaks Behavioral Realty, LLC - Silver Oaks Behavioral, LLC - Silver Cross Hospital and Medical Centers**  
**Permit Holder(s): Silver Oaks Behavioral, LLC d/b/a Silver Oaks Hospital**  
**Licensee/Operating: Silver Oaks Behavioral, LLC d/b/a Silver Oaks Hospital**  
**Owner(s) of Site: Silver Oaks Behavioral Realty, LLC**  
**Project Description: Construct and establish a 100 bed AMI Hospital in 67,330 GSF.**  
**Permit Amount: \$ 24,299,928**  
**Permit Conditions: None**  
**Project Required Commitment Date: December 20, 2018**  
**Project Completion Date: December 31, 2018**  
**Annual Progress Report Due Date: June 20, 2018**

Dear Ms. Sze:

On June 20, 2017, the Illinois Health Facilities and Services Review Board approved the application for permit for the above-referenced project. This approval was based upon the substantial conformance with the applicable standards and criteria in the Illinois Health Facilities Planning Act (20 ILCS 3960) and 77 Illinois Administrative Codes 1110 and 1120.

*In arriving at a decision, the State Board adopted the State Board staff's report and findings, and when applicable, considered the application materials, public hearing testimony, public comments and documents, testimony presented before the Board and any additional materials requested by State Board staff.*

The permit is valid only for the approved construction or modification, site, amount and the named permit holder. Please note that the permit is **not transferable or assignable**. In accordance with the Planning Act, the permit is valid until such time as the project has been completed, provided that all post-permit requirements have been fulfilled, pursuant to the requirements of 77 Illinois Administrative Code 1130. Failure to comply with post-permit requirements may result in an invalidation of the permit, sanctions, fines or State Board action to revoke the permit.

To maintain a valid permit, the permit holder is responsible for complying with the following requirements.

2. FINANCIAL COMMITMENT 1130.720

The project must be obligated by the **Financial Commitment Date**, unless the permit holder obtains an "Extension of the Commitment Period" as provided in 77 Illinois Administrative Code 1130.730. Financial Commitment is to be reported as part of the first annual progress report for permits requiring Commitment within 12 months after issuance. For major construction projects which require

Commitment within 24 months after permit issuance, Commitment must be reported as part of the second annual progress report. If project completion is required prior to the respective annual progress report referenced above, Commitment must be reported as part of the notice of project completion. The reporting of Financial Commitment must reference a date certain when at least 33% of total funds assigned to project cost were expended or committed to be expended by signed contracts or other legal means.

2. ANNUAL PROGRESS REPORT-PART 1130.760

An annual progress report must be submitted to HFSRB every 12<sup>th</sup> months from the permit issuance date until such time as the project is completed.

3. PROJECT COMPLETION REQUIREMENTS-PART 1130.770

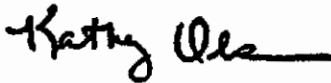
The requirements for a compliant Final Realized Costs Report are defined in the State Board's regulations under 77 Ill. Adm. Code 1130.770..

This permit does not exempt the project or permit holder from licensing and certification requirements, including approval of applicable architectural plans and specifications prior to construction.

**Please note that the Illinois Department of Public Health will not license the proposed facility until such time as all of the permit requirements have been satisfied.**

Should you have any questions regarding the permit requirements, please contact Courtney Avery at [courtney.avery@illinois.gov](mailto:courtney.avery@illinois.gov) or 312-814-4825.

Sincerely,



**Kathy J. Olson, Chairwoman**  
Illinois Health Facilities and Services Review Board

cc: Courtney Avery, Administrator



STATE OF ILLINOIS  
**HEALTH FACILITIES AND SERVICES REVIEW BOARD**

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 • FAX: (217) 785-4111

June 22, 2016

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

Martina Sze, Executive V.P.  
 US HealthVest, LLC  
 32 East 57th Street, 17th Floor  
 New York, NY 10022

**Re: Project Number: #16-011**  
**Facility Name: Northbrook Behavioral Hospital**  
**Facility Address: 4201 Lake Cook Road, Northbrook, Illinois**  
**Applicants: U.S. Health Vest, LLC – V Covington, LLC – V Covington Realty, LLC**  
**Permit Holder(s): U.S. Health Vest, LLC**  
**Licensee/Operating: V Covington, LLC**  
**Owner(s) of Site: Crossroads Northbrook, LLC**  
**Project Description: Establish a 100 bed AMI Hospital in 66,635 GSF.**  
**Permit Amount: \$ 31,319,709**  
**Permit Conditions: Within 14 days, the applicants must submit historic financials ratios of U.S. Health Vest and an affidavit attesting that they have \$27,000,000 in cash reserved for this project.**  
**Project Obligation Date: June 21, 2018**  
**Project Completion Date: December 31, 2017**  
**Annual Progress Report Due Date: June 21, 2017**

Dear Mr. Sze:

On June 21, 2016, the Illinois Health Facilities and Services Review Board approved the application for permit for the above referenced project. This approval was based upon the substantial conformance with the applicable standards and criteria in the Illinois Health Facilities Planning Act (20 ILCS 3960) and 77 Illinois Administrative Codes 1110 and 1120.

*In arriving at a decision, the State Board adopted the State Board staff's report and findings, and when applicable, considered the application materials, public hearing testimony, public comments and documents, testimony presented before the Board and any additional materials requested by State Board staff.*

This permit is valid only for the defined construction or modification, site, amount and the named permit holder and is **not transferable or assignable**. In accordance with the Planning Act, the permit is valid until such time as the project has been completed, provided that all post permit requirements have been fulfilled, pursuant to the requirements of 77 Illinois Administrative Code 1130 and may result in an invalidation of the permit, sanctions, fines and/or State Board action to revoke the permit.

The permit holder is responsible for complying with the following requirements in order to maintain a valid permit. Failure to comply with the requirements may result in expiration of the permit or in State Board action to revoke the permit.

1. OBLIGATION-PART 1130.720

The project must be obligated by the **Project Obligation Date**, unless the permit holder obtains an "Extension of the Obligation Period" as provided in 77 Illinois Administrative Code 1130.730. Obligation is to be reported as part of the first annual progress report for permits requiring obligation within 12 months after issuance. For major construction projects which require obligation within 24 months after permit issuance, obligation must be reported as part of the second annual progress report. If project completion is required prior to the respective annual progress report referenced above, obligation must be reported as part of the notice of project completion. The reporting of obligation must reference a date certain when at least 33% of total funds assigned to project cost were expended or committed to be expended by signed contracts or other legal means.

2. ANNUAL PROGRESS REPORT-PART 1130.760

An annual progress report must be submitted to HFSRB every 12<sup>th</sup> month from the permit issuance date until such time as the project is completed.

3. PROJECT COMPLETION REQUIREMENTS-PART 1130.770

The requirements for a compliant Final Realized Costs Report are defined in the State Board's regulations under 77 Ill. Adm. Code 1130.770. **Effective June 1, 2013, substantive changes to the 77 Ill. Adm. Code 1130 rules went into effect. Please be advised that permit holders should follow the direction in Section 5 of the Act regarding deadlines for submitting post-permit reporting requirements and disregard the deadline language in 77 Ill. Adm. Code 1130.770.**

This permit does not exempt the project or permit holder from licensing and certification requirements, including approval of applicable architectural plans and specifications prior to construction.

**Please note that the Illinois Department of Public Health will not license the proposed beds until such time as all of the permit requirements have been satisfied.**

Should you have any questions regarding the permit requirements, please contact Mike Constantino at [mike.constantino@illinois.gov](mailto:mike.constantino@illinois.gov) or 217-782-3516.

Sincerely,



Kathy J. Olson, Chairwoman  
Illinois Health Facilities and Services Review Board

cc: Courtney Avery, Administrator

VISTA HEALTH SYSTEM

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Subject:	Originally Issued	Date of This Revision
CHARITY CARE POLICY	3/1/05	4/29/16

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**POLICY STATEMENT:**

In order to serve the health care needs of our community, Vista Health System will provide Free Care (hereinafter referred to as "Free Care") to patients without financial means to pay for *Inpatient, Emergency Room hospital services and Medically Necessary Out Patient Services (according to Medicare Medical Necessity Guidelines)*.

Free Care will be provided to all patients without regard to race, sex, sexual orientation, ethnicity, religion, color, or national origin and who are classified as financially indigent or medically indigent according to the hospital's eligibility criteria.

All capitalized terms herein are defined on Appendix A hereto.

**PURPOSE:**

To properly identify those patients who are financially indigent, medically indigent or who meet presumptive eligibility criteria, who do not qualify for state and/or government assistance, and to provide assistance with their Medically Necessary care.

**ELIGIBILITY FOR FREE CARE**

**I. FINANCIALLY INDIGENT:**

- A. A financially indigent patient is a person who is uninsured, and is accepted for care with no obligation to pay for services rendered based on the hospital's eligibility criteria as set forth in this Policy.
- B. To be eligible for Free Care as a financially indigent patient, the patient's total Household Income shall be as specified in Appendix B or C hereto. The hospital may consider other financial assets and liabilities for the person when determining eligibility.
- C. The hospital will use the most current Federal Poverty Income Guidelines issued by the U.S. Department of Health and Human Services to determine an individual's eligibility for Free Care as a financially indigent patient. The Federal Poverty Income Guidelines are published in the Federal Register in January or February of each year and for the purposes of this Policy will become effective



the first day of the month following the month of publication, even if the guidelines attached to the Policy or posted on the Website are outdated.

- D. In no event will the hospital establish eligibility criteria for financially indigent patients which sets the income level for Free Care lower than that required for counties under the State Indigent Health Care and Treatment Act, or higher than 300% of the current Federal Poverty Income Guidelines. However, the hospital may adjust the eligibility criteria from time to time based on the financial resources of the hospital and as necessary to meet the Free Care needs of the community.
- E. Patients covered by out of state Medicaid where the hospital is not an authorized provider and where the out of state Medicaid enrollment or reimbursement makes it prohibitive for the hospital to become a provider, will be eligible for Free Care upon verification of Medicaid coverage for the service dates. No other documents will be required in order to approve the Free Care application. The patient will not be required to apply for Financial Assistance to obtain Free Care. The hospital may submit the application and verification of Medicaid coverage in another State as proof of qualification.

## 2. **MEDICALLY INDIGENT:**

- A. A medically indigent patient is a person whose medical bills after payment by third party payers exceed a specified percentage of the person's annual gross income as defined herein and who is unable to pay the remaining bill.
- B. Patients covered under state Medical Assistance programs that owe copayments or have a 'spend down' amount are excluded from being considered for Free Care assistance. Payment of copayments and spend down amounts are a condition of coverage and should not be written off or discounted.
- C. The maximum amount the Hospital may collect in a 12-month period from an eligible patient is 25% of the patient's Family Income. The twelve month period begins on the date of service for which the hospital first determines the patient is eligible for the discount. The hospital may exclude a patient from the 25% maximum collectible amount who has substantial assets (defined as a value in excess of 600% FPL in urban areas/300% FPL at CAH/and rural areas). Certain assets cannot be considered: primary residence, personal property exempt from collections under Section 5-12-1001 of the Illinois Code of Civil Procedure, and any amounts held in a pension or retirement plan.
- D. A determination of the patient's ability to pay the remainder of the bill, or portion of the bill, will be based on whether the patient reasonably can be expected to pay the account, or portion thereof, over a 3-year period.
- E. The patient may be eligible for a charity discount for any amount beyond what the patient is expected to pay over a 3-year period.

- F. If a determination is made that a patient had the ability to pay the remainder of the bill, such a determination does not prevent a reassessment of the patient's ability to pay at a later date should there be a change in the patient's financial status.

**3. FREE CARE PRESUMPTIVE ELIGIBILITY:**

- A. A presumptively eligible patient is an uninsured person who qualifies for financial assistance based on the demonstration of participation in one of several categories, some that are mandated categories and other categories that a hospital may consider.
- B. The mandatory categories are intended to reflect the new free care mandate included in the 2012 amendment to the Hospital Uninsured Patient Discount Act (HUDPA) legislation at urban hospitals for uninsured patients up to 200% of the federal poverty level (FPL) and 125% of FPL at rural and critical access hospitals (CAHs).
- C. All hospitals mandated categories:
  - 1. Homelessness
  - 2. Deceased with no estate
  - 3. Mental incapacitation -no one to act on behalf
  - 4. Medicaid eligibility -not on date of service/or for non-covered service
  - 5. Community programs that treat patients based on their income being lower than the federal poverty guideline (example: Vista patients referred by Health Reach Clinic, a local Free Care clinic where the hospital is a sponsor of their indigent program will be eligible for Free Care under completion of proper application using the same Federal Poverty Income Guidelines)
  - 6. Enrollment in the following programs with criteria at or below 200% of the then current Federal Poverty Guidelines:
    - a. Women, Infants, Children -WIC
    - b. Supplemental Nutrition Assistance Program -SNAP
    - c. Free Lunch and Breakfast Program, or Subsidized School Lunch
    - d. Low Income Home Energy Assistance Program -LIHEAP
    - e. Grant assistance for medical services
    - f. Temporary Assistance for Needy Families -TANF

g. Housing Development Authority Support Program

7. Incarceration in a Penal Institution with no family income or assets

4. REPORTING:

- A. The Hospital shall report annually to the Office of the Attorney General's Office on the number of Applications completed and approved; the number of Applications completed and not approved; and the number of Applications started but not completed.

5. THE PROCESS

- A. The hospital maintains posted signs, in English, *Exhibit "B"* and Spanish, *Exhibit "C"*, and in any other language which is spoken by 5% or more of the Hospital's patients one in each admitting and/or registration offices and one in the emergency lobby that inform customers that Financial Assistance is available and the Financial Assistance criteria.
- B. All self-pay patients will be identified as quickly as possible and will be asked to complete the Financial Assistance application "FA" during the registration or financial counseling process (or if they provide information or the Hospital can obtain information that meets the Presumptive eligibility requirements a FA will not be required).
- C. Hospital will post information regarding the availability of Free Care for both uninsured and insured patients on the hospital's web site, along with the application for Financial Assistance. In addition, Hospital will provide a copy of the Financial Assistance application and information relating to Financial Assistance upon both registration and discharge.
- D. Hospital will provide information on all billing notices about the availability of Free Care and/or Financial Assistance.
- E. All self-pay accounts will be screened for potential Medicaid eligibility as well as coverage by other sources, including governmental programs. During this screening process an "FA" will be completed if it is determined that the patient does not appear to qualify for coverage under any program.
- F. The "FA" will be sent to the Business Office for final determination by the Financial Counselor or Business Office Director.
- G. If the Financial Counselor determines through the application and documented support that the patient qualifies for Free Care she/he will give the completed and approved "FA" to the BOD for approval authorization, prior to write off.
- H. For those patients that do not meet Presumptive Eligibility requirements, the following documents will be required, subject to availability, to process a

Financially Assistance application: current monthly expenses/bills, previous year's income tax return, current employers check stub, proof of any other income, bank statements for prior 3 months, and all other medical bills. Where the patient/guarantor indicates they do not file federal tax returns, the hospital will request that the patient/guarantor complete IRS form 4506-T (Request for Transcript of Tax Return). The patient/guarantor should complete lines 1-5 after the hospital has completed lines 6-9. Hospital will complete line 6 by entering '1040', will check boxes 6(a) and box 7. In box 9, hospital will enter prior year and prior 3 years. (Exhibit E-example and a blank form).

- I. To be eligible under the Presumptive Eligibility criteria, proof of one of the mandated categories or additional criteria must be included with the Financial Assistance application.
- J. The Financial Counselor will contact any vendor who may be working the account, to stop all collection efforts on the account.
- K. Once approved for Free Care the account will be moved to the appropriate financial class until the adjustment is processed and posted/credited to the account. After the adjustment is posted, if there is a remaining balance due from the patient, the financial class will be changed to self-pay.
- L. If the "FA" is incomplete it will be the responsibility of the Financial Counselor to contact the patient via mail or phone to obtain the required information.
- M. The Fair Patient Billing Act (FPBA) states that a patient has at least 60 days from date of service to submit a "FA" application. Applications that remain incomplete after 30 days of 'request of information', and determination has been made that patient does not qualify for Medicaid, may be denied or submitted to the CFO for consideration/approval.
- N. The application may be reopened and reconsidered Free Care once the required information is received, providing the account has not been written off to bad debt.
- O. The Business Office Director, Assistant BOD or Patient Access Manager is responsible for reviewing every application to make sure required documents are attached, prior to submitting to CFO or CEO for review and approval. All fields on the application must be completed properly. Drawing lines through fields such as income is not appropriate. If the income is zero, zeros must be entered.
- P. Medicaid patients who receive covered services that meet Medicare medical necessity criteria, but have exhausted state benefit limits (IE limited IP days or limited annual ER visits, for example), will not be required to provide any supporting documents, providing verification of Medicaid coverage for the service dates indicates patient is covered.

- Q. Once an account has been written off to bad debt, the patient will not be allowed to apply for Free Care.
- S. Free Care shall be available for those patients who are legal Illinois residents and unless otherwise provided, Non-Residents who are uninsured are not eligible for Free Care.

**6. FACTOR TO BE CONSIDERED FOR FREE CARE DETERMINATION**

- A. The following factors are to be considered in determining the eligibility of the patient for Free Care:
  - 1. Gross Income
  - 2. Family Size
  - 3. Employment status and future earning capacity
  - 4. Other financial resources
  - 5. Other financial obligations
  - 6. The amount and frequency of hospital and other medical bills
- B. The income guidelines necessary to determine the eligibility for Free Care are attached on *Exhibits "B" and "C"*. The current Federal Poverty Guidelines are attached as *Exhibit "D"* and they include the definition of the following:
  - 1. Family
  - 2. Income

**7. FAILURE TO PROVIDE APPROPRIATE INFORMATION**

- A. Failure to provide information necessary to complete an application request for Free Care within 30 days of the request may result in a negative determination. If the patient and/or family member submits an incomplete application for Free Care, the Hospital will within ten (10) business days (1) suspend any Extraordinary Collection Activity ("ECA") against the patient; (2) provide a written notification that describes what additional information or documentation is needed and includes a Plain Language Summary of the Program; and (3) provide at least one written notice informing the patient about the ECAs that might be taken (or resumed) if an application is not completed or payment made by a deadline specified in the written notice, which shall be no earlier than 30 days from the date of the written notice or the last day of the application period.
- B. The account may be reconsidered upon receipt of the required information, providing the account has not been written off to bad debt.

- C. If at any time during the review process it becomes apparent that an Applicant for Free Care has withheld relevant information, provided false information or provided inaccurate information, as evidenced by information obtained through credit agencies or other available sources, and the Applicant is unable to resolve discrepancies to the satisfaction of the Hospital, the Applicant may be disqualified for Financial Assistance, which shall result in the resumption of routine collection efforts until such discrepancies are resolved. The provision of a questionable social security number shall not result in automatic disqualification for Financial Assistance.
- D. Free care will only be applied to true self-pay balances, after all third party benefits/resources are reasonably exhausted, including but not limited to, benefits from insurance carriers, government programs or proceeds from litigation and/or settlements. Patients requesting Financial Assistance must, whenever possible, be screened for eligibility for Medicaid or Health Insurance Exchange coverage and, if found eligible, the patient must fully cooperate with enrollment requirements. Failure to cooperate or enroll in available Medicaid or Health Insurance Exchange coverage may result in denial of a request for Financial Assistance.

**8. EXCEPTION TO DOCUMENTATION REQUIREMENTS**

The CFO may waive the documentation requirements and approve a case for Free Care at his/her sole discretion based on their belief the patient does/should qualify for Free Care. The amount or percentage of Free Care discount will be left to the CFO's discretion. Waiver of the documentation requirements should be noted in the comments section on the patient's account, as well as the percent or dollar amount approved for Free Care adjustment, printed out and attached to the Financial Assistance (FA) form.

**9. TIME FRAME FOR ELIGIBILITY DETERMINATION**

A determination of eligibility will be made by the Business Office within 30 working days after the receipt of all information necessary to make a determination.

**10. DOCUMENTATION OF ELIGIBILITY DETERMINATION AND APPROVAL OF WRITE-OFF**

Once the eligibility determination has been made, the results will be documented in the comments section on the patient's account and the completed and approved "FA" will be filed attached to the adjustment sheet and maintained for audit purposes. The CEO, CFO, BOD will signify their review and approval of the write-off by signing the bottom of the Free Care/Financial Assistance Program Application form. The signature requirements will be based on the QHC financial policy for approving adjustments. The Patient will be notified immediately and any billing and collection activity will cease.

11. REPORTING OF FREE CARE


Information regarding the amount of Free Care provided by the hospital, based on the hospital's fiscal year, shall be aggregated and included in the annual report filed with the Bureau of State Health Data and Process Analysis at the State Department of Health. These reports also will include information concerning the provision of government sponsored indigent health care and other county benefits. (Only for those states that require).

12. POLICY REVIEW AND APPROVAL

The below individuals have read and approved this policy: These parties shall assure that controls are in place to assess patient program eligibility in accordance with applicable law, that will track billing and maintain information on patient applications and eligibility for FA, that the Hospital bills eligible patients the same as those with insurance, that monitor referral to collection agencies pursuant to any policy relative to same and that the availability of FA is communicated to the Hospital's patients as provided for herein.

  
\_\_\_\_\_  
Hospital CEO

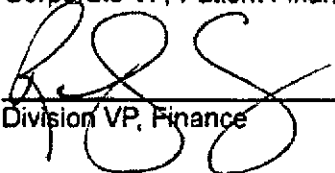
4/29/16  
Date

  
\_\_\_\_\_  
Hospital CEO

4/29/16  
Date

  
\_\_\_\_\_  
Corporate VP, Patient Financial Services

5-20-16  
Date

  
\_\_\_\_\_  
Division VP, Finance

5-25-16  
Date

## Appendix A Definitions

*Affiliates:* Those entities controlled by, controlling, or under common control with Hospital. For purposes of this policy, the term "Affiliates" does not include Hospital affiliates that are legally or otherwise restricted from adopting this policy.

*Amounts Generally Billed:* Charges for medically necessary services shall be limited to no more than amounts generally billed to individuals who have insurance covering such care ("AGB").

- i. In calculating the AGB, the Hospital has selected the "look-back" method whereby the AGB is determined based on actual past claims paid to the Hospital by Medicare fee-for-service together with all private health insurers paying claims to the Hospital.
- ii. The AGB percentage will be calculated at least annually by dividing the sum of all claims that have been paid in full during the prior 12 month period by the sum of the gross charges for those claims. This resulting percentage is then applied to an individual's gross charges to reduce the bill.
- iii. A revised percentage will be calculated and applied by the 45th day after the first day of the start of the fiscal year used to determine the calculations.

*Applicant:* An Applicant is the person submitting an Application for Financial Assistance, including the patient and/or the patient's guarantor.

*Application:* A Financial Assistance Application.

*Application Period:* During the Application Period, the Hospital must accept and process an application for Financial Assistance ("Application"). The Application Period begins on the date the care is provided to the individual and ends on the 240th day after the Hospital provides the patient with the first billing statement for the care.

*Billed Charge(s):* The fee for a service is based on the Hospital's master charge schedule in effect at the time of the service.

*Completion Deadline:* The Completion Deadline is the date after which a Hospital may initiate or resume ECAs (as defined below) against an individual who has submitted an incomplete Application if that individual has not provided the Hospital with the missing information and/or documentation necessary to complete the Application. The Completion Deadline must be no earlier than the later of 30 days after the Hospital provides the individual with this written notice; or the last day of the Application Period.

*Cost-of-Care Discount:* 40%

*Discounted Care:* Care provided at less than Billed Charges other than Free Care. Discounts include the Cost-of-Care Discount and the Managed Care Discount.

*Extraordinary Collection Activity:* As defined by the Act, but includes any legal action with respect to a Patient's Account.



*Family Income:* Family Income is defined based on definitions used by the U.S. Bureau of the Census and includes earnings, unemployment compensation, workers' compensation, Social Security, Supplemental Security Income, public assistance payments, veterans' payments, survivor benefits, pension or retirement income, interest, dividends, rents, royalties, income from estates, trusts, educational assistance, alimony, child support, assistance from outside the household, and other miscellaneous sources. Non-cash benefits (such as SNAP and housing subsidies) are not considered income.

*Family Size:* The number of individuals listed under "Filing Status" on the Applicant's most recent tax return. If no tax return is available, Family Size shall be the number of individuals permanently residing in the Applicant's household. If another individual claims the Applicant as a dependent on the individual's tax return, then the Family Size shall include household members of the individual claiming dependency.

*Federal Poverty Guideline:* The Federal Poverty Guidelines updated periodically in the Federal Register by the United States Department of Health and Human Services under authority of 42 USC 9902(2). Guidelines, attached as Appendix A-1, shall be adjusted annually within thirty (30) days following the issuance of new Federal Poverty Guidelines in the Federal Register and on the U.S. Department of Health and Human Services website.

*Financial Assistance:* Care provided to patients who meet MSMC's criteria for Financial Assistance under various programs (collectively, "Financial Assistance Program" or "Program") and are unable to pay for all or a portion of their health care services. Financial Assistance does not include bad debt or uncollectible charges that have been recorded as revenue but written off due to a patient's failure to pay, or the cost of providing that care to patients; the difference between the cost of care provided under Medicaid or other means-tested government programs or under Medicare and the revenue derived from those programs; or contractual adjustments with any third-party payors.

*Free Care:* A discount equal to one hundred percent (100%).

*Financial Assistance Policy Committee:* That committee comprised of representatives from MSMC Affiliates and which makes recommendations with respect to this Policy and ensures operational alignment in implementing this Policy. If a committee does not exist, the CFO or his/her delegates shall be responsible for this function.

*Household Income:* The sum of a family's annual earnings and cash benefits from all sources before taxes, less payments made for child support. More specifically, Household Income is equal to the adjusted gross income listed on the Applicant's most recent tax return, adjusted to subtract child support payments and to add amounts of tax-exempt interest; non-taxable pension and annuity payments, IRA distributions, and social security; and other income not included in adjusted gross income but available to Applicant. However, if the Applicant indicates that the adjusted gross income listed on the Applicant's most recent tax return is not accurate (e.g., the Applicant is no longer employed or is being paid a different amount), the Household Income shall be calculated on the basis of other available documentation (e.g., pay stubs, unemployment statements, etc.), once again adjusted to remove child support payments and to include tax-exempt interest; non-taxable pension and annuity payments, IRA distributions, and social security; and other income available to Applicant. Household Income includes the income of all members of the household.

*Illinois Resident:* An Illinois Resident includes patients who qualify for Illinois residency under the Illinois Hospital Uninsured Patient Discount Act ("HUPDA"). HUPDA requires that the Uninsured Patient be a resident of Illinois, but does *not* require that the patient be legally residing in the United States. Patients may be required to provide evidence of Illinois residency as provided for under HUPDA. Relocation to Illinois for the sole purpose of receiving health care benefits does not satisfy the residency requirement under this definition. These patients are encouraged to seek treatment at an appropriate facility within their geographic proximity.

*Insured Patient:* A patient covered under a policy of health insurance or a beneficiary under public or private health insurance, health benefit, or other health coverage program, including high deductible health insurance plans, workers' compensation, accident liability insurance, or other third-party liability.

*Legal Illinois Resident:* A Legal Illinois Resident includes patients legally residing within the United States *and* who have their principal residence within the state of Illinois. With respect to foreign nationals, "legally residing" shall include individuals who have current visas and who are permanent residents and temporary workers. "Legally residing" shall not include foreign nationals who have visitor or student visas. Relocation to Illinois for the sole purpose of receiving health care benefits does not satisfy the residency requirement under this definition. These patients are encouraged to seek treatment at an appropriate facility within their geographic proximity.

*Medically Necessary:* Any inpatient or outpatient health care service, including pharmaceuticals or supplies, covered under Title XVIII of the federal Social Security Act for beneficiaries with the same clinical presentation as the Patient. A "Medically Necessary" service does not include any of the following: (1) non-medical services such as social and vocational services; or (2) elective cosmetic surgery, but not plastic surgery designed to correct disfigurement caused by injury, illness or congenital defect or deformity.

*Non-Resident:* A Non-Resident is a patient who is neither a Legal Illinois Resident nor an Illinois Resident.

*Uninsured Patient:* A patient not covered under a policy of health insurance or who is not a beneficiary under public or private health insurance, health benefit, or other health coverage program, including high-deductible health insurance plans, workers' compensation, accident liability insurance, or other third-party liability.

**Appendix B**  
**Example of "Availability of Free Care" Sign-English Version**

**FREE CARE POLICY**

You may be eligible for financial assistance under the terms and conditions the hospital offers to qualified patients. For more information, contact customer service at 888-667-2770.

In order to be eligible for Free Care, you must:

Have no other source of payment such as insurance, governmental assistance or savings;  
or

Have hospital bills beyond your financial resources; and

Provide proof of income and income resources; and

Complete an application and provide information required by the hospital.

Forms and information about applying for Free Care are available upon request.

**Appendix C**  
**Example of 'Availability of Free Care" Sign-Spanish Version**

**REGLAS PARA SERVICIOS DE CARIDAD**

Usted puede cualificar para asistencia financiera debajo de los terminus y condiciones de el hospital. Para mas informacion, contacte a el servicio de asistencia a 888-667-2770.

Para obtener derecho a servicios caritativos, se necesita tener los siguientes requisitos:

No tener otro medio de pagar, por ejemplo, seguro medico, asistencia del gobierno federal, o sus propios ahorros o bienes

Tener cuentas de hospital que esten mas alla de sus recursos economicos.

Tambien hay que:

Presentar pruebas de sus ingresos y recursos economicos

Completar la solicitud de servicio y dar la informacion que le pide al hospital.

Formularios con informacion y datos tocante a la solicitud de servicios caritativos se proveeran. A aquellos individuos interesados.

**Appendix D  
Federal Poverty Income Guidelines 2016**

**2016 Federal Poverty Income Guidelines for the  
48 Contiguous States and the District of Columbia**

<b>Persons in family/household</b>	<b>Poverty Income Guideline</b>
1	\$11,770
2	16,020
3	20,160
4	24,300
5	28,440
6	32,580
7	36,730
8	40,890

For families/households with more than 8 persons, add \$4,160 for each additional person.

**2016 Federal Poverty Income Guidelines for  
Alaska**

<b>Persons in family/household</b>	<b>Poverty Income Guideline</b>
1	\$14,840
2	20,020
3	25,220
4	30,380
5	35,560
6	40,740
7	45,920
8	51,120

For families/households with more than 8 persons, add \$5,200 for each additional person.

**2016 Federal Poverty Income Guidelines for  
Hawaii**

<b>Persons in family/household</b>	<b>Poverty Income Guideline</b>
1	\$13,670
2	18,430
3	23,190
4	27,950
5	32,710
6	37,470
7	42,230
8	47,010

For families/households with more than 8 persons, add \$4,780 for each additional person.

**Appendix E**  
**(Attach IRS Form 4506-T blank form and example of completed form)**

# US HealthVest

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<b>Subject:</b>	Originally Issued	Date of This Revision
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## **CHARITY CARE POLICY**

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### **POLICY STATEMENT:**

In order to serve the health care needs of our community, we will provide Free Care (hereinafter referred to as "Free Care") to patients without financial means to pay for *Inpatient, Emergency Room hospital services and Medically Necessary Out Patient Services (according to Medicare Medical Necessity Guidelines)*.

Free Care will be provided to all patients without regard to race, sex, sexual orientation, ethnicity, religion, color, or national origin and who are classified as financially indigent or medically indigent according to the hospital's eligibility criteria.

All capitalized terms herein are defined on Appendix A hereto.

### **PURPOSE:**

To properly identify those patients who are financially indigent, medically indigent or who meet presumptive eligibility criteria, who do not qualify for state and/or government assistance, and to provide assistance with their Medically Necessary care.

### **ELIGIBILITY FOR FREE CARE**

#### **I. FINANCIALLY INDIGENT:**

- A. A financially indigent patient is a person who is uninsured, and is accepted for care with no obligation to pay for services rendered based on the hospital's eligibility criteria as set forth in this Policy.
- B. To be eligible for Free Care as a financially indigent patient, the patient's total Household Income shall be as specified in Appendix B or C hereto. The hospital may consider other financial assets and liabilities for the person when determining eligibility.
- C. The hospital will use the most current Federal Poverty Income Guidelines issued by the U.S. Department of Health and Human Services to determine an individual's eligibility for Free Care as a financially indigent patient. The Federal Poverty Income Guidelines are published in the Federal Register in January or February of each year and for the purposes of this Policy will become effective

Page 1 of 15

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ATTACHMENT-15C

the first day of the month following the month of publication, even if the guidelines attached to the Policy or posted on the Website are outdated.

- D. In no event will the hospital establish eligibility criteria for financially indigent patients which sets the income level for Free Care lower than that required for counties under the State Indigent Health Care and Treatment Act, or higher than 300% of the current Federal Poverty Income Guidelines. However, the hospital may adjust the eligibility criteria from time to time based on the financial resources of the hospital and as necessary to meet the Free Care needs of the community.
- E. Patients covered by out of state Medicaid where the hospital is not an authorized provider and where the out of state Medicaid enrollment or reimbursement makes it prohibitive for the hospital to become a provider, will be eligible for Free Care upon verification of Medicaid coverage for the service dates. No other documents will be required in order to approve the Free Care application. The patient will not be required to apply for Financial Assistance to obtain Free Care. The hospital may submit the application and verification of Medicaid coverage in another State as proof of qualification.

2. **MEDICALLY INDIGENT:**

- A. A medically indigent patient is a person whose medical bills after payment by third party payers exceed a specified percentage of the person's annual gross income as defined herein and who is unable to pay the remaining bill.
- B. Patients covered under state Medical Assistance programs that owe copayments or have a 'spend down' amount are excluded from being considered for Free Care assistance. Payment of copayments and spend down amounts are a condition of coverage and should not be written off or discounted.
- C. The maximum amount the Hospital may collect in a 12-month period from an eligible patient is 25% of the patient's Family Income. The twelve month period begins on the date of service for which the hospital first determines the patient is eligible for the discount. The hospital may exclude a patient from the 25% maximum collectible amount who has substantial assets (defined as a value in excess of 600% FPL in urban areas/300% FPL at CAH/and rural areas). Certain assets cannot be considered: primary residence, personal property exempt from collections under Section 5-12-1001 of the Illinois Code of Civil Procedure, and any amounts held in a pension or retirement plan.
- D. A determination of the patient's ability to pay the remainder of the bill, or portion of the bill, will be based on whether the patient reasonably can be expected to pay the account, or portion thereof, over a 3-year period.
- E. The patient may be eligible for a charity discount for any amount beyond what the patient is expected to pay over a 3-year period.



- F. If a determination is made that a patient had the ability to pay the remainder of the bill, such a determination does not prevent a reassessment of the patient's ability to pay at a later date should there be a change in the patient's financial status.

**3. FREE CARE PRESUMPTIVE ELIGIBILITY:**

- A. A presumptively eligible patient is an uninsured person who qualifies for financial assistance based on the demonstration of participation in one of several categories, some that are mandated categories and other categories that a hospital may consider.
- B. The mandatory categories are intended to reflect the new free care mandate included in the 2012 amendment to the Hospital Uninsured Patient Discount Act (HUDPA) legislation at urban hospitals for uninsured patients up to 200% of the federal poverty level (FPL) and 125% of FPL at rural and critical access hospitals (CAHs).
- C. All hospitals mandated categories:
  - 1. Homelessness
  - 2. Deceased with no estate
  - 3. Mental incapacitation -no one to act on behalf
  - 4. Medicaid eligibility -not on date of service nor for non-covered service
  - 5. Community programs that treat patients based on their income being lower than the federal poverty guideline (example: Vista patients referred by Health Reach Clinic, a local Free Care clinic where the hospital is a sponsor of their indigent program will be eligible for Free Care under completion of proper application using the same Federal Poverty Income Guidelines)
  - 6. Enrollment in the following programs with criteria at or below 200% of the then current Federal Poverty Guidelines:
    - a. Women, Infants, Children -WIC
    - b. Supplemental Nutrition Assistance Program -SNAP
    - c. Free Lunch and Breakfast Program, or Subsidized School Lunch
    - d. Low Income Home Energy Assistance Program -LIHEAP
    - e. Grant assistance for medical services
    - f. Temporary Assistance for Needy Families -TANF

g. Housing Development Authority Support Program

7. Incarceration in a Penal Institution with no family income or assets

4. **REPORTING:**

A. The Hospital shall report annually to the Office of the Attorney General's Office on the number of Applications completed and approved; the number of Applications completed and not approved; and the number of Applications started but not completed.

5. **THE PROCESS**

A. The hospital maintains posted signs, in English, *Exhibit "B"* and Spanish, *Exhibit "C"*, and in any other language which is spoken by 5% or more of the Hospital's patients one in each admitting and/or registration offices and one in the emergency lobby that inform customers that Financial Assistance is available and the Financial Assistance criteria.

B. All self-pay patients will be identified as quickly as possible and will be asked to complete the Financial Assistance application "FA", during the registration or financial counseling process (or if they provide information or the Hospital can obtain information that meets the Presumptive eligibility requirements a FA will not be required).

C. Hospital will post information regarding the availability of Free Care for both uninsured and insured patients on the hospital's web site, along with the application for Financial Assistance. In addition, Hospital will provide a copy of the Financial Assistance application and information relating to Financial Assistance upon both registration and discharge.

D. Hospital will provide information on all billing notices about the availability of Free Care and/or Financial Assistance.

E. All self-pay accounts will be screened for potential Medicaid eligibility as well as coverage by other sources, including governmental programs. During this screening process an "FA" will be completed if it is determined that the patient does not appear to qualify for coverage under any program.

F. The "FA" will be sent to the Business Office for final determination by the Financial Counselor or Business Office Director.

G. If the Financial Counselor determines through the application and documented support that the patient qualifies for Free Care she/he will give the completed and approved "FA" to the BOD for approval authorization, prior to write off.

H. For those patients that do not meet Presumptive Eligibility requirements, the following documents will be required, subject to availability, to process a

Financially Assistance application: current monthly expenses/bills, previous year's income tax return, current employers check stub, proof of any other income, bank statements for prior 3 months, and all other medical bills. Where the patient/guarantor indicates they do not file federal tax returns, the hospital will request that the patient/guarantor complete IRS form 4506-T (Request for Transcript of Tax Return). The patient/guarantor should complete lines 1-5 after the hospital has completed lines 6-9. Hospital will complete line 6 by entering '1040', will check boxes 6(a) and box 7. In box 9, hospital will enter prior year and prior 3 years. (Exhibit E-example and a blank form).

- I. To be eligible under the Presumptive Eligibility criteria, proof of one of the mandated categories or additional criteria must be included with the Financial Assistance application.
- J. The Financial Counselor will contact any vendor who may be working the account, to stop all collection efforts on the account.
- K. Once approved for Free Care the account will be moved to the appropriate financial class until the adjustment is processed and posted/credited to the account. After the adjustment is posted, if there is a remaining balance due from the patient, the financial class will be changed to self-pay.
- L. If the "FA" is incomplete it will be the responsibility of the Financial Counselor to contact the patient via mail or phone to obtain the required information.
- M. The Fair Patient Billing Act (FPBA) states that a patient has at least 60 days from date of service to submit a "FA" application. Applications that remain incomplete after 30 days of 'request of information', and determination has been made that patient does not qualify for Medicaid, may be denied or submitted to the CFO for consideration/approval.
- N. The application may be reopened and reconsidered Free Care once the required information is received, providing the account has not been written off to bad debt.
- O. The Business Office Director, Assistant BOD or Patient Access Manager is responsible for reviewing every application to make sure required documents are attached, prior to submitting to CFO or CEO for review and approval. All fields on the application must be completed properly. Drawing lines through fields such as income is not appropriate. If the income is zero, ~~xxx~~ must be entered.
- P. Medicaid patients who receive covered services that meet Medicare medical necessity criteria, but have exhausted state benefit limits (IE limited IP days or limited annual ER visits, for example), will not be required to provide any supporting documents, providing verification of Medicaid coverage for the service dates indicates patient is covered.

- Q. Once an account has been written off to bad debt, the patient will not be allowed to apply for Free Care.
- S. Free Care shall be available for those patients who are legal Illinois residents and unless otherwise provided. Non-Residents who are uninsured are not eligible for Free Care.

**6. FACTOR TO BE CONSIDERED FOR FREE CARE DETERMINATION**

- A. The following factors are to be considered in determining the eligibility of the patient for Free Care:
  - 1. Gross Income
  - 2. Family Size
  - 3. Employment status and future earning capacity
  - 4. Other financial resources
  - 5. Other financial obligations
  - 6. The amount and frequency of hospital and other medical bills
- B. The income guidelines necessary to determine the eligibility for Free Care are attached on *Exhibits "B" and "C"*. The current Federal Poverty Guidelines are attached as *Exhibit "D"* and they include the definition of the following:
  - 1. Family
  - 2. Income

**7. FAILURE TO PROVIDE APPROPRIATE INFORMATION**

- A. Failure to provide information necessary to complete an application request for Free Care within 30 days of the request may result in a negative determination. If the patient and/or family member submits an incomplete application for Free Care, the Hospital will within ten (10) business days (1) suspend any Extraordinary Collection Activity ("ECA") against the patient; (2) provide a written notification that describes what additional information or documentation is needed and includes a Plain Language Summary of the Program; and (3) provide at least one written notice informing the patient about the ECAs that might be taken (or resumed) if an application is not completed or payment made by a deadline specified in the written notice, which shall be no earlier than 30 days from the date of the written notice or the last day of the application period.
- B. The account may be reconsidered upon receipt of the required information, providing the account has not been written off to bad debt.

- C. If at any time during the review process it becomes apparent that an Applicant for Free Care has withheld relevant information, provided false information or provided inaccurate information, as evidenced by information obtained through credit agencies or other available sources, and the Applicant is unable to resolve discrepancies to the satisfaction of the Hospital, the Applicant may be disqualified for Financial Assistance, which shall result in the resumption of routine collection efforts until such discrepancies are resolved. The provision of a questionable social security number shall not result in automatic disqualification for Financial Assistance.
- D. Free care will only be applied to true self-pay balances, after all third party benefits/resources are reasonably exhausted, including but not limited to, benefits from insurance carriers, government programs or proceeds from litigation and/or settlements. Patients requesting Financial Assistance must, whenever possible, be screened for eligibility for Medicaid or Health Insurance Exchange coverage and, if found eligible, the patient must fully cooperate with enrollment requirements. Failure to cooperate or enroll in available Medicaid or Health Insurance Exchange coverage may result in denial of a request for Financial Assistance.

**8. EXCEPTION TO DOCUMENTATION REQUIREMENTS**

The CFO may waive the documentation requirements and approve a case for Free Care: at his/her sole discretion based on their belief the patient does/should qualify for Free Care. The amount or percentage of Free Care discount will be left to the CFO's discretion. Waiver of the documentation requirements should be noted in the comments section on the patient's account, as well as the percent or dollar amount approved for Free Care adjustment, printed out and attached to the Financial Assistance (FA) form.

**9. TIME FRAME FOR ELIGIBILITY DETERMINATION**

A determination of eligibility will be made by the Business Office within 30 working days after the receipt of all information necessary to make a determination.

**10. DOCUMENTATION OF ELIGIBILITY DETERMINATION AND APPROVAL OF WRITE-OFF**

Once the eligibility determination has been made, the results will be documented in the comments section on the patient's account and the completed and approved "FA" will be filed attached to the adjustment sheet and maintained for audit purposes. The CEO, CFO, BOD will signify their review and approval of the write-off by signing the bottom of the Free Care Financial Assistance Program Application form. The signature requirements will be based on the QHIC financial policy for approving adjustments. The Patient will be notified immediately and any billing and collection activity will cease.

11. REPORTING OF FREE CARE

Information regarding the amount of Free Care provided by the hospital, based on the hospital's fiscal year, shall be aggregated and included in the annual report filed with the Bureau of State Health Data and Process Analysis at the State Department of Health. These reports also will include information concerning the provision of government sponsored indigent health care and other county benefits. (Only for those states that require).

12. POLICY REVIEW AND APPROVAL

The below individuals have read and approved this policy: These parties shall assure that controls are in place to assess patient program eligibility in accordance with applicable law, that will track billing and maintain information on patient applications and eligibility for FA, that the Hospital bills eligible patients the same as those with insurance, that monitor referral to collection agencies pursuant to any policy relative to same and that the availability of FA is communicated to the Hospital's patients as provided for herein.

Appendix A  
Definitions

*Affiliates:* Those entities controlled by, controlling, or under common control with Hospital. For purposes of this policy, the term "Affiliates" does not include Hospital affiliates that are legally or otherwise restricted from adopting this policy.

*Amounts Generally Billed:* Charges for medically necessary services shall be limited to no more than amounts generally billed to individuals who have insurance covering such care ("AGB").

- i. In calculating the AGB, the Hospital has selected the "look-back" method whereby the AGB is determined based on actual past claims paid to the Hospital by Medicare fee-for-service together with all private health insurers paying claims to the Hospital.
- ii. The AGB percentage will be calculated at least annually by dividing the sum of all claims that have been paid in full during the prior 12 month period by the sum of the gross charges for those claims. This resulting percentage is then applied to an individual's gross charges to reduce the bill.
- iii. A revised percentage will be calculated and applied by the 45th day after the first day of the start of the fiscal year used to determine the calculations.

*Applicant:* An Applicant is the person submitting an Application for Financial Assistance, including the patient and/or the patient's guarantor.

*Application:* A Financial Assistance Application.

*Application Period:* During the Application Period, the Hospital must accept and process an application for Financial Assistance ("Application"). The Application Period begins on the date the care is provided to the individual and ends on the 240th day after the Hospital provides the patient with the first billing statement for the care.

*Billed Charge(s):* The fee for a service is based on the Hospital's master charge schedule in effect at the time of the service.

*Completion Deadline:* The Completion Deadline is the date after which a Hospital may initiate or resume ECAs (as defined below) against an individual who has submitted an incomplete Application if that individual has not provided the Hospital with the missing information and/or documentation necessary to complete the Application. The Completion Deadline must be no earlier than the later of 30 days after the Hospital provides the individual with this written notice; or the last day of the Application Period.

*Cost-of-Care Discount:* 40%

*Discounted Care:* Care provided at less than Billed Charges other than Free Care. Discounts include the Cost-of-Care Discount and the Managed Care Discount.

*Extraordinary Collection Activity:* As defined by the Act, but includes any legal action with respect to a Patient's Account.

*Family Income:* Family Income is defined based on definitions used by the U.S. Bureau of the Census and includes earnings, unemployment compensation, workers' compensation, Social Security, Supplemental Security Income, public assistance payments, veterans' payments, survivor benefits, pension or retirement income, interest, dividends, rents, royalties, income from estates, trusts, educational assistance, alimony, child support, assistance from outside the household, and other miscellaneous sources. Non-cash benefits (such as SNAP and housing subsidies) are not considered income.

*Family Size:* The number of individuals listed under "Filing Status" on the Applicant's most recent tax return. If no tax return is available, Family Size shall be the number of individuals permanently residing in the Applicant's household. If another individual claims the Applicant as a dependent on the individual's tax return, then the Family Size shall include household members of the individual claiming dependency.

*Federal Poverty Guideline.* The Federal Poverty Guidelines updated periodically in the Federal Register by the United States Department of Health and Human Services under authority of 42 USC 9902(2), Guidelines, attached as Appendix A-1, shall be adjusted annually within thirty (30) days following the issuance of new Federal Poverty Guidelines in the Federal Register and on the U.S. Department of Health and Human Services website.

*Financial Assistance:* Care provided to patients who meet MSMC's criteria for Financial Assistance under various programs (collectively, "Financial Assistance Program" or "Program") and are unable to pay for all or a portion of their health care services. Financial Assistance does not include bad debt or uncollectible charges that have been recorded as revenue but written off due to a patient's failure to pay, or the cost of providing that care to patients; the difference between the cost of care provided under Medicaid or other means-tested government programs or under Medicare and the revenue derived from those programs; or contractual adjustments with any third-party payors.

*Free Care:* A discount equal to one hundred percent (100%).

*Financial Assistance Policy Committee:* That committee comprised of representatives from MSMC Affiliates and which makes recommendations with respect to this Policy and ensures operational alignment in implementing this Policy. If a committee does not exist, the CFO or his/her delegates shall be responsible for this function.

*Household Income:* The sum of a family's annual earnings and cash benefits from all sources before taxes, less payments made for child support. More specifically, Household Income is equal to the adjusted gross income listed on the Applicant's most recent tax return, adjusted to subtract child support payments and to add amounts of tax-exempt interest; non-taxable pension and annuity payments, IRA distributions, and social security; and other income not included in adjusted gross income but available to Applicant. However, if the Applicant indicates that the adjusted gross income listed on the Applicant's most recent tax return is not accurate (e.g., the Applicant is no longer employed or is being paid a different amount), the Household Income shall be calculated on the basis of other available documentation (e.g., pay stubs, unemployment statements, etc.), once again adjusted to remove child support payments and to include tax-exempt interest; non-taxable pension and annuity payments, IRA distributions, and social security; and other income available to Applicant. Household Income includes the income of all members of the household.



**Illinois Resident:** An Illinois Resident includes patients who qualify for Illinois residency under the Illinois Hospital Uninsured Patient Discount Act ("HUPDA"). HUPDA requires that the Uninsured Patient be a resident of Illinois, but does *not* require that the patient be legally residing in the United States. Patients may be required to provide evidence of Illinois residency as provided for under HUPDA. Relocation to Illinois for the sole purpose of receiving health care benefits does not satisfy the residency requirement under this definition. These patients are encouraged to seek treatment at an appropriate facility within their geographic proximity.

**Insured Patient:** A patient covered under a policy of health insurance or a beneficiary under public or private health insurance, health benefit, or other health coverage program, including high deductible health insurance plans, workers' compensation, accident liability insurance, or other third-party liability.

**Legal Illinois Resident:** A Legal Illinois Resident includes patients legally residing within the United States *and* who have their principal residence within the state of Illinois. With respect to foreign nationals, "legally residing" shall include individuals who have current visas and who are permanent residents and temporary workers. "Legally residing" shall not include foreign nationals who have visitor or student visas. Relocation to Illinois for the sole purpose of receiving health care benefits does not satisfy the residency requirement under this definition. These patients are encouraged to seek treatment at an appropriate facility within their geographic proximity.

**Medically Necessary:** Any inpatient or outpatient health care service, including pharmaceuticals or supplies, covered under Title XVIII of the federal Social Security Act for beneficiaries with the same clinical presentation as the Patient. A "Medically Necessary" service does not include any of the following: (1) non-medical services such as social and vocational services; or (2) elective cosmetic surgery, but not plastic surgery designed to correct disfigurement caused by injury, illness or congenital defect or deformity.

**Non-Resident:** A Non-Resident is a patient who is neither a Legal Illinois Resident nor an Illinois Resident.

**Uninsured Patient:** A patient not covered under a policy of health insurance or who is not a beneficiary under public or private health insurance, health benefit, or other health coverage program, including high-deductible health insurance plans, workers' compensation, accident liability insurance, or other third-party liability.

**Appendix B**  
**Example of 'Availability of Free Care' Sign-English Version**

**FREE CARE POLICY**

You may be eligible for financial assistance under the terms and conditions the hospital offers to qualified patients. For more information, contact customer service at 888-667-2770.

In order to be eligible for Free Care, you must:

Have no other source of payment such as insurance, governmental assistance or savings;  
or

Have hospital bills beyond your financial resources; and

Provide proof of income and income resources; and

Complete an application and provide information required by the hospital.

Forms and information about applying for Free Care are available upon request.

**Appendix C**  
**Example of "Availability of Free Care" Sign-Spanish Version**

**REGLAS PARA SERVICIOS DE CARIDAD**

Usted puede calificar para asistencia financiera debajo de los terminus y condiciones de el hospital. Para mas informacion, contacte a el servicio de asistencia a 888-667-2770.

Para obtener derecho a servicios caritativos, se necesita tener los siguientes requisitos:

No tener otro medio de pagar, por ejemplo, seguro medico, asistencia del gobierno federal, o sus propios ahorros o bienes

Tener cuentas de hospital que esten mas alla de sus recursos economicos.

Tambien hay que:

Presentar pruebas de sus ingresos y recursos economicos

Completar la solicitud de servicio y dar la informacion que le pide al hospital.

Formularios con informacion y datos tocante a la solicitud de servicios caritativos se proveeran. A aquellos individuos interesados.

Appendix D  
Federal Poverty Income Guidelines 2016

**2016 Federal Poverty Income Guidelines for the  
48 Contiguous States and the District of Columbia**

Persons in family/household	Poverty Income Guideline
1	\$11,770
2	16,020
3	20,160
4	24,300
5	28,440
6	32,580
7	36,730
8	40,890

For families/households with more than 8 persons, add \$4,160 for each additional person.

**2016 Federal Poverty Income Guidelines for  
Alaska**

Persons in family/household	Poverty Income Guideline
1	\$14,840
2	20,020
3	25,220
4	30,380
5	35,560
6	40,740
7	45,920
8	51,120

For families/households with more than 8 persons, add \$5,200 for each additional person.

**2016 Federal Poverty Income Guidelines for  
Hawaii**

Persons in family/household	Poverty Income Guideline
1	\$13,670
2	18,430
3	23,190
4	27,950
5	32,710
6	37,470
7	42,230
8	47,010

For families/households with more than 8 persons, add \$4,780 for each additional person.

**Appendix E**  
**(Attach IRS Form 4506-T blank form and example of completed form)**

**BEHAVIORAL HOSPITAL  
POLICY AND PROCEDURE MANUAL**

TITLE: PERFORMANCE IMPROVEMENT PROGRAM REVISED:  
EFFECTIVE DATE: \_\_\_\_\_ REVIEWED:  
APPROVED BY: \_\_\_\_\_ DATE: \_\_\_\_\_  
MEDICAL DIRECTOR

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**A. Philosophy:**

This facility is dedicated to providing excellent patient care, treatment and services for all patients in a safe and therapeutic environment. This facility fulfills its responsibilities to patients, professionals, support staff and the community through utilization of this Performance Improvement (PI) Program. The PI Program includes compiling and analyzing data in order to influence positive change and improve and maintain overall performance. The PI Program promotes a facility-wide commitment to continually meet and/or exceed standards and the facility's mission.

**B. Goals:**

1. Assure the continuous and systematic measurement of the performance process.
2. Utilization of the data to influence positive change.
3. Evaluation of the results of actions taken.
4. Sustain planned improvements.

**C. Objectives:**

1. To provide an effective, planned, systematic mechanism to design, measure, assess and improve the performance of the facility.
2. To enhance, maintain and continually improve the quality of patient care.
3. To evaluate effectiveness of the actions taken in order to confirm that the desired results are achieved and sustained.
4. To promote effective communication of PI improvements intra and or interdepartmentally, with administration, medical staff, governing body and others as appropriate.
5. To maximize competent clinical performance by the medical staff and other professionals through peer review, credentialing, orientation, training and continuing education.
6. To promote safety and assist in the prevention of untoward occurrences through systematic monitoring and evaluation.
7. To effectively utilize the information gathered from patient satisfaction surveys to improve the safety of care, treatment and services rendered.
8. To incorporate data collected from staff to improve safety of the patients served and to reduce risk and achieve desired outcomes.

**D. Scope:**

The PI Program systematically measures the performance process that supports care and utilizes the data to make improvements. The hospital leaders set performance improvement priorities and provide the resources needed to accomplish this. All individuals who work in the organization participate in PI activities. The facility selects measures that are significant and address the needs of the patients and that reduce the risk of harm to patients and others.

Actions are then taken to affect patient outcomes (including effectiveness of the response to change in vital signs, cardiopulmonary arrest, respiratory arrest, and mortality), identify educational needs and evaluate clinical competencies. Organization-wide PI activities include utilization management, management of information, infection control, medication management, safety, risk management and quality control activities.

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The assessments, analysis, actions taken and improvements accomplished and sustained are communicated through the PI Committee, Medical Executive Committee and Governing Board meetings at least quarterly. The information from the PI Committee is shared with the relevant employees through the department head.

**E. Organization:**

1. Governing Body has the ultimate responsibility and authority to establish, maintain and support an effective PI Program. It assures that the PI program is implemented and that appropriate actions are taken to improve the overall quality and efficiency of quality patient care. It receives and acts upon recommendations regarding quality care and improvement activities.
2. Medical Staff provide leadership for and actively participate in PI activities. The Medical Staff is responsible for the delivery and assessment of patient care including the continual improvement of patient care, the prevention of problems affecting patient outcomes and the overall quality, appropriateness and efficiency of patient care. Medical Staff responsibilities, duty and authority for PI activities are defined in the Medical Staff By-Laws. The Medical Staff will:
  - a. Adopt, subject to the approval of the Board, a system designed to collect and analyze data related to the improvement of patient outcomes.
  - b. Implement appropriate actions when patient care issues are identified.
  - c. Assess the effectiveness of actions taken.
  - d. Ensure the documentation of the findings and results of all medical staff committees, continuing professional education activities, medical record completeness, timeliness and clinical pertinence and other PI activities.
  - e. Participate in developing mechanisms for assuring accountability of the medical staff and other health care professionals for the care provided
  - f. Participate in and guide the PI teams. In performing quality assessments and improvement activities, the minutes, proceedings, reports, memos, statements, recommendations, letters, data and other communications of the committees and/or staff members will be confidential, privileged and protected from discovery or admission into evidence to the fullest extent provided or permitted by state law. These functions include but are not limited to peer review, Ongoing Professional Performance Evaluation (OPPE), First Professional Performance Evaluation (FPPE), credentialing, utilization management and other functions designed to improve patient care.
3. Hospital Leadership provides leadership and actively participates in PI activities. They establish criteria for gathering data, analyzing data, and performance of PI activities. They provide the resources, staff education, systems and processes necessary for quality patient care and for sustaining ongoing performance improvement.
4. The PI Committee is responsible to
  - a. Ensure ongoing PI activities by providing resources and training for the implementation of the program.
  - b. Participate in the development of the mission, vision and policy statements.
  - c. Design, maintain, support, and document evidence of the ongoing PI program, including gathering data, analyzing data, and acting to improve patient outcomes and organizational performance.
  - d. Include in the PI Committee the discussion of reports from the Performance Improvement Team (PIT), special committees as assigned, patient/family satisfaction surveys and staff input regarding PI activities.
  - e. Assure that intensive assessment occurs when analysis indicates undesirable outcomes.
  - f. Determine and prioritize process according to patient care outcomes, clinical significance and opportunity for improvement.
  - g. Appoint PIT team.
  - h. Assure that appropriate actions are taken for quality improvement.
  - i. Discuss all activities and PI improvements in the PI Committee.

- j. Report findings, area of improvement, and minutes to all relevant committees, Medical Executive Committee, Governing Body and all relevant staff.
5. Membership in the PI Committee includes but is not limited to:
- a. CEO,
  - b. Medical Director,
  - c. Safety Officer,
  - d. CNO,
  - e. PI Director,
  - f. Other management team as designated, and
  - g. Others, as appropriate.
6. PI Function of the Medical Executive Committee.  
The Medical Executive Committee reviews the PI Committees functioning. The Medical Staff approve the PI program and are responsible for the following:
- a. Review the minutes of the PI Committee. Discuss the identified patient care issues and either approve the actions taken and/or recommend further actions to be taken.
  - b. Focus on risk prevention and patient care issues.
  - c. Recommend opportunities to make improvements.
  - d. Follow up on identified issues and ensure that improvements are maintained.
  - e. Report findings, discussions and recommendations to the Board.
  - f. Refer recommendations to the appropriate committee.
  - g. Review risk management activities to determine appropriate risk reduction has occurred.
  - h. Ensure compliance with accreditation standards, licensure requirements and certification needs of the facility.
  - i. Complete an annual review of the effectiveness of the PI program.
7. Membership in the Medical Executive Committee includes the Medical Staff, CEO, CNO and others as needed.
8. Performance Improvement Teams (PIT).  
Each PIT team analyzes the data using statistical tools and methods. The team leader recommends to the PI Committee actions needing to be taken, describes actions that were taken and discusses the results of all actions taken. The presentation includes the following:
- a. A brief description about the process taken and any issues discovered.
  - b. A summary of the data collected,
  - c. The analysis of the data.
  - d. All actions taken.
  - e. All findings and recommendations.
9. Tools for analysis include but are not limited to:
- a. Flowchart (shows the process step by step),
  - b. Histogram (documents before and after),
  - c. Data Collection Sheet,
  - d. Pie Chart (shows percentage each category contributes to the total),
  - e. Control Chart (shows variation due to special/common causes),
  - f. Bar Chart (shows value of each category for comparisons),
  - g. Scatter Diagram (shows relationship between two variables),
  - h. Survey (takes perception into consideration),
  - i. Run Chart: (shows level of performance over time), and
  - j. Cause & Effect Diagram (Fishbone) (maps out factors affecting the problem).
10. Techniques for analysis:
- a. Brainstorming,
  - b. Storyboarding,
  - c. On-site Observation,
  - d. Interview
  - e. Focus Group



11. The Director of PI:
  - a. Supervises PI activities and assures that facility policies and procedures are followed.
  - b. Receives and reviews PI departmental reports and assists with the presentation to the PI Committee, Medical Executive Committee and Board.
  - c. Maintains records of data collection, analysis, PI activities and minutes.
  - d. Advises and assists all departments and services in PI activities.
  - e. Maintains a record of all PIT team activities and minutes.
  - f. Reviews all incident reports, surveys, patient complaints and grievances. Reviews for opportunities for improvement and appropriateness of corrective action.
  - g. Attends and participates in appropriate committees and meetings.
12. Departments
 

All departments, services and programs participate in the PI Program.

Areas to be concentrated on include high risk, high volume, and problem prone processes.

Baselines are chosen to measure and evaluate for improvement.

Data is collected.

Findings are analyzed.

Opportunity for improvement are focused on.

Improvements are monitored to ensure that the improvements are sustained.

The director of each department is responsible for leading PI activities within the department, monitoring for effectiveness and communicating findings to the employees within the department.

Employees are encouraged to take appropriate actions to improve quality within their departments or to notify the PI Director if further actions are needed. The hospital considers collecting data on staff opinions and needs, staff perception of risk to individuals, staff suggestions for improving patient safety and staff willingness to report adverse events.

All departments, services and programs are included. This includes but is not limited to:

- a. Pharmacy,(including adverse drug reactions)
  - b. Nutrition Services,
  - c. Educational Services,
  - d. Environmental Services,
  - e. Information Management,
  - f. Nursing Services (including code blue, medication errors, falls, all restraint and seclusions)
  - g. Lab Services,
  - h. EKG Services,
  - i. Radiology,
  - j. Clinical Services,
  - k. Housekeeping Services.
13. Quality Indicator Project is an external monitoring system which provides both an internal and an external monitoring database. The database is reported to The Joint Commission and CMS. The Director of PI is responsible to participate in the program and to provide status reports to the PI Committee, Medical Executive Committee and the Board.
  14. Patient and Family Satisfaction Surveys
 

Satisfaction Surveys will be given to the patient and /or family at the time of discharge. The data will be collected and analyzed. The results are presented to the PI Committee to determine if areas for improvement exist.
  15. Staff Surveys
 

Staff will be periodically surveyed for suggestions for improvement concerning patient care, risk reduction, educational opportunities, retention suggestions, etc.

#### F. Medical Staff Functions:

1. Performance Review. The Medical Staff along with other clinical staff develop and approve criteria for review. Objective, specific measurable criteria is chosen to accurately assess clinical performance. Data is then collected, measured and analyzed.

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2. The Medical Staff utilizes the findings to determine ongoing evaluation needs, proctoring needs and ultimately the information is utilized in the credentialing process.
3. Measures include but are not limited to OPPE and FPPE :
  - a. Use of medicines including multiple antipsychotic agents.
  - b. Assessment and treatment of patients.
  - c. Special treatment procedures.
  - d. Patient care and safety.
  - e. Utilization of contract services.
  - f. Accurate and timely completion of medical records.
  - g. Patient/Family education.
  - h. Continuation of care with other practitioners.
  - i. Patterns of practice, documentation deficiencies, report of unprofessional conduct and or repeated patient complaints are evaluated for corrective action.
4. Pharmacy and Therapeutics/Infection Control (IC) Functions including but not limited to:
  - a. Oversees the development and approval of Pharmacy and Infection Control policies and procedures.
  - b. Develops and approves the formulary.
  - c. Review of adverse drug reactions and medication variances.
  - d. Evaluation of medication use including but not limited to antibiotics, non-formulary use, and poly-pharmacy.
  - e. Evaluation of IC surveillance activities.
  - f. Approval of the Infection Control Plan.
  - g. Authorization of the IC Coordinator to implement the Infection Control Plan.
5. Utilization Management (UM) Functions which includes but is not limited to:
  - a. Two physicians must attend every UM Committee.
  - b. Areas covered in the committee include at a minimum:
    - 1). Appropriateness of admission and clinical necessity.
    - 2). Over utilization and underutilization.
    - 3). Recidivism.
    - 4). Availability of resources.
    - 5). Case review.
    - 6). AMA discharges.
    - 7). Denial of payment.
6. Safety Functions which include but not limited to:
  - a. Review risk management including identified risks, variations from clinical practice, safety concerns of patients, visitors or staff.
  - b. Assess and approves the Safety and Risk Management Plans.
  - c. Approve the Safety and Risk Management policies and procedures.
  - d. Review environmental surveys.
  - e. Review of Disaster Drills.
7. Credentialing Functions which include but are not limited to:
  - a. Investigating, verifying and considering each applicant for appointment or reappointment. OPPE and FPPE is to be utilized in the credentialing process.
  - b. Make recommendations to the Board for consideration of all applications and delineation of privileges per the written credentialing plan.
  - c. The Committee is responsible for continuous assessment of staff performance as defined in the Medical Staff By-Laws.

G. Methodology:

1. A modified Plan-Do-Check-Act process is utilized.
  - a. Plan:
    - 1). Assign responsibility for measurement and assessment.
    - 2). Delineate the scope.

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- 3). Identify important functions for measurement.
  - 4). Identify measures.
  - 5). Establish baselines.
  - 6). Collect data.
  - 7). Evaluate data.
- b. Do: Take action to achieve improvement:
- 1). Carry out the task.
  - 2). Collect the data as planned.
  - 3). Document the actions and results.
- c. Check:
- 1). Check the results to make sure that the changes implemented had the desired results.
  - 2). Analyze the data gathered.
  - 3). Document on the appropriate graph or tool.
  - 4). Summarize the findings. Document the improvements.
- d. Act:
- 1). If successful, build the new system.
  - 2). Revise policies and procedures, as appropriate.
  - 3). Create data collection for ongoing monitoring of the process.
  - 4). Communicate the results to the appropriate committees, individuals, and to the PI program.
2. Type of corrective actions may include, but are not limited to the following:
    - a. Staff education/ training.
    - b. New or revised policies and procedures.
    - c. Change in resources.
  3. On-going monitoring to ensure the improvements are maintained.

H. This program is reviewed and evaluated on an annual basis. The program can be amended or revised at any time by following the correct process but the revised program cannot be implemented until approved by the PI Committee, Medical Staff Committee and Board.

I. Confidentiality:

The PI program and any and all of the documentation is confidential information. The information is maintained in a manner that will preserve its character and is not discoverable or admissible in a court of law.

The confidential nature of PI records must be respected by all participants. All staff must be committed to the maintenance of strict confidentiality. Policies and procedures pertaining to confidentiality will be strictly enforced.

J. The information will be secured in the PI Department or in the respective department with PI responsibilities. Data is available only to those individuals who are responsible to perform the required PI activities for the PI Program. Only those organizations responsible for surveying the facility for accreditation and licensing activities may have access to the PI materials. Performance rates are shared with The Joint Commission and CMS in order to compare results with other similar facilities. Any other use or distribution of PI data, analysis or documentation must be authorized by the CEO, PI Committee or Board.

DRAFT

BEHAVIORAL HOSPITAL

GOVERNING BOARD BYLAWS and CONSTITUTION

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ARTICLE I  
Names and Offices

SECTION 1.1: NAME. The name of the Corporation is US HealthVest, LLC.

SECTION 1.2: OFFICES. US HealthVest, LLC shall have and continuously maintain a registered office in the state of Illinois, and a registered agent whose office may be, but need not be, identical with the registered office, as determined by the Board of Directors. The registered office is \_\_\_\_\_ Behavioral Hospital.

ARTICLE II  
Purposes

\_\_\_\_\_ Behavioral Hospital is dedicated to providing quality mental health services in a highly ethical manner. \_\_\_\_\_ Behavioral Hospital's mission is to help patients and families to reach their fullest potential by empowering intellectual, spiritual, moral and emotional growth in a safe and therapeutic environment. A full spectrum of mental health services are provided through in-patient program, partial hospital program, intensive out-patient program and reintegration with the community.

Fundamental to \_\_\_\_\_ Behavioral Hospital's beliefs is that: Every person should be treated with respect, compassion, and dignity. Every person has value in our society and will be encouraged to succeed at their highest potential: Every person is effected by the diversity of his/her culture, faith, ethnicity, and personal experience. The safety and well-being of those entrusted to \_\_\_\_\_ Behavior Hospital's care is our fundamental priority.

\_\_\_\_\_ Behavioral Hospital considers the protection of patient rights as paramount to their health and safety. To that end, \_\_\_\_\_ Behavioral Hospital strives to ensure that these rights are continuously maintained and protected through the development of standards, policies and procedures.

Ongoing training, education and Performance Improvement activities ensure that there is a high quality level of patient care and that the high standards of the organization are maintained.

ARTICLE III  
Governing Board

SECTION 3.1: GENERAL POWERS. The affairs of \_\_\_\_\_ Behavioral Hospital are managed by the Governing Board. The Board is ultimately accountable for the quality of patient care, treatment and services. The Governing Board ensures the safety of patients, staff and others. The Governing Board upholds the Medical Staff By Laws, Rules and Regulations, the Credentialing Process and the policies that have been approved by the

Governing Board. The Governing Board has oversight to ensure an ongoing program for performance improvement and risk management at \_\_\_\_\_ Behavioral Hospital.

SECTION 3.2: NUMBER, TENURE AND QUALIFICATIONS. The number of voting Directors shall be not less than four (4) or more than seven (7). One of the voting Directors shall be the President and Chief Executive Officer of US HealthVest, LLC. The other voting members from the corporate level are the Chief Operating Officer (COO), Senior Vice President of Operations, the Senior Vice President of Clinical Services and the Chief Financial Officer (CFO). The voting members from \_\_\_\_\_ Behavioral Hospital are the Chief Executive Officer (CEO), Chief Financial Officer and the Chief Nursing Officer. Non-voting members from \_\_\_\_\_ Behavioral Hospital include the hospital Chief Operating Officer (COO), Medical Director, Director of Performance Improvement/Risk Manager, and Director of Community Relations. The minimum and maximum number of Directors may be increased or decreased from time to time by amendment of this Section. Each Director tenure is a term of two years and is dependent on the employment of the individual in the office.

SECTION 3.3: REGULAR MEETINGS. The annual meeting of the Board of Directors shall be held in April of each year or at such as determined by the Chairperson of the Governing Board. At such time and place the Chairperson shall determine for the purpose of electing officers of the Governing Board and for the transaction of any other business which may come before the meeting. The Governing Board shall meet no less than quarterly; however, the Governing Board may provide by resolution the time and place, either within the state of Illinois or elsewhere, for the holding of regular meetings of the Board without other notice than such resolution. The Governing Board shall keep minutes of all meetings.

SECTION 3.4: SPECIAL MEETINGS. Special meetings of the Governing Board may be called by or at the request of the Chairperson of the Board or any three Directors. The person or persons authorized to call special meetings of the Board shall fix the time and place, either in Illinois or elsewhere, as the time and place for the holding of such a special meeting. All meetings are required to keep minutes.

SECTION 3.5: NOTICE. Notice of any special meeting of the Governing Board shall be given no less than twenty-four (24) hours previously thereto by written notice delivered personally or sent by mail, fax, e-mail transmission, or any other electronic means to each Director at his/her office or e-mail address, as shown by the records of \_\_\_\_\_ Behavioral Hospital. If notice is given by fax or e-mail, or any other electronic means, such notice will be deemed to have been delivered upon confirmation of transmission. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted, nor the purpose of any regular or scheduled meeting of the Board need be specified in the notice or waiver of notice of such meeting, unless specifically required by law or by these By Laws.

SECTION 3.6: QUORUM. A majority of the Directors shall constitute a quorum at any meeting of the Board, provided, that if less than a quorum of the Directors is present at the meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

SECTION 3.7: MANNER OF ACTING. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board, except where otherwise provided by law or by these By Laws.

SECTION 3.8: INFORMAL ACTION BY DIRECTORS ENTITLED TO VOTE. Any action to be taken at any meeting of the Directors entitled to vote may be taken by ballot without a meeting, in writing by mail, fax, e-mail transmission, or any other electronic means pursuant to which the Directors entitled to vote thereon are given the opportunity to vote for or against the proposed action, and the action receives approval by a majority of the Directors casting votes, or such larger number as may be required by a majority of the Directors casting votes, or such larger number as may be required by law or by these By Laws; provided that the number of Directors casting votes would constitute a quorum. If in the event that such action is taken, voting shall remain open for not less than twenty-four (24) hours from the date the ballot is delivered; provided, however, in the case of a removal of one or more Directors, a merger, consolidation, dissolution or sale, lease or exchange of assets, the voting must remain open for not less than one (1) week from the date the ballot is delivered. Such informal action by the Directors shall become effective only if, at least twenty-four (24) hours prior to the effective date of such informal action, a notice of the proposed action is delivered in accordance with the provisions of Section 3.5 of these By Laws to all of the Directors entitled to vote with respect to the subject matter thereof.

SECTION 3.9: VACANCIES. Any vacancy occurring in the Governing Board shall be temporarily filled with the person holding the Interim position.

SECTION 3.10: COMMUNICATIONS EQUIPMENT. Members of the Governing Board or any committee of the Governing Board may participate in and act at any meeting of such Governing Board or committee through the use of a telephone conference or other communications equipment by means of which all persons participating in the meeting can hear each other. Participation in such a meeting shall constitute attendance and presence in person at the meeting of the person or persons so participating.

SECTION 3.11: REMOVAL OF DIRECTORS. One or more of the Directors may be removed, with or without cause, by an affirmative vote of the Majority of the Directors present and voting at a meeting of the Board at which a quorum was present, except that the Director may be removed only by the prior consent of the CEO of US Health Vest, LLC.

SECTION 3.12: RESIGNATION OF DIRECTORS. A Director may resign at any time by giving written notice to the Board, its Chairperson or Vice Chairperson, or to the President. A resignation is effective when the notice is delivered. The pending vacancy may be filled prior to the effective date, but the successor shall not take office until the effective date.



SECTION 3.13: DIRECTOR COMPENSATION. Directors as such shall not receive any additional salary for being a Director on the Board.

SECTION 3.14: CONFLICT OF INTEREST. Each Director must disclose to the Board any personal interest he/she or any immediate family has, or may have, in any current or potential matter before the Board; and shall refrain from participating in any decision regarding such matters. Immediate family member refers to spouse, parent, child, sibling, aunt, uncle, niece, nephew, grandparent, grandchild, and members of the household.

#### ARTICLE IV

##### Committees, Commissions and Other Advisory Bodies

SECTION 4.1: EXECUTIVE COMMITTEE. There shall exist an Executive Committee of the Governing Board. The composition of the Executive Committee, all of whom shall be voting members, shall be the CEO of US Health Vest, LLC, who is the Chairperson of the Executive Committee; The Vice-Chairperson who is the Chief Operating Officer of US Health Vest, LLC; the Senior Vice President of Clinical Services for US Health Vest, LLC; the Senior Vice President of Finances of US Health Vest, LLC; the Chief Executive Officer (CEO) of \_\_\_\_\_ Behavioral Hospital; the Chief Financial Officer of \_\_\_\_\_ Behavioral Hospital; and Chief Nursing Officer of \_\_\_\_\_ Behavioral Hospital. The CEO of the corporation shall have the right to attend all meetings of the Executive Committee. The Executive Committee shall have and will exercise all of the authority of the Governing Board in the management of \_\_\_\_\_ Behavioral Hospital during the interim periods between the regularly scheduled meetings of the Board. A majority of the Executive Committee shall constitute a quorum, and a majority of the Executive Committee members present and voting at a meeting at which a quorum is present is necessary for Executive Committee action. The Executive Committee may act by unanimous consent of the voting members in writing without a meeting. The Executive Committee shall keep minutes of its meetings and report the same to the Board.

SECTION 4.2: OTHER COMMITTEES. The Board, by resolution adopted by a majority of the Directors in office, may designate one or more committees. The Governing Board Chairperson shall appoint the members of the Board of Directors, or such other persons as he/she designates, to serve on the committee(s), which appointees shall be ratified by the Board; and the chairperson of any committee so designated by the Board. Each committee shall have at least two Directors. The Board of Directors, by resolution, shall adopt a charter of duties and responsibilities for each committee. The committee shall exercise the authority provided by this charter and not otherwise restricted by law. Each committee shall keep minutes of its meetings and report the same to the Executive Committee and, when required by the Chairperson of the Board and to the Board.

##### SECTION 4.3: COMMISSIONS AND OTHER ADVISORY BODIES.

The Chairperson of the Board may create a commission, advisory body, which body may not act on behalf of \_\_\_\_\_ Behavioral Hospital, or bind it to any action but may make recommendations to the Board, the Executive Committee, or the officers of \_\_\_\_\_ Behavioral Hospital.

The Chairperson of the Governing Board shall appoint persons to serve on the Advisory Body. Each committee or advisory body shall keep minutes of its meetings and report the same to the Executive Committee and the Board.

## ARTICLE V Officers

SECTION 5.1: Officers. The officers of the Governing Board shall be the Chairperson of the Governing Board (who is the CEO of US Health Vest/designee), a Vice-Chairperson of the Governing Board (who is the COO of US Health Vest/designee), a President (who is the CEO of \_\_\_\_\_ Behavioral Hospital), a Vice President (who is the CNO), a Secretary (who is appointed by the president), Treasurer (CFO at \_\_\_\_\_ Behavioral Hospital) and such other officers as may be elected in accordance with the provisions of this Article. The President and the Vice President shall have the right to attend all meetings of the Board. The Board may elect or appoint such other officers as it shall deem desirable, such officers who have the authority and perform specific duties presented from time to time. Any two or more offices may be held by the same person except the offices of Chairperson, Vice-Chairperson, President, Secretary and Treasurer.

SECTION 5.2: ELECTION, TERM OF OFFICE, AND QUALIFICATION. Election of officers shall be held at the regular annual meeting of the Board in April of each year, and if the election isn't held at this meeting, then the election will be held as soon as possible afterward. Vacancies may be filled or new offices created and filled at any meeting of the Board. Each elected officer shall hold office for a term of two (2) years and until the successor shall have been duly elected.

SECTION 5.3: REMOVAL. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors, whenever it is in its judgment in the best interest of \_\_\_\_\_ Behavioral Hospital would be best served. Such removal shall be without prejudice. The President and Vice President can only be removed with prior consent from the Chairperson of the Board.

SECTION 5.4: VACANCIES. A vacancy in an office may be filled by the Board at any meeting for the unexpired portion of the term, in accordance with the provisions of Article V.

SECTION 5.5: CHAIRPERSON OF THE BOARD. The Chairperson of the Board shall preside at all meetings of the Board of Directors and shall preside at all meetings of the Board.

SECTION 5.6: VICE-CHAIRPERSON OF THE BOARD. In the absence of the Chairperson of the Board or the inability or refusal to act as the Chairperson, the Vice-Chairperson of the Board shall perform the duties of the Chairperson and when so acting, shall have all the powers of and be subject to all of the restrictions upon the Chairperson. The Vice-Chairperson shall perform such other duties as from time to time may be assigned to the Vice-Chairperson by the Chairperson or by the Board of Directors.

SECTION 5.7: PRESIDENT. The CEO of \_\_\_\_\_ Behavioral Hospital is the President. The President shall be the CEO of \_\_\_\_\_ Behavioral Hospital and in general shall supervise and control all of the business and affairs of \_\_\_\_\_ Behavioral Hospital. The President may sign contracts and other instruments which the Board has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws or by statute to some other officer or agent. In general, the President shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time. In addition to the powers and duties of the President herein set forth, the President shall (a) prepare, maintain and from time to time revise rules and regulations for the operation of \_\_\_\_\_ Behavioral Hospital; (b) monitors the reports from all Medical Staff Committees; (c) designate the various other officials and employees of \_\_\_\_\_ Behavioral Hospital; and (d) perform all functions relative to the operation of \_\_\_\_\_ Behavioral Hospital as shall be deemed advisable by the President and not inconsistent with these Bylaws or resolutions adopted by the Governing Board.

SECTION 5.8: VICE PRESIDENT. Is an employee of \_\_\_\_\_ Behavioral Hospital designated by the President. In the absence of the President or in the event of inability or refusal to act as the President, the Vice President shall perform the duties of the President when so acting, shall have all the powers of and be subject to all the restrictions of the President. The Vice President shall perform such other duties as from time to time may be assigned to the Vice President by the President or the Board.

SECTION 5.9: SECRETARY. The Secretary shall (a) record the minutes of the meetings of the Board in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these By Laws; (c) be custodian of the records and of the seal of \_\_\_\_\_ Behavioral Hospital and see that the seal is affixed to all documents, the execution of which on behalf of \_\_\_\_\_ Behavioral Hospital under its seal is duly authorized by the Board or in accordance with the provisions of these By Laws; (d) keep a register of the e-mail addresses of each Director and the office address of each Director which shall be furnished to the Secretary by each Director; and (e) in general , perform all duties incident to the office of Secretary and such duties as from time to time may be assigned to the Secretary by the President of the Governing Board.

SECTION 5.10: TREASURER. The Treasurer shall: (a) maintain knowledge of the financial affairs of \_\_\_\_\_ Behavioral Hospital; (b) serve as the Chairperson of the Finance Committee of the Board of Directors; (c) manage, with the Finance Committee, the Board's review of and action related to the financial responsibilities of the Board; (d) oversee and assure that the Chief Financial Officer of \_\_\_\_\_ Behavioral Hospital maintains adequate books of account ;(e) work with the Board's President and Chief Financial Officer to assure that appropriate reports are made to the Board on a timely basis; (f) have the authority to act as signatory on any documents, including drafts or checks issued , in the name of \_\_\_\_\_ Behavioral Hospitals may be determined by a resolution of the majority of the Board; and

(g) in general, perform all the duties incident to the office of Treasurer as may be assigned by the Governing Board.

SECTION 5.11: OFFICER COMPENSATION: Officers as such shall not receive any additional stated salary for their services, and shall serve without additional compensation.

ARTICLE VI  
The Executive Director (CEO)

SECTION 6.1: RESPONSIBILITIES OF THE EXECUTIVE DIRECTOR. The Governing Board selects and appoints the CEO, who is competent and has the appropriate qualifications, experience and expertise. The CEO shall be given the authority and will be held responsible and accountable to the Governing Board for the overall management, control and operation of \_\_\_\_\_ Behavioral Hospital, including:

- A. The preparation of long-term and short-term plans for \_\_\_\_\_ Behavioral Hospital;
- B. The recruitment, of the Medical Staff and ensures the compliance with the Medical Staff By Laws, Rules and Regulations and the Credentialing Process of \_\_\_\_\_ Behavioral Hospital. This includes ensuring compliance with Performance Improvement efforts in monitoring Physicians through Peer Review, FPPE, OPPE, and hospital-wide in the Performance Improvement Committee which is a Medical Staff Committee.
- C. The recruitment and direction of competent and well qualified staff in adequate numbers to carry out the function of the hospital;
- D. The control, utilization, and conservation of \_\_\_\_\_ Behavioral Hospital;
- E. The establishment, maintenance and communication of an effective Safety Management Program;
- F. The reporting on the nature and extent of funding and other available resources;
- G. Overseeing the ongoing Performance Improvement efforts at the hospital including but not limited to Medical Staff Committees, Peer Review, Chart Audits, Departmental PI activities, PIT teams, and Risk Management.

- H. Describing \_\_\_\_\_ Behavioral Hospital's operations, evaluation of \_\_\_\_\_ Behavioral Hospital's budgets and financial statements;
- I. The preparation and periodic reviews, revisions, and updates of a written manual of the policy and procedures of \_\_\_\_\_ Behavioral Hospital that is in compliance with the local, state and federal laws and regulations and with the standards of the Joint Commission, CMS and other various licensing and approval agencies; and
- J Ensures for the mechanism in addressing physical and mental health problems through appropriate referral , including but not limited to the Employee Assistance Program.

**SECTION 6.2: REPORTING REQUIREMENTS TO THE BOARD.**

The CEO shall provide, no less than on a quarterly basis, a written report to the Governing Board concerning the operations of \_\_\_\_\_ Behavioral Hospital, its compliance with organizational policies, and any findings and recommendations emanating from the activities required by Section 6.1.

**SECTION 6.3: VACANCY.** In the absence of the CEO, an employee of \_\_\_\_\_ Behavioral Hospital designated by the CEO shall assume the role and responsibilities incident to the office of the President of the Board (CEO) as set forth in Section 5.6 of Article V. The Governing Board or its designated committee shall be charged with the responsibility for transition planning, identifying qualified candidates, and conducting a formal search for a CEO, when necessary.

**SECTION 6.4: ANNUAL REVIEW OF THE CEO.** The Governing Board shall annually review, in writing, the performance of the CEO against performance criteria that are linked to \_\_\_\_\_ Behavioral Hospital's long term plan. The CEO shall participate in the evaluation process and review, sign, and respond to the evaluation before it is entered into his/her record. The Board shall also review the fairness of the CEO's compensation and benefits in relationship to industry standards and practices and federal requirements on an annual basis.

**SECTION 6.5: EVALUATION OF THE BOARD.** The Board shall annually evaluate itself and the effectiveness of its partnership with the CEO in fulfilling \_\_\_\_\_ Behavioral Hospital's mission using written criteria developed by the CEO and the Governing Board.

ARTICLE VII  
Contracts, Checks, Deposits and Funds

SECTION 7.1: CONTRACTS. The Board may authorize any officer(s), agent(s) of \_\_\_\_\_ Behavioral Hospital, in addition to the officers so authorized by these By Laws to enter into any contract or execute and deliver any instrument in the name of and on behalf of \_\_\_\_\_ Behavioral Hospital and such authority may be general or confined to specific instances; provided, however; no authorization shall be given for the sale or conveyance of any physical asset of \_\_\_\_\_ Behavioral Hospital without the prior consent of the CEO of US Health Vest, LLC.

SECTION 7.2: CHECKS, DRAFTS, AND OTHER INSTRUMENTS. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of \_\_\_\_\_ Behavioral Hospital shall be signed by such officer(s), agent(s) of \_\_\_\_\_ Behavioral Hospital in such a manner as shall from time to time be determined by the Board. In the absence of such determination by the Board, such instruments shall be authorized by the Chairman of the Board/designee and signed by the CEO or CFO of \_\_\_\_\_ Behavioral Hospital.

SECTION 7.3: DEPOSITS. All funds of \_\_\_\_\_ Behavioral Hospital shall be deposited from time to time to the credit of \_\_\_\_\_ Behavioral Hospital in such banks, trust companies or other depositories as the CEO may select.

SECTION 7.4: GIFTS. The CEO may accept on behalf of the \_\_\_\_\_ Behavioral Hospital any contribution, gift, bequest or devise for general purposes or for any special purpose of \_\_\_\_\_ Behavioral Hospital.

ARTICLE VIII  
Books and Records

\_\_\_\_\_ Behavioral Hospital shall keep correct and complete books and records of account and shall also keep minutes of the meetings of the Governing Board and shall keep in the Administrative office a record giving the names and addresses of the Directors entitled to vote. Any voting Director shall have the right to examine, in person or by agent, at any reasonable time(s), \_\_\_\_\_ Behavioral Hospital's books and records of account and minutes.

ARTICLE IX  
Indemnification

SECTION 9.1: INDEMNIFICATION IN ACTIONS OTHER THAN BY OR IN THE RIGHT OF \_\_\_\_\_ BEHAVIORAL HOSPITAL. \_\_\_\_\_ Behavioral Hospital may indemnify

any person who serves \_\_\_\_\_ Behavioral Hospital, who was or is threatened to be party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of \_\_\_\_\_ Behavioral Hospital) by reason of the fact that he/she is or was a Director, officer, employee, or agent of \_\_\_\_\_ Behavioral Hospital, or is or was serving at the request of \_\_\_\_\_ Behavioral Hospital, against expenses (including attorney's fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by the person in connection with the action, suit, or proceeding, if such person acted in good faith and in a manner he/ she reasonably believed to be in, or not opposed to, the best interests of \_\_\_\_\_ Behavioral Hospital and, with respect to any criminal action or proceeding, had no reasonable cause to believe his/her conduct was unlawful.

SECTION 9.2: INDEMNIFICATION IN ACTIONS BY OR IN THE RIGHT OF \_\_\_\_\_ BEHAVIORAL HOSPITAL. \_\_\_\_\_ Behavioral Hospital may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of \_\_\_\_\_ Behavioral Hospital to procure a judgment in its favor by reason of the fact that such person is or was a Director, officer, employee, or agent of \_\_\_\_\_ Behavioral Hospital, or is or was serving at the request of \_\_\_\_\_ Behavioral Hospital as a Director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorney's fees) actually and reasonably incurred by the person in connection with the defense or settlement of the action or suit, if the person acted in good faith and in a manner he/she reasonably believed to be in, or not opposed to, the best interest of \_\_\_\_\_ Behavioral Hospital, provided that no indemnification shall be made in respect of any claim, issue, or matter as to which the person shall have been adjudged to be liable for negligence or misconduct in the performance of his/her duty to \_\_\_\_\_ Behavioral Hospital, unless, and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

SECTION 9.3: RIGHT TO PAYMENT OF EXPENSES. To the extent that a Director, officer, employee, or agent of \_\_\_\_\_ Behavioral Hospital has been successful, on the merits or otherwise, in the defense of any action, suit, or proceeding referred to in Section 9.1 and 9.2 of this Article, or in defense of any claim, issue, or matter therein, such person shall be indemnified against expenses (including attorney's fees) actually and reasonably incurred by such person in connection therewith.

SECTION 9.4: DETERMINATION OF CONDUCT. Any indemnification under 9.1 and 9.2 of this Article (unless ordered by court) shall be made by \_\_\_\_\_ Behavioral Hospital only as authorized in the specific case, upon a determination by a majority vote of a quorum of the Governing Board consisting of Directors who are not parties of such action, suit, or proceeding that indemnification of the Director, officer, employee, or agent is proper in the circumstances because he /she has met the applicable standard of conduct set forth in Section 9.1 or 9.2 of this Article.

SECTION 9.5: PAYMENT OF EXPENSES IN ADVANCE. Expenses incurred in defending a civil or criminal action, suit, or proceeding may be paid by \_\_\_\_\_ Behavioral Hospital in advance of the final disposition of such action, suit, or proceeding, as authorized by the Governing Board in the specific case, upon receipt of an undertaking by or on behalf of the Director, officer, employee, or agent to repay such amount.

SECTION 9.6: INDEMNIFICATION NOT EXCLUSIVE. The indemnification provided by this article shall be to the fullest extent and in manner set forth in and permitted by any applicable law, as may from time to time be in effect, and any repeal or modification thereof shall not affect any right or obligations then existing. Neither payment or indemnification nor reimbursement of expenses shall be deemed compensation.

SECTION 9.7: INSURANCE. \_\_\_\_\_ Behavioral Hospital may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee, or agent of \_\_\_\_\_ Behavioral Hospital, or who is or was serving at the request of \_\_\_\_\_ Behavioral Hospital as a Director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his /her status as such, whether or not \_\_\_\_\_ Behavioral Hospital would have the power to indemnify such person against such person against such person against such liability under the provisions of this Article.

ARTICLE X  
Fiscal Year.

The fiscal year of \_\_\_\_\_ Behavioral Hospital shall begin on the 1st day of January and end of the 31th day of December in each year.

ARTICLE XI  
Seal

The seal shall contain the words "\_\_\_\_\_ Behavioral Hospital Seal" and shall contain such designs and other matter as shall be approved by the Governing Board.

ARTICLE XII  
Waiver of Notice

Whenever any notice, regardless of the subject, is required to be given under the provisions of the Articles of Incorporation or the Incorporation or by the Bylaws of \_\_\_\_\_ Behavioral Hospital, a waiver thereof in writing signed by the person(s) entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.



ARTICLE XIII  
Amendments

These By Laws may be altered, amended or repealed, in whole or part, and new By Laws may be adopted by the Directors present at any regular meeting or at any special meeting, provided that not less than twenty four (24) hours' written notice of the intention to alter, amend, or repeal, or adopt new bylaws at such meeting; provided however; that Article III, Section 2 and section 11, Article V, Section 3, and Article VII, Section 1 may not be altered, amended or repealed without the prior consent of the CEO of US Health Vest, LLC.

ARTICLE XIV  
Review and Approval

These By Laws shall be reviewed on a regularly scheduled basis, but no less than every four years, to assess and establish \_\_\_\_\_ Behavioral Hospital's structure, size, and the responsibilities of the Governing Board, as set forth in Sections III, IV, V, and VI of these By Laws.

The undersigned hereby certifies that the By Laws, as amended, were duly adopted and approved by the \_\_\_\_\_ Behavioral Hospital's Governing Board.

**Financial Viability**

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

**Financial Viability Waiver**

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

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

**See Section 1120.130 Financial Waiver for information to be provided.**

The proposed project meets item 2 above of the Financial Viability Waiver. The Applicant is funding the proposed project through internal resources. The audited financial statements for US HealthVest, LLC (the Sole Corporate Member funding the proposed project) are appended as ATTACHMENT-17A. Appended as ATTACHMENT-17B, is a Declaration and Verification that the project costs (asset purchase agreement) will be completely funded through internal sources, i.e., cash.

# **US HealthVest**

**BEHAVIORAL HEALTHCARE REDEFINED**

**Consolidated Audited Financial Statements  
and Supplemental Information for  
US HealthVest, LLC**

For the Years ended December 31, 2016 and 2015

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## INDEPENDENT AUDITORS' REPORT

To the members of:  
US HealthVest, LLC  
New York, N.Y.

We have audited the accompanying consolidated financial statements of US HealthVest, LLC and subsidiaries, which comprise the balance sheet as of December 31, 2016 and 2015, and the related statements of operations, members' equity and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from 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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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.

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of US HealthVest, LLC, as of December 31, 2016 and 2015, and the results of their operations, changes in members' equity, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Purchase, New York  
February 25, 2017

# US HealthVest, LLC

## Consolidated Balance Sheets

<i>As of December 31,</i>	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and equivalents	\$ 64,182,652	\$ 10,824,507
Accounts receivable, net	3,750,201	3,834,931
Inventory	146,983	136,448
Prepaid expenses	799,246	550,020
<b>Total Current Assets</b>	<b>68,879,082</b>	<b>15,345,906</b>
Land, Property and Equipment, net	54,069,828	15,147,568
<b>Other Assets</b>		
Investment in future facilities	899,900	444,642
Other receivable and other assets	23,936	44,234
Goodwill	15,016,697	15,016,697
<b>Total Other Assets</b>	<b>15,940,533</b>	<b>15,505,573</b>
<b>Total Assets</b>	<b>\$ 138,889,443</b>	<b>\$ 45,999,047</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 7,155,376	\$ 1,888,447
Accrued expenses	2,777,472	2,088,698
Retainage on Construction	1,762,362	-
Deferred Gain on Sale Leaseback, current portion	592,454	-
Capital Lease Payable, current portion	631,098	-
Note Payable, current portion	-	108,587
Financed insurance	227,542	165,342
<b>Total Current Liabilities</b>	<b>13,146,304</b>	<b>4,251,074</b>
Capital Lease Payable	19,043,016	-
Deferred Gain on Sale Leaseback, net of current	7,948,752	-
Note Payable, net of current	6,169,228	7,048,086
Financing Costs, net	(333,484)	(140,197)
<b>Long term debt net of unamortized financing cost</b>	<b>32,827,512</b>	<b>6,907,889</b>
<b>Total Liabilities</b>	<b>45,973,816</b>	<b>11,158,963</b>
<b>MEMBERS' EQUITY</b>	<b>92,915,627</b>	<b>34,840,084</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$ 138,889,443</b>	<b>\$ 45,999,047</b>

*See accompanying notes to the financial statements*

# US HealthVest, LLC

## Consolidated Statements of Operations

<i>For the Years ended December 31,</i>	2016	2015
<b>Revenues</b>		
Net Patient Service Revenues	\$ 31,598,936	\$ 15,622,251
Other Revenue	1,697,612	1,375,051
<b>Net Revenues</b>	<b>33,296,548</b>	<b>16,997,302</b>
<b>Operating Expenses</b>		
Salaries and benefits	18,868,677	12,294,947
Professional fees	4,388,719	2,311,921
Supplies	1,437,340	967,231
Licenses, permits and fees	1,429,996	944,276
Contracted services	1,211,489	497,373
Bad debt expense	813,681	205,906
Property and business taxes	721,085	453,448
Travel and entertainment	710,814	614,349
Insurance	474,228	348,377
Utilities	351,755	253,618
Repairs and maintenance	325,967	212,848
Contracted labor	204,598	401,309
Rent	190,440	198,426
Recruiting costs	136,317	101,515
Other operating expenses	94,565	71,059
Computer and internet	91,254	46,734
Security	67,285	-
Advertising and marketing	46,146	24,869
Dues and subscriptions	18,518	8,608
<b>Total Operating Expenses</b>	<b>31,582,874</b>	<b>19,956,814</b>
<b>Income (Loss) from Operations before other Items</b>	<b>1,713,674</b>	<b>(2,959,512)</b>
Depreciation and amortization expense	(985,435)	(271,695)
Interest expense	(1,561,582)	(135,735)
Interest income	40,068	9,896
<b>Net Loss</b>	<b>\$ (793,275)</b>	<b>\$ (3,357,046)</b>

*See accompanying notes to the financial statements*

# US HealthVest, LLC

## Consolidated Statements of Members' Equity

*For the years ended December 31, 2016 and 2015*

<b>Beginning Balance, January 1, 2015</b>	<b>\$ 27,697,130</b>
Contributions from Members	10,500,000
Net loss for the year ended December 31, 2015	(3,357,046)
<b>Balance, December 31, 2015</b>	<b>34,840,084</b>
Contributions from Members	58,868,818
Net loss for the year ended December 31, 2016	(793,275)
<b>Balance, December 31, 2016</b>	<b>\$ 92,915,627</b>

*See accompanying notes to the financial statements*



# US HealthVest, LLC

## Consolidated Statements of Cash Flows

<i>For the years ended December 31,</i>	2016	2015
<b>Cash Flows From Operating Activities</b>		
Net Loss	\$ (793,275)	\$ (3,357,046)
Adjustments to Reconcile Net Loss to Net Cash		
Provided by Operating Activities:		
Depreciation and amortization	985,435	271,695
Interest expense associated with financing costs	154,596	8,685
Bad debt expense	813,681	205,906
Changes in Operating Assets and Liabilities:		
Increase in prepaid expenses	(249,226)	(82,663)
Increase in other receivable and other assets	(434,960)	(296,998)
Increase in accounts receivable	(728,951)	(3,201,540)
Increase in inventory	(10,535)	(2,315)
Increase in accounts payable and accrued expenses	5,955,703	2,496,426
<b>Net Cash Flows Provided by (Used in) Operating Activities</b>	<b>5,692,468</b>	<b>(3,957,850)</b>
<b>Cash Flows From Investing Activities</b>		
Capital expenditures	(39,907,595)	(7,859,676)
Increase in deferred gain on sale leaseback	8,541,206	-
<b>Net Cash Flows Used in Investing Activities</b>	<b>(31,366,389)</b>	<b>(7,859,676)</b>
<b>Cash Flows From Financing Activities</b>		
Contributed Capital	58,868,818	10,500,000
Increase (Decrease) in financed insurance	62,200	(2,130)
Advances from notes payable	6,169,228	7,156,673
Repayment of notes payable	(7,156,673)	-
Proceeds from capital lease	20,000,000	-
Repayment of capital lease	(325,886)	-
Increase in retainage	1,762,362	-
Financing Costs	(347,983)	(148,881)
<b>Net Cash Flows Provided by Financing Activities</b>	<b>79,032,066</b>	<b>17,505,662</b>
<b>Net Increase in Cash</b>	<b>53,358,145</b>	<b>5,688,136</b>
Cash at Beginning of Year	10,824,507	5,136,371
<b>Cash at End of Year</b>	<b>\$ 64,182,652</b>	<b>\$ 10,824,507</b>
<b>Supplemental Disclosures</b>		
Cash paid during the period for:		
Interest Expense	\$ 1,406,986	\$ 127,050

*See accompanying notes to the financial statements*

**Note 1 – Summary of Accounting Policies**

Organization and Business

US HealthVest, LLC (the Company) was formed under the laws of the State of Delaware on March 1, 2013. The purpose of the Company and its affiliates is to acquire and operate behavioral healthcare facilities throughout the United States. As of the balance sheet date the Company currently operated one facility located in Illinois.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles.

Principles of Consolidation

The consolidated financial statements include the activities of US HealthVest, LLC, and its subsidiaries, collectively referred to as “the Company”. All material intercompany accounts and transactions have been eliminated.

The activities of 2014 Health, LLC, 2014 Health Realty, LLC, Vest Monroe, LLC, Vest Monroe Realty, LLC, V Colorado, LLC, RV Behavioral, LLC, RV Behavioral Realty, LLC, Vest Seattle, LLC, and Vest Seattle Realty, LLC collectively referred to as “affiliates” have been consolidated with the activities of US HealthVest, LLC and are presented in the statements of supplemental information.

Recent Developments

On November 3, 2014 the Company acquired the assets of Maryville Behavioral Health Hospital. The acquisition included a 125 bed hospital as well as the land on which the hospital is located in Des Plaines, Illinois. This hospital provides services to those suffering from mental health illnesses and chemical dependency. The activities of this operation from the date of acquisition through the end of the fiscal year are included in the consolidated financial statements.

In January 2014, US HealthVest received a Certificate of Need to develop a 75 bed hospital in Washington State. The hospital will be located in Marysville, a suburb of Seattle. In September 2014, the Company received a Certificate of Need for an additional 50 beds in Washington State, which was subsequently reduced to 40 beds (for a total of 115 beds) in February 2015.

In June 2014, US HealthVest received a Certificate of Need to develop a 70 bed hospital in Georgia. In June 2015, the Company acquired property including an existing hospital building and the land on which the hospital is located in Monroe, Georgia. During 2015 demolition and construction started on this property.

As of May 1, 2015 Chicago Behavioral Hospital was approved as a Medicare provider.

In January 2016, the renovation of the 3<sup>rd</sup> and 4<sup>th</sup> floors of Chicago Behavioral Hospital was completed, and the full 125 licensed beds became available. In November 2016, Chicago Behavioral Hospital received approval to increase its licensed bed count to 138 total beds.

Notes to Financial Statements

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In June 2016, US HealthVest received a Certificate of Need to develop a 100 bed hospital in Northbrook, Illinois.

In June 2016, US HealthVest received a Certificate of Need to develop a 75 bed hospital in Newnan, Georgia.

In July 2016, US HealthVest received a Certificate of Need to develop a 75 bed hospital in Lacey, Washington.

Cash and Equivalents

The Company considers all short term investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable, Net Revenue and Cost Recognition

The Company recognizes revenues in the period in which services are performed. Accounts receivable consist primarily of amounts due from third-party payors. The amounts the Company receives for treatment of patients covered by governmental programs such as Medicare, Medicaid and other third-party payors such as health maintenance organizations, preferred provider organizations and other private insurers are generally less than the Company's established billing rates. Accordingly, the revenues and accounts receivable reported in the Company's consolidated financial statements are recorded at the net amount expected to be received.

Inventory - Supplies

Inventories consist of pharmaceutical supplies and are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost. Maintenance and repairs are expensed in the period incurred; major renewals and betterments are capitalized. When items of property are sold or retired, the related costs are removed from the accounts and any gain or loss is included in income.

Property and Equipment are depreciated using straight-line depreciation methods over their estimated useful lives as follows:

Buildings and Improvements	39 years
Furniture and Equipment	5-7 years
Computer equipment and software	5 years

Allowance for Doubtful Accounts

The primary risk in patient receivables would be uninsured amounts owed by direct pay patients. The Company establishes an allowance for doubtful accounts for all accounts receivable over 180 days old, and continually monitors accounts receivable balances and utilizes cash collection data and historical trends to support this position. The allowance for doubtful accounts as of December 31, 2016 and 2015 was \$664,091 and \$173,944, respectively. The Company has also established an allowance for denials and administrative adjustments from payors in the amount of \$71,759 and \$244,838, as of December 31, 2016 and 2015, respectively.

Notes to Financial Statements

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Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash, cash equivalents and investments held in financial institutions. At times such balances may be in excess of Federal Deposit Insurance Company (FDIC) limits.

The Company's revenues are heavily related to patients participating in Medicaid, and Medicare. Management recognizes that revenues and receivables from government agencies are significant to the Company's operations, but it does not believe that there is significant credit risk associated with these government agencies.

Use of Estimates

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

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses amounted to \$46,146 and \$24,869 for the years ended December 31, 2016 and 2015, respectively.

Goodwill

Goodwill represents the amount of purchase price in excess of the fair value assigned to the underlying identifiable net assets in certain acquisitions. In accordance with FASB ASC 350-10, goodwill and indefinite-lived intangible assets are no longer amortized systematically, but subject to impairment annually. Management reviews the carrying value of goodwill on an annual basis in order to determine whether impairment has occurred. Impairments are based on several factors, including the Company's projection of future operating cash flows. As of December 31, 2016 the Company has not recognized impairment of goodwill.

Compensated Absences

The Company's employees earn paid time off hours ("PTO"), which can be used towards vacation, sick time and personal days off. Paid time off is earned depending on the length of service and job position. Employees can carryover no more than 80 PTO hours at year end. Accrued compensated absences as of December 31, 2016 and 2015 were \$331,846 and \$179,416, respectively.

Income Taxes

The Company is organized as a Limited Liability Company. In lieu of corporate taxes, the members of a Limited Liability Company are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in the financial statements. The Company's income tax returns are subject to examination by the appropriate tax jurisdictions for a period of three years from when they are required to be filed.

Notes to Financial Statements

The Company reviews and assesses its tax positions taken or expected to be taken in tax returns. Based on this assessment, the Company determines whether it is more likely than not that the positions would be sustained under examination by the tax authorities. The Company's assessment has not identified any significant positions that it believes would not be sustained under examination.

Acquisitions, Business Combinations

In accordance with ASC 805, the company accounts for business combinations using the acquisition method and accordingly, the identifiable assets acquired, and the liabilities assumed are recorded at their acquisition date fair values. Goodwill represents the excess of the purchase price over the fair value of net assets, including the amount assigned to identifiable intangible assets.

**Note 2 – Investment in Future Facilities**

The Company is in the process of establishing new psychiatric facilities. Amounts invested toward the future purchase or lease of these facilities as of December 31, 2016 and 2015 were as follows:

<i>As of December 31,</i>	2016	2015
Phoenix	\$ -	\$ 150,000
Seattle	-	294,642
Newnan, GA	249,900	-
Smyrna, GA	250,000	-
Lacey, WA	400,000	-
<b>Total</b>	<b>\$ 899,900</b>	<b>\$ 444,642</b>

**Note 3 - Property and Equipment**

The major classifications of property and equipment are as follows:

<i>As of December 31,</i>	2016	2015
Land	\$ 2,825,000	\$ 2,125,000
Buildings and Improvements	21,974,169	8,965,883
Furniture, Fixtures and Equipment	1,535,698	413,366
Computer Equipment and Software	599,556	428,295
Construction in progress	28,256,489	3,531,033
Total Land, Property, and Equipment	55,190,912	15,463,577
Less Accumulated Depreciation	(1,121,084)	(316,009)
<b>Land, Property and Equipment, net</b>	<b>\$ 54,069,828</b>	<b>\$ 15,147,568</b>

**Note 4 – Retainage on Construction**

The Company withholds from contractors, a portion of payments due in connection with construction in progress ranging from 5% to 10%. Upon completion of work, and final inspections, retainage is released to the respective contractors. As of December 31, 2016 total retainage due to contractors was \$1,762,362.

Notes to Financial Statements

**Note 5 – Financed Insurance**

During 2015 The Company financed its auto, crime, general, malpractice, and flood insurance premiums through IPFS Corporation. Total premiums on these policies were \$275,568. Of this amount, \$206,676 was financed and was payable in ten equal monthly installments of \$20,667, including finance charges at 4.48%. As of December 31, 2015 the remaining balance on this agreement was \$165,342.

During 2016 The Company financed its auto, crime, general, malpractice, and flood insurance premiums through Premium Assignment Corporation. Total premiums on these policies were \$381,598. Of this amount, \$286,123 was financed and was payable in ten equal monthly installments of \$29,291, including finance charges at 5.14%. As of December 31, 2016 the remaining balance on this agreement was \$227,542.

**Note 6 – Notes Payable**

On May 29, 2015, 2014 Health Realty, LLC secured financing through a note payable with City Bank. The initial twelve month term has a maximum drawdown of \$7,500,000. The note carries interest at prime plus 75 basis points with a floor of 4.75%. During the drawdown period payments are interest only. After the initial twelve month period the note converts to a nine year term loan, amortized over 20 years. This loan is collateralized by the real estate owned by 2014 Health Realty, LLC. As of December 31, 2015 the outstanding balance on this note was \$7,156,673. This note was repaid in May 2016 as part of a sale leaseback transaction detailed in Note 8.

On August 5, 2016, Vest Monroe, LLC and Vest Monroe Realty, LLC entered into a construction loan agreement with City Bank, with a maximum drawdown amount of \$14,860,000. The note is payable over 10 years, the first 18 months consist of interest only payments followed by 102 monthly payments based on a twenty year amortization with a balloon payment due at maturity. This note carries interest at prime plus 0.75% with a floor of 4.75%. The note is collateralized by the real estate owned by Vest Monroe Realty, LLC. As of December 31, 2016 the Company had drawn \$6,169,228 on this note.

**Note 7 – Financing Costs**

Financing costs in connection with the City Bank loans are amortized over 10 years using the straight line method. In accordance with ASC 835-30-45, the Company has presented the unamortized portion of these costs as a reduction to long term debt on the balance sheet. Net financing costs as of December 31, 2016 and 2015 were as follows:

<i>As of December 31,</i>	2016	2015
Financing Costs	\$ 347,983	\$ 148,881
Less: Accumulated Amortization	(14,499)	(8,684)
<b>Closing Costs, net</b>	<b>\$ 333,484</b>	<b>\$ 140,197</b>

**Note 8 – Capital Lease and Sale Leaseback**

In January 2016, the Company closed on a \$12,500,000 loan from a publicly-traded REIT, carrying interest at 11%. The loan had a one year term with an option to purchase the building during the term for \$20,000,000. In May 2016, this option was exercised, and the proceeds from the sale paid off the \$12,500,000 loan in addition to the remaining balance on the \$7,500,000 City Bank Loan. The Company is leasing the premises from the purchaser and is treating the lease as a capital lease from a sale-leaseback transaction. The amount due under this capital lease as of December 31, 2016 is \$19,674,114.

The following is a schedule of future minimum lease payments under the capital lease as of December 31, 2016:

For the year ending December 31, 2017	\$ 1,763,832
For the year ending December 31, 2018	1,960,610
For the year ending December 31, 2019	1,999,825
For the year ending December 31, 2020	2,039,820
For the year ending December 31, 2021	2,080,616
Thereafter	21,746,121
	<u>31,590,824</u>
Less amounts representing interest	<u>(11,916,710)</u>
<b>Total</b>	<b><u>\$ 19,674,114</u></b>

The book value of assets held under this lease was as follows:

<i>As of December 31,</i>	<i>2016</i>
Buildings and Improvements	\$ 20,000,000
Less Accumulated Depreciation	<u>(777,778)</u>
<b>Net Book Value</b>	<b><u>\$ 19,222,222</u></b>

The Sale Leaseback transaction also resulted in a deferred gain on the difference between the carrying value of the assets at the time of sale and the selling price in the amount of \$8,886,804. This deferred gain is amortized on a straight line basis over 15 years as a reduction to the depreciation expense associated with the property held under the capital lease. As of December 31, 2016 the remaining deferred gain was \$8,541,206.

**Note 9 – Retirement Plan**

The Company maintains a 401(k) retirement plan (“the Plan”) for all eligible employees over 21 years of age with at least five months of service. Participants can contribute a percentage of their compensation up to a maximum deferral of 85% (subject to limits) and receive a matching employer contribution of 100% of deferrals up to 3% of compensation, and 50% of deferrals for the next 2% of compensation. Participants may also receive a discretionary employer matching contribution at the discretion of the Company’s Board of Directors. The Company incurred expenses of \$124,696 and \$96,920 in 2016, and 2015, respectively.

Notes to Financial Statements

**Note 10 – Contributions from Members**

During 2016, the Company received contributions from members totaling \$9,000,000 for 5,767,380 Series A-3 Preferred Units. In addition, the Company received contributions from members totaling \$50,000,000 for 26,929,067 Series B Preferred Units. These contributions are reflected on the balance sheet of the Company net of associated legal fees in the amount of \$131,182.

During 2015, the Company received contributions from members totaling \$10,000,000 for 8,039,871 Series A-2 Preferred Units. In addition, the Company received a capital contribution of \$500,000 for an additional 401,994 Series A-2 units.

**Note 11 – Operating Lease of Facilities**

The Company leases through an unrelated third party, an administrative office located in New York. The lease was assigned from a former entity of common ownership with an initial lease term of ten years, expiring October 31, 2019. Rent expense for the years ended December 31, 2016 and 2015 was \$160,651 and \$183,501, respectively.

Future minimum rental payments under this lease commitment are as follows:

December 31, 2017	199,217
December 31, 2018	205,193
December 31, 2019	175,248
<b>Total</b>	<b>\$ 579,658</b>

In addition, the Company was under an Option Agreement with an unrelated third party to purchase land in Marysville, Washington. Under this agreement, the Company paid the land owner \$5,600 per month through June 2015. During the year ended December 31, 2015, these payments had been classified as rent in the amount of \$33,600.

**Note 12 – Acquisitions**

During 2015, the Company acquired property including an existing hospital building, and the land on which it is located, in Monroe, Georgia. The purchase price of the property was allocated to assets based on their estimated fair values as follows:

Building	\$ 1,925,000
Land	825,000
Acquisition Costs	90,087
<b>Total Purchase Price and Acquisition Costs</b>	<b>\$ 2,840,087</b>



**Note 13 – Related Party Transactions**

As of December 31, 2016, 2014 Health Realty, LLC was due \$7,152,339 from Chicago Behavioral Hospital (its related entity) for rent and miscellaneous operating expenses. This intercompany receivable is eliminated upon consolidation of the financial statements.

As of December 31, 2016, US HealthVest, LLC was due \$159,650 from 2014 Health Realty (its related entity) for fees paid in connection with the closing of the City Bank loan. This intercompany receivable is eliminated upon consolidation of the financial statements.

As of December 31, 2016, Chicago Behavioral Hospital was due \$3,556,079 from US HealthVest, LLC (its related entity) for miscellaneous operating expenses. This intercompany receivable is eliminated upon consolidation of the financial statements.

As of December 31, 2016, Chicago Behavioral Hospital was due \$11,020 from Vest Monroe Realty (its related entity) for miscellaneous operating expenses. This intercompany receivable is eliminated upon consolidation of the financial statements.

As of December 31, 2016, US HealthVest, LLC was due \$427,635 from Vest Monroe (its related entity) for miscellaneous operating expenses and capital spending. This intercompany receivable is eliminated upon consolidation of the financial statements.

As of December 31, 2016, US HealthVest, LLC was due \$8,215,744 from Vest Monroe Realty (its related entity) for miscellaneous operating expenses and capital spending. This intercompany receivable is eliminated upon consolidation of the financial statements.

As of December 31, 2016, Vest Monroe Realty, LLC was due \$1,042,815 from Vest Monroe (its related entity) for miscellaneous operating expenses and capital spending. This intercompany receivable is eliminated upon consolidation of the financial statements.

As of December 31, 2016, RV Behavioral, LLC was due \$1,000 from RV Behavioral Realty (its related entity) for the funding of its bank account. This intercompany receivable is eliminated upon consolidation of the financial statements.

As of December 31, 2016, Vest Seattle, LLC was due \$1,000 from Vest Seattle Realty (its related entity) for the funding of its bank account. This intercompany receivable is eliminated upon consolidation of the financial statements.

**Note 14 – Subsequent Events**

Subsequent events were evaluated through February 25, 2016, the date that the financial statements were available to be issued.

In January 2017, RV Behavioral, LLC acquired the assets of Ridgeview Institute, Inc., a 148 bed hospital in Smyrna, Georgia. Ridgeview has certificate of need approval for 216 total beds.

In January 2017, construction was completed on the hospital in Monroe, Georgia, and it was opened as Ridgeview Institute – Monroe.

**Note 15 - Reclassifications**

As stated in note 7, in accordance with ASC 835-30-45, the Company has presented the unamortized portion of financing costs as a reduction to long term debt on the balance sheet. As such, we have reclassified the unamortized portion of these costs in the prior year in order to conform to the current presentation. In addition, amortization expense associated with financing costs has been reclassified to interest expense on the statement of operations for the year ended December 31, 2015 in order to conform to current presentation.

## Independent Auditors' Report on Supplemental Material

To the members of:  
US HealthVest, LLC  
New York, N.Y.

We have audited the consolidated financial statements of US HealthVest, LLC and subsidiaries as of and for the years ended December 31, 2016, and 2015, and our report thereon dated February 25, 2017, which expressed an unmodified opinion on those financial statements, appears on page 3. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information included in the following section is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. 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 consolidated financial statements. The consolidating 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 or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Purchase, New York  
February 25, 2017

# US HealthVest, LLC

## Consolidating Balance Sheet

As of December 31, 2016	US HealthVest LLC	V Colorado LLC	Vest Monroe, LLC	V Monroe Realty, LLC	2014 Health LLC	2014 Health Realty, LLC	RV Behavioral LLC	RV Behavioral Realty LLC	Vest Seattle, LLC	Vest Seattle Realty, LLC	Eliminations	Consolidated
<b>ASSETS</b>												
<b>Current assets</b>												
Cash and equivalents	\$ 27,779,926	\$ -	\$ 702,712	\$ 2,644,317	\$ 21,532,706	\$ -	\$ 11,512,288	\$ 940	\$ 8,823	\$ 940	\$ -	\$ 64,182,652
Accounts receivable, net	-	-	-	-	3,750,201	-	-	-	-	-	-	3,750,201
Inventory	-	-	-	-	146,983	-	-	-	-	-	-	146,983
Prepaid expenses	25,337	-	8,134	-	717,601	-	-	-	-	48,174	-	799,246
Due from parent/subsidiaries	5,246,950	-	-	1,042,815	-	7,152,339	1,000	-	1,000	-	(13,444,104)	-
<b>Total current assets</b>	<b>33,052,213</b>	<b>-</b>	<b>710,846</b>	<b>3,687,132</b>	<b>26,147,491</b>	<b>7,152,339</b>	<b>11,513,288</b>	<b>940</b>	<b>9,823</b>	<b>49,114</b>	<b>(13,444,104)</b>	<b>68,879,082</b>
Land, Property and equipment, net	38,941	-	681,894	15,531,621	20,165,595	-	-	-	162,474	17,489,303	-	54,069,828
<b>Other Assets</b>												
Investment in 2014 Health, LLC (CBH)	26,676,709	89,663	-	-	-	-	-	-	-	-	(26,766,372)	-
Investment in 2014 Health Realty, LLC	6,992,688	-	-	-	-	-	-	-	-	-	(6,992,688)	-
Investment in V Colorado, LLC	89,663	-	-	-	-	-	-	-	-	-	(89,663)	-
Investment in V Monroe, LLC	(325,260)	-	-	-	-	-	-	-	-	-	325,260	-
Investment in V Monroe Realty, LLC	2,858,714	-	-	-	-	-	-	-	-	-	(2,858,714)	-
Investment in RV Behavioral	11,763,288	-	-	-	-	-	-	-	-	-	(11,763,288)	-
Investment in RV Behavioral Realty	(60)	-	-	-	-	-	-	-	-	-	60	-
Investment in Vest Seattle	172,297	-	-	-	-	-	-	-	-	-	(172,297)	-
Investment in Vest Seattle Realty	16,881,165	-	-	-	-	-	-	-	-	-	(16,881,165)	-
Investment in future facilities	649,900	-	-	-	-	-	250,000	-	-	-	-	899,900
Other receivable and other assets	-	-	-	23,000	936	-	-	-	-	-	-	23,936
Goodwill	-	-	-	-	15,016,697	-	-	-	-	-	-	15,016,697
<b>Total Other Assets</b>	<b>65,759,104</b>	<b>89,663</b>	<b>-</b>	<b>23,000</b>	<b>15,017,633</b>	<b>-</b>	<b>250,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(65,198,867)</b>	<b>15,940,533</b>
<b>Total Assets</b>	<b>\$ 98,850,256</b>	<b>\$ 89,663</b>	<b>\$ 1,392,740</b>	<b>\$ 19,241,753</b>	<b>\$ 61,330,719</b>	<b>\$ 7,152,339</b>	<b>\$ 11,763,286</b>	<b>\$ 940</b>	<b>\$ 172,297</b>	<b>\$ 17,536,417</b>	<b>\$ (78,642,971)</b>	<b>\$ 136,889,443</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>												
<b>Liabilities</b>												
Accounts payable	\$ 5,645,544	\$ -	\$ 217,105	\$ 1,186,622	\$ 106,105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,155,376
Accrued expenses	289,068	-	19,425	25,900	2,430,141	-	-	-	-	12,918	-	2,777,472
Financed Insurance	-	-	-	-	227,542	-	-	-	-	-	-	227,542
Retainage	-	-	-	1,119,028	-	-	-	-	-	643,334	-	1,762,362
Due to parent/subsidiaries	-	-	1,481,470	8,215,745	3,585,239	159,650	-	1,000	-	1,000	(13,444,104)	-
<b>Total current liabilities</b>	<b>5,934,632</b>	<b>-</b>	<b>1,718,000</b>	<b>10,547,295</b>	<b>6,349,027</b>	<b>159,650</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>657,252</b>	<b>(13,444,104)</b>	<b>11,922,752</b>
Capital Lease	-	-	-	-	19,674,114	-	-	-	-	-	-	19,674,114
Unearned Profit on Sale Leaseback	-	-	-	-	8,541,206	-	-	-	-	-	-	8,541,206
Note Payable	-	-	-	6,169,228	-	-	-	-	-	-	-	6,169,228
Financing Costs, net	-	-	-	(333,484)	-	-	-	-	-	-	-	(333,484)
<b>Total Liabilities</b>	<b>5,934,632</b>	<b>-</b>	<b>1,718,000</b>	<b>16,383,039</b>	<b>34,564,347</b>	<b>159,650</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>657,252</b>	<b>(13,444,104)</b>	<b>45,973,816</b>
<b>Members' Equity</b>	<b>92,915,626</b>	<b>89,663</b>	<b>(325,260)</b>	<b>2,858,714</b>	<b>26,766,372</b>	<b>6,992,689</b>	<b>11,763,288</b>	<b>(60)</b>	<b>172,297</b>	<b>16,881,165</b>	<b>(65,198,867)</b>	<b>92,915,627</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$ 96,850,258</b>	<b>\$ 89,663</b>	<b>\$ 1,392,740</b>	<b>\$ 19,241,753</b>	<b>\$ 61,330,719</b>	<b>\$ 7,152,339</b>	<b>\$ 11,763,268</b>	<b>\$ 940</b>	<b>\$ 172,297</b>	<b>\$ 17,538,417</b>	<b>\$ (78,642,971)</b>	<b>\$ 138,869,443</b>

See Independent Auditors' Report on Supplementary Information

# US HealthVest, LLC

## Consolidating Statement of Operations

<i>For the year ended December 31, 2016</i>	US HealthVest	V Colorado	V Monroe	V Monroe	2014 Health	2014 Health	RV Behavioral	RV Behavioral	Vest	Vest Seattle		
	LLC	LLC	LLC	Realty, LLC	LLC	Realty, LLC	LLC	Realty LLC	Seattle, LLC	Realty, LLC	Eliminations	Consolidated
<b>Revenues:</b>												
Net patient service revenue	\$ -	\$ -		\$ -	\$ 31,598,936	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,598,936
Other revenue	-	-	-	-	1,697,612	460,417	-	-	-	-	(460,417)	1,697,612
<b>Net Revenues</b>					<b>33,296,548</b>	<b>460,417</b>						<b>33,296,548</b>
<b>Operating expenses</b>												
Salaries and benefits	4,026,175	-	245,049	-	14,597,453	-	-	-	-	-	-	18,868,677
Medical Professional fees	-	-	3,500	-	1,963,797	-	-	-	-	-	-	1,967,297
Other Professional Fees	2,209,780	-	43,785	5,671	161,224	250	-	-	-	712	-	2,421,422
Supplies	28,341	-	1,213	429	1,395,592	11,765	-	-	-	-	-	1,437,340
Licenses, permits and fees	128,826	-	4,550	1,794	1,292,006	-	-	-	-	2,820	-	1,429,996
Contracted Services	-	-	-	-	1,210,714	775	-	-	-	-	-	1,211,489
Bad debt expense	-	-	-	-	813,681	-	-	-	-	-	-	813,681
Property and business taxes	11,211	-	-	32,925	664,107	3,250	-	-	-	9,592	-	721,085
Travel and entertainment	618,435	-	1,928	-	88,472	-	-	-	-	1,979	-	710,814
Insurance	59,645	-	2,663	26,366	310,752	40,957	-	-	-	33,845	-	474,228
Telephone and Utilities	35,229	-	1,271	21,404	228,326	65,525	-	-	-	-	-	351,755
Repairs and maintenance	6,376	-	400	16,031	212,183	90,977	-	-	-	-	-	325,967
Contracted labor	-	-	-	-	204,598	-	-	-	-	-	-	204,598
Rent	163,069	-	711	1,800	485,277	-	-	-	-	-	(460,417)	190,440
Recruiting	5,077	-	4,216	-	125,990	-	-	-	1,034	-	-	136,317
Other operating expenses	30,468	-	1,060	2,130	60,375	-	234	60	178	60	-	94,565
Computer and internet	77,498	-	9,829	2,277	-	-	-	-	-	1,650	-	91,254
Security	-	-	-	67,285	-	-	-	-	-	-	-	67,285
Advertising and marketing	55	-	1,173	-	42,542	-	-	-	-	2,376	-	46,146
Dues and Subscriptions	13,681	-	3,912	315	-	-	-	-	280	330	-	18,518
<b>Total operating expenses</b>	<b>7,413,866</b>	<b>-</b>	<b>325,260</b>	<b>178,427</b>	<b>23,857,089</b>	<b>213,499</b>	<b>234</b>	<b>60</b>	<b>1,492</b>	<b>53,364</b>	<b>(460,417)</b>	<b>31,582,874</b>
<b>Operating Profit (Loss)</b>	<b>(7,413,866)</b>	<b>-</b>	<b>(325,260)</b>	<b>(178,427)</b>	<b>9,439,459</b>	<b>246,918</b>	<b>(234)</b>	<b>(60)</b>	<b>(1,492)</b>	<b>(53,364)</b>	<b>-</b>	<b>1,713,674</b>
<b>Other income (expenses):</b>												
Equity in net income of subsidiaries	6,598,824	73,149	-	-	-	-	-	-	-	-	(6,671,973)	-
Depreciation and amortization	(14,780)	-	-	-	(895,115)	(75,540)	-	-	-	-	-	(985,435)
Interest expense from financing costs	-	-	-	(14,499)	-	(140,097)	-	-	-	-	-	(154,596)
Interest income, net of expense	36,546	-	-	(58,520)	(1,229,411)	(119,055)	3,522	-	-	-	-	(1,366,918)
<b>Total other expenses</b>	<b>6,620,590</b>	<b>73,149</b>	<b>-</b>	<b>(73,019)</b>	<b>(2,124,526)</b>	<b>(334,692)</b>	<b>3,522</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,671,973)</b>	<b>(2,506,949)</b>
<b>Net Income (Loss)</b>	<b>\$ (793,276)</b>	<b>\$ 73,149</b>	<b>\$ (325,260)</b>	<b>\$ (251,446)</b>	<b>\$ 7,314,933</b>	<b>\$ (87,774)</b>	<b>\$ 3,288</b>	<b>\$ (60)</b>	<b>\$ (1,492)</b>	<b>\$ (53,364)</b>	<b>\$ (6,671,973)</b>	<b>\$ (793,275)</b>

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US HealthVest, LLC

Consolidating Statement of Members' Equity

<i>For the year ended December 31, 2016</i>	US HealthVest LLC	V Colorado LLC	V Monroe LLC	V Monroe Realty, LLC	2014 Health LLC	2014 Health Realty, LLC	RV Behavioral LLC	RV Behavioral Realty LLC	Vest Seattle, LLC	Vest Seattle Realty, LLC	Eliminations	Consolidated
Beginning Balance, January 1, 2016	\$ 34,840,084	\$ 16,514	\$ -	\$ 3,110,160	\$ 19,451,439	\$ 7,080,463	\$ -	\$ -	\$ -	\$ -	\$ (29,658,576)	\$ 34,840,084
Contributions from Members	58,868,818	-	-	-	-	-	11,760,000	-	173,789	16,934,529	(28,868,318)	58,868,818
Net Income (Loss)	(793,276)	73,149	(325,260)	(251,446)	7,314,933	(87,774)	3,288	(60)	(1,492)	(53,364)	(6,671,973)	(793,275)
Balance, December 31, 2016	\$ 92,915,626	\$ 89,663	\$ (325,260)	\$ 2,858,714	\$ 26,766,372	\$ 6,992,689	\$ 11,763,288	\$ (60)	\$ 172,297	\$ 16,881,165	\$ (65,198,867)	\$ 92,915,627

See Independent Auditors' Report on Supplementary Information

# US HealthVest, LLC

## Consolidating Statement of Cash Flows

<i>For the year ended December 31, 2016</i>	US HealthVest LLC	V Colorado LLC	V Monroe LLC	V Monroe Realty, LLC	2014 Health LLC	2014 Health Realty, LLC	RV Behavioral LLC	RV Behavioral Realty LLC	Vest Seattle, LLC	Vest Seattle Realty, LLC	Eliminations	Consolidated
<b>Cash Flows From Operating Activities</b>												
Net Income (Loss)	\$ (793,276)	\$ 73,149	\$ (325,260)	\$ (251,446)	\$ 7,314,933	\$ (87,774)	\$ 3,288	\$ (60)	\$ (1,492)	\$ (53,364)	\$ (6,671,973)	\$ (793,275)
<b>Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:</b>												
Depreciation and amortization	14,780	-	-	-	895,115	75,540	-	-	-	-	-	985,435
Interest in connection with financing costs	-	-	-	14,499	-	140,097	-	-	-	-	-	154,596
Bad debt expense	-	-	-	-	813,681	-	-	-	-	-	-	813,681
<b>Changes in Operating Assets and Liabilities:</b>												
Increase in prepaid expenses	66,628	-	(8,134)	-	(259,546)	-	-	-	-	(48,174)	-	(249,226)
Increase in other receivable and other assets	(175,838)	-	-	(23,000)	13,878	-	(250,000)	-	-	-	-	(434,960)
Decrease in accounts receivable	-	-	-	-	(728,951)	-	-	-	-	-	-	(728,951)
Increase in inventory	-	-	-	-	(10,535)	-	-	-	-	-	-	(10,535)
Increase in payables and accrued expenses	4,778,656	-	236,530	1,212,522	112,482	(397,405)	-	-	-	12,918	-	5,955,703
<b>Net Cash Flows Used in Operating Activities</b>	<b>3,890,950</b>	<b>73,149</b>	<b>(96,864)</b>	<b>952,575</b>	<b>8,151,057</b>	<b>(269,542)</b>	<b>(246,712)</b>	<b>(60)</b>	<b>(1,492)</b>	<b>(88,620)</b>	<b>(6,671,973)</b>	<b>5,692,468</b>
<b>Cash Flows From Investing Activities</b>												
Capital expenditures	(6,989)	-	(6e1,894)	(11,816,118)	(21,060,710)	11,309,893	-	-	(162,474)	(17,489,303)	-	(39,907,595)
Increase in Deferred Gain on Sale Leasback	-	-	-	-	8,541,206	-	-	-	-	-	-	8,541,206
Investment in Subsidiaries	(35,467,142)	(73,149)	-	-	-	-	-	-	-	-	35,540,291	-
<b>Net Cash Flows Used in Investing Activities</b>	<b>(35,474,131)</b>	<b>(73,149)</b>	<b>(681,894)</b>	<b>(11,816,118)</b>	<b>(12,519,504)</b>	<b>11,309,893</b>	<b>-</b>	<b>-</b>	<b>(162,474)</b>	<b>(17,489,303)</b>	<b>35,540,291</b>	<b>(31,366,389)</b>
<b>Cash Flows From Financing Activities</b>												
Contributed Capital	58,868,818	-	-	-	-	-	11,760,000	-	173,789	16,934,529	(28,868,318)	58,868,818
Advances from notes payable	-	-	-	6,169,228	-	-	-	-	-	-	-	6,169,228
Repayment of notes payable	-	-	-	-	-	(7,156,673)	-	-	-	-	-	(7,156,673)
Proceeds from Capital Lease	-	-	-	-	20,000,000	-	-	-	-	-	-	20,000,000
Repayment of Capital Lease	-	-	-	-	(325,886)	-	-	-	-	-	-	(325,886)
Increase in Retainage	-	-	-	1,119,028	-	-	-	-	-	643,334	-	1,762,362
Due to/From Subsidiaries	(2,722,230)	-	1,481,470	6,158,452	(385,332)	(4,532,360)	(1,000)	1,000	(1,000)	1,000	-	-
Financing Costs incurred	-	-	-	(347,983)	-	-	-	-	-	-	-	(347,983)
Increase in financed insurance	-	-	-	-	62,200	-	-	-	-	-	-	62,200
<b>Net Cash Flows Provided by Financing Activities</b>	<b>56,146,588</b>	<b>-</b>	<b>1,481,470</b>	<b>13,098,725</b>	<b>19,350,982</b>	<b>(11,689,033)</b>	<b>11,759,000</b>	<b>1,000</b>	<b>172,789</b>	<b>17,578,863</b>	<b>(28,868,318)</b>	<b>79,032,066</b>
<b>Net Increase (Decrease) in Cash</b>	<b>24,563,407</b>	<b>-</b>	<b>702,712</b>	<b>2,235,182</b>	<b>14,9e2,535</b>	<b>(648,682)</b>	<b>11,512,288</b>	<b>940</b>	<b>8,823</b>	<b>940</b>	<b>-</b>	<b>53,358,145</b>
Cash at Beginning of Period	3,216,519	-	-	409,135	6,550,171	648,682	-	-	-	-	-	10,824,507
<b>Cash at End of Period</b>	<b>\$ 27,779,926</b>	<b>\$ -</b>	<b>\$ 702,712</b>	<b>\$ 2,644,317</b>	<b>\$ 21,532,706</b>	<b>\$ -</b>	<b>\$ 11,512,288</b>	<b>\$ 940</b>	<b>\$ 8,823</b>	<b>\$ 940</b>	<b>\$ -</b>	<b>\$ 64,182,652</b>

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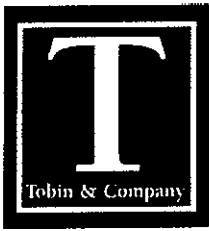
**Consolidated Audited Financial Statements  
and Supplemental Information**

For the Years ended December 31, 2015 and 2014



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**TOBIN & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS, PC

**INDEPENDENT AUDITORS' REPORT**

To the members of:  
US HealthVest, LLC  
New York, N.Y.

We have audited the accompanying consolidated financial statements of US HealthVest, LLC and subsidiaries, which comprise the balance sheet as of December 31, 2015 and 2014, and the related statements of operations, members' equity and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of US HealthVest, LLC, as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Tobin & Company*  
*Certified Public Accountants, PC*  
Purchase, New York  
February 25, 2016

# US HealthVest, LLC

## Consolidated Balance Sheets

<i>As of December 31,</i>	2015	2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and equivalents	\$ 10,824,507	\$ 5,136,371
Accounts receivable, net	3,834,931	839,297
Inventory	136,448	134,133
Prepaid expenses	550,020	467,357
<b>Total Current Assets</b>	<b>15,345,906</b>	<b>6,577,158</b>
Land, Property and Equipment, net	15,147,568	7,559,588
<b>Other Assets</b>		
Investment in future facilities	444,642	150,000
Other receivable and other assets	44,234	41,878
Closing costs, net	140,197	-
Goodwill	15,016,697	15,016,697
<b>Total Other Assets</b>	<b>15,645,770</b>	<b>15,208,575</b>
<b>Total Assets</b>	<b>\$ 46,139,244</b>	<b>\$ 29,345,321</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,888,447	\$ 384,149
Accrued expenses	2,088,698	1,096,570
Note Payable, current portion	108,587	-
Financed insurance	165,342	167,472
<b>Total Current Liabilities</b>	<b>4,251,074</b>	<b>1,648,191</b>
Note Payable, net of current	7,048,086	-
<b>Total Liabilities</b>	<b>11,299,160</b>	<b>1,648,191</b>
<b>MEMBERS' EQUITY</b>	<b>34,840,084</b>	<b>27,697,130</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$ 46,139,244</b>	<b>\$ 29,345,321</b>

*See accompanying notes to the financial statements*

# US HealthVest, LLC

## Consolidated Statements of Operations

<i>For the Years ended December 31,</i>	2015	2014
<b>Revenues</b>		
Net Patient Service Revenues	\$ 15,622,251	\$ 827,152
Other Revenue	1,375,051	36,033
<b>Net Revenues</b>	<b>16,997,302</b>	<b>863,185</b>
<b>Operating Expenses</b>		
Salaries and benefits	12,294,947	3,269,671
Professional fees	2,311,921	2,017,966
Supplies	967,231	117,930
Licenses, permits and fees	944,276	94,477
Travel and entertainment	614,349	328,038
Contracted services	497,373	68,989
Property and business taxes	453,448	37,003
Contracted labor	401,309	105,629
Insurance	348,377	97,907
Utilities	253,618	62,998
Repairs and maintenance	212,848	44,392
Bad debt expense	205,906	-
Rent	198,426	213,057
Recruiting costs	101,515	3,237
Computer and internet	46,734	41,085
Other operating expenses	46,059	19,424
Charitable Contributions	25,000	-
Advertising and marketing	24,869	8,931
Dues and subscriptions	8,608	24,895
<b>Total Operating Expenses</b>	<b>19,956,814</b>	<b>6,555,629</b>
<b>Loss from Operations before other Items</b>	<b>(2,959,512)</b>	<b>(5,692,444)</b>
Depreciation and amortization expense	(280,380)	(42,666)
Interest expense	(127,050)	(865)
Interest income	9,896	18,962
<b>Net Loss</b>	<b>\$ (3,357,046)</b>	<b>\$ (5,717,013)</b>

*See accompanying notes to the financial statements*

US HealthVest, LLC

**Consolidated Statements of Members' Equity**

*For the years ended December 31, 2015 and 2014*

<b>Beginning Balance, January 1, 2014</b>	<b>\$ 33,414,143</b>
Net loss for the year ended December 31, 2014	(5,717,013)
<b>Balance, December 31, 2014</b>	<b>27,697,130</b>
Contributions from Members	10,500,000
Net loss for the year ended December 31, 2015	(3,357,046)
<b>Balance, December 31, 2015</b>	<b>\$ 34,840,084</b>

*See accompanying notes to the financial statements*

## US HealthVest, LLC

### Consolidated Statements of Cash Flows

<i>For the years ended December 31,</i>	2015	2014
<b>Cash Flows From Operating Activities</b>		
Net Loss	\$ (3,357,046)	\$ (5,717,013)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:		
Depreciation and amortization	280,380	42,666
Bad debt expense	205,906	-
Changes in Operating Assets and Liabilities:		
Increase in prepaid expenses	(82,663)	(448,556)
Increase in other receivable and other assets	(296,998)	(172,220)
Increase in accounts receivable	(3,201,540)	(839,297)
Increase in inventory	(2,315)	(134,133)
Increase in accounts payable and accrued expenses	2,496,426	1,264,183
<b>Net Cash Flows Used in Operating Activities</b>	<b>(3,957,850)</b>	<b>(6,004,370)</b>
<b>Cash Flows From Investing Activities</b>		
Capital expenditures	(7,859,676)	(7,590,833)
Purchase of goodwill	-	(15,016,697)
<b>Net Cash Flows Used in Investing Activities</b>	<b>(7,859,676)</b>	<b>(22,607,530)</b>
<b>Cash Flows From Financing Activities</b>		
Contributed Capital	10,500,000	-
Increase (Decrease) in financed insurance	(2,130)	167,472
Advances from notes payable	7,156,673	-
Closing Costs	(148,881)	-
Decrease in capital commitments receivable	-	19,215,279
<b>Net Cash Flows Provided by Financing Activities</b>	<b>17,505,662</b>	<b>19,382,751</b>
<b>Net Increase (Decrease) In Cash</b>	<b>5,688,136</b>	<b>(9,229,149)</b>
Cash at Beginning of Year	5,136,371	14,365,520
<b>Cash at End of Year</b>	<b>\$ 10,824,507</b>	<b>\$ 5,136,371</b>
<b>Supplemental Disclosures</b>		
Cash paid during the period for:		
Interest Expense	\$ 127,050	\$ 865

*See accompanying notes to the financial statements*

**Note 1 – Summary of Accounting Policies**

Organization and Business

US HealthVest, LLC (the Company) was formed under the laws of the State of Delaware on March 1, 2013. The purpose of the Company and its affiliates is to acquire and operate behavioral healthcare facilities throughout the United States. The Company currently operates one facility located in Illinois.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles.

Principles of Consolidation

The consolidated financial statements include the activities of US HealthVest, LLC, and its subsidiaries, collectively referred to as "the Company". All material intercompany accounts and transactions have been eliminated.

The activities of 2014 Health, LLC, 2014 Health Realty, LLC, Vest Monroe Realty, LLC, and V Colorado, LLC, collectively referred to as "affiliates" have been consolidated with the activities of US HealthVest, LLC and are presented in the statements of supplemental information.

Recent Developments

On November 3, 2014 the Company acquired the assets of Maryville Behavioral Health Hospital. The acquisition included a 125 bed hospital as well as the land on which the hospital is located in Des Plaines, Illinois. This hospital provides services to those suffering from mental health illnesses and chemical dependency. The activities of this operation from the date of acquisition through the end of the fiscal year are included in the consolidated financial statements.

In January 2014, US HealthVest received a Certificate of Need to develop a 75 bed hospital in Washington State. The hospital will be located in Marysville, a suburb of Seattle. In September 2014, the Company received a Certificate of Need for an additional 50 beds in Washington State, which was subsequently reduced to 40 beds (for a total of 115 beds) in February 2015.

In June 2014, US HealthVest received a Certificate of Need to develop a 70 bed hospital in Georgia. In June 2015, the Company acquired property including an existing hospital building and the land on which the hospital is located in Monroe, Georgia. During 2015 demolition and construction started on this property.

As of May 1, 2015 Chicago Behavioral Hospital was approved as a Medicare provider.

Cash and Equivalents

The Company considers all short term investments with an original maturity of three months or less to be cash equivalents.

## Notes to Financial Statements

**Note 1 - Summary of Accounting Policies (continued)**Accounts Receivable, Net Revenue and Cost Recognition

The Company recognizes revenues in the period in which services are performed. Accounts receivable consist primarily of amounts due from third-party payors. The amounts the Company receives for treatment of patients covered by governmental programs such as Medicare, Medicaid and other third-party payors such as health maintenance organizations, preferred provider organizations and other private insurers are generally less than the Company's established billing rates. Accordingly, the revenues and accounts receivable reported in the Company's consolidated financial statements are recorded at the net amount expected to be received.

Inventory - Supplies

Inventories consist of pharmaceutical supplies and are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost. Maintenance and repairs are expensed in the period incurred; major renewals and betterments are capitalized. When items of property are sold or retired, the related costs are removed from the accounts and any gain or loss is included in income.

Property and Equipment are depreciated using straight-line depreciation methods over their estimated useful lives as follows:

Buildings and Improvements	39 years
Furniture and Equipment	5-7 years
Computer equipment and software	5 years

Allowance for Doubtful Accounts

The primary risk in patient receivables would be uninsured amounts owed by direct pay patients. The Company establishes an allowance for doubtful accounts for all accounts receivable over 180 days old, and continually monitors accounts receivable balances and utilizes cash collection data and historical trends to support this position. The allowance for doubtful accounts as of December 31, 2015 was \$173,944. The Company has also established an allowance for denials from payors in the amount of \$244,838 and \$5,270, as of December 31, 2015 and 2014, respectively.

Concentration of Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist of cash, cash equivalents and investments held in financial institutions. At times such balances may be in excess of Federal Deposit Insurance Company (FDIC) limits.

The Company's revenues are heavily related to patients participating in Medicaid, and Medicare. Management recognizes that revenues and receivables from government agencies are significant to the Company's operations, but it does not believe that there is significant credit risk associated with these government agencies.



**Note 1 - Summary of Accounting Policies (continued)**Use of Estimates

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

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses amounted to \$24,869 and \$8,931 for the years ended December 31, 2015 and 2014, respectively.

Goodwill

Goodwill represents the amount of purchase price in excess of the fair value assigned to the underlying identifiable net assets in certain acquisitions. In accordance with FASB ASC 350-10, goodwill and indefinite-lived intangible assets are no longer amortized systematically, but subject to impairment annually. Management reviews the carrying value of goodwill on an annual basis in order to determine whether impairment has occurred. Impairments are based on several factors, including the Company's projection of future operating cash flows. As of December 31, 2015 the Company has not recognized impairment of goodwill.

Compensated Absences

The Company's employees earn paid time off hours ("PTO"), which can be used towards vacation, sick time and personal days off. Paid time off is earned depending on the length of service and job position. Employees can carryover no more than 80 PTO hours at year end. Accrued compensated absences as of December 31, 2015 and 2014 were \$179,416 and \$18,307, respectively.

Income Taxes

The Company is organized as a Limited Liability Company, in lieu of corporate taxes; the members of a Limited Liability Company are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in the financial statements. The Company's income tax returns are subject to examination by the appropriate tax jurisdictions for a period of three years from when they are required to be filed.

The Company reviews and assesses its tax positions taken or expected to be taken in tax returns. Based on this assessment, the Company determines whether it is more likely than not that the positions would be sustained under examination by the tax authorities. The Company's assessment has not identified any significant positions that it believes would not be sustained under examination.

Acquisitions, Business Combinations

The company accounts for business combinations using the acquisition method and accordingly, the identifiable assets acquired, and the liabilities assumed are recorded at their acquisition date fair values. Goodwill represents the excess of the purchase price over the fair value of net assets, including the amount assigned to identifiable intangible assets.

Notes to Financial Statements

**Note 2 – Investment in Future Facilities**

The Company is in the process of establishing new psychiatric facilities. Amounts invested toward the future purchase or lease of these facilities as of December 31, 2015 and 2014 were as follows:

<i>As of December 31,</i>	2015		2014	
Phoenix	\$	150,000	\$	-
Seattle		294,642		-
Georgia		-		150,000
<b>Total</b>	<b>\$</b>	<b>444,642</b>	<b>\$</b>	<b>150,000</b>

**Note 3 - Property and Equipment**

The major classifications of property and equipment are as follows:

<i>As of December 31,</i>	2015		2014	
Land	\$	2,125,000	\$	1,300,000
Building		8,965,883		5,900,000
Furniture and Fixtures		413,366		262,850
Computer Equipment and Software		428,295		121,831
Construction in progress		3,531,033		19,344
<b>Total Land, Property, and Equipment</b>		<b>15,463,577</b>		<b>7,604,025</b>
Less Accumulated Depreciation		(316,009)		(44,437)
<b>Land, Property and Equipment, net</b>	<b>\$</b>	<b>15,147,568</b>	<b>\$</b>	<b>7,559,588</b>

**Note 4 – Closing Costs**

Closing costs in connection with the CityBank loan are being amortized over 10 years using the straight line method. Net closing costs as of December 31, 2015 were as follows:

<i>As of December 31,</i>	2015	
Closing Costs	\$	148,881
Less: Accumulated Amortization		(8,684)
<b>Closing Costs, net</b>	<b>\$</b>	<b>140,197</b>

**Note 5 – Financed Insurance**

During 2014 The Company financed its insurance premiums through IPFS Corporation. Total premiums on these policies are \$261,777. Of this amount, \$209,340 was financed and was payable in ten equal monthly installments of \$21,366, including finance charges at 4.48%. As of December 31, 2014 the remaining balance on this agreement was \$167,472.

Notes to Financial Statements

**Note 5 – Financed Insurance (continued)**

During 2015 The Company financed its auto, crime, general, malpractice, and flood insurance premiums through IPFS Corporation. Total premiums on these policies were \$275,568. Of this amount, \$206,676 was financed and was payable in ten equal monthly installments of \$20,667, including finance charges at 4.48%. As of December 31, 2015 the remaining balance on this agreement was \$165,342.

**Note 6 – Note Payable**

On May 29, 2015, 2014 Health Realty, LLC entered into a note payable to CityBank. The initial twelve month term has a maximum drawdown of \$7,500,000. The note carries interest at prime plus 75 basis points with a floor of 4.75%. During the drawdown period payments are interest only. After the initial twelve month period the note converts to a nine year term loan, amortized over 20 years. This loan is collateralized by the real estate owned by 2014 Health Realty, LLC. As of December 31, 2015 the outstanding balance on this note was \$7,156,673.

Estimated current maturities based on the December 31, 2015 balance is as follows:

For the year ending December 31, 2016	\$108,587
For the year ending December 31, 2017	225,051
For the year ending December 31, 2018	235,977
For the year ending December 31, 2019	247,433
For the year ending December 31, 2020	259,445
Thereafter	6,080,180
<b>Total</b>	<b>\$7,156,673</b>

**Note 7 – Retirement Plan**

The Company maintains a 401(k) retirement plan (“the Plan”) for all eligible employees over 21 years of age with at least five months of service. Participants can contribute a percentage of their compensation up to a maximum deferral of 85% and receive a matching employer contribution of 100% of deferrals up to 3% of compensation, and 50% of deferrals for the next 2% of compensation. Participants may also receive a discretionary employer matching contribution at the discretion of the Company’s Board of Directors. The Company incurred expenses of \$96,920 and \$60,186 in 2015, and 2014, respectively.

**Note 8 – Contributions from Members**

During 2015, the Company received contributions from members totaling \$10,000,000 for 8,039,871 Series A-2 Preferred Units. In addition, the Company received a capital contribution of \$500,000 for an additional 401,994 Series A-2 units.

Notes to Financial Statements

**Note 9 – Operating Lease of Facilities**

The Company leases through an unrelated third party, an administrative office located in New York. The lease was assigned from a former entity of common ownership with an initial lease term of ten years, expiring October 31, 2019. Rent expense for the years ended December 31, 2015 and 2014 was \$183,501 and \$143,245, respectively.

Future minimum rental payments under this lease commitment are as follows:

December 31, 2016	193,414
December 31, 2017	199,217
December 31, 2018	205,193
December 31, 2019	175,248
<b>Total</b>	<b>\$ 773,072</b>

In addition, the Company was under an Option Agreement with an unrelated third party to purchase land in Marysville, Washington. Under this agreement, the Company paid the land owner \$5,600 per month through June 2015. During the years ended December 31, 2015 and 2014, these payments have been classified as rent in the amount of \$33,600 and \$67,200, respectively.

**Note 10 – Acquisitions**

During 2014 the Company acquired the assets of Maryville Behavioral Health Hospital for cash consideration of \$22,600,000. The facility provides behavioral health care to patients in and around the Chicago, Illinois area, with a total of 125 patient beds. The aggregate net purchase price of the business was allocated to assets based on their estimated fair values as follows:

Goodwill	\$ 15,016,697
Building and Improvements	5,900,000
Land	1,300,000
Furniture and Equipment	243,303
Inventory	140,000
<b>Total Purchase Price</b>	<b>\$ 22,600,000</b>

During 2015, the Company acquired property including an existing hospital building, and the land on which it is located, in Monroe, Georgia. The purchase price of the property was allocated to assets based on their estimated fair values as follows:

Building	\$ 1,925,000
Land	825,000
Acquisition Costs	90,087
<b>Total Purchase Price and Acquisition Costs</b>	<b>\$ 2,840,087</b>

**Note 11 – Related Party Transactions**

Chicago Behavioral Hospital (2014 Health, LLC) leases its Illinois based facility from its related company, 2014 Health Realty, LLC. The lease is a 15 year operating lease that commenced on November 3, 2014. Base rent is \$92,083 per month. Intercompany rental income and expense is eliminated upon consolidation of the financial statements.

As of December 31, 2015, 2014 Health Realty, LLC was due \$2,619,075 from Chicago Behavioral Hospital (its related entity) for rent and miscellaneous operating expenses. This intercompany receivable is eliminated upon consolidation of the financial statements.

As of December 31, 2015, US HealthVest, LLC was due \$1,351,496 from Chicago Behavioral Hospital (its related entity) for miscellaneous operating expenses. This intercompany receivable is eliminated upon consolidation of the financial statements.

As of December 31, 2015, US HealthVest, LLC was due \$158,746 from 2014 Health Realty (its related entity) for fees paid in connection with the closing of the CityBank loan. This intercompany receivable is eliminated upon consolidation of the financial statements.

As of December 31, 2015, US HealthVest, LLC was due \$1,014,478 from Vest Monroe Realty (its related entity) for miscellaneous operating expenses and capital spending. This intercompany receivable is eliminated upon consolidation of the financial statements.

**Note 12 – Subsequent Events**

Subsequent events were evaluated through February 19, 2016, the date that the financial statements were available to be issued.

Effective January 1, 2016, the Company's 401(k) retirement plan was expanded to include eligible participants of Chicago Behavioral Hospital. The new participants will be subject to the same structure and terms of the previously existing plan.

In January 2016, the Company closed on a \$12,500,000 loan from a publicly-traded REIT, carrying interest at 11%. The loan has a one year term with an option to purchase the building during the term for \$20,000,000. If this option is exercised, once completed, it would be treated as a sale-leaseback. If the option is not exercised, the loan converts into a \$12,500,000, ten year term loan, carrying interest at 9.5%, amortized over 20 years.

In early 2016, construction was completed on Chicago Behavioral Hospital and the full 125 licensed beds are now available. The third floor has been opened, to be followed by the fourth floor later in the year.



**TOBIN & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS, PC

**Independent Auditors' Report on Supplemental Material**

To the members of:  
US HealthVest, LLC  
New York, N.Y.

We have audited the consolidated financial statements of US HealthVest, LLC and subsidiaries as of and for the years ended December 31, 2015, and 2014, and our report thereon dated February 19, 2016, which expressed an unmodified opinion on those financial statements, appears on page 3. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information included in the following section is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. 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 consolidated financial statements. The consolidating 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 or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Tobin & Company*  
*Certified Public Accountants, PC*

Purchase, New York  
February 25, 2016

# US HealthVest, LLC

## Consolidating Balance Sheet

As of December 31, 2015	US HealthVest LLC	V Colorado LLC	V Monroe Realty, LLC	2014 Health LLC	2014 Health Realty, LLC	Eliminations	Consolidated
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and equivalents	\$ 3,216,519	\$ -	\$ 409,135	\$ 6,550,171	\$ 648,682	\$ -	\$ 10,824,507
Accounts receivable, net	-	-	-	3,834,931	-	-	3,834,931
Inventory	-	-	-	136,448	-	-	136,448
Prepaid expenses	91,965	-	-	458,055	-	-	550,020
Due from parent/subsidiaries	2,524,720	-	-	-	2,619,075	(5,143,795)	-
<b>Total current assets</b>	<b>5,833,204</b>	<b>-</b>	<b>409,135</b>	<b>10,979,605</b>	<b>3,267,757</b>	<b>(5,143,795)</b>	<b>15,345,906</b>
Land, Property and equipment, net	46,732	-	3,715,503	-	11,385,333	-	15,147,568
<b>Other Assets</b>							
Investment in 2014 Health, LLC (CBH)	19,434,925	16,514	-	-	-	(19,451,439)	-
Investment in 2014 Health Realty, LLC	7,080,463	-	-	-	-	(7,080,463)	-
Investment in V Colorado, LLC	16,514	-	-	-	-	(16,514)	-
Investment in V Monroe Realty, LLC	3,110,160	-	-	-	-	(3,110,160)	-
Investment in future facilities	444,642	-	-	-	-	-	444,642
Other receivable and other assets	29,420	-	-	14,814	-	-	44,234
Closing costs, net	-	-	-	-	140,197	-	140,197
Goodwill	-	-	-	15,016,697	-	-	15,016,697
<b>Total Other Assets</b>	<b>30,116,124</b>	<b>16,514</b>	<b>-</b>	<b>15,031,511</b>	<b>140,197</b>	<b>(29,658,576)</b>	<b>15,645,770</b>
<b>Total Assets</b>	<b>\$ 35,996,060</b>	<b>\$ 16,514</b>	<b>\$ 4,124,638</b>	<b>\$ 26,011,116</b>	<b>\$ 14,793,287</b>	<b>\$ (34,802,371)</b>	<b>\$ 46,139,244</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>							
<b>Liabilities</b>							
Accounts payable	\$ 840,041	\$ -	\$ -	\$ 1,048,406	\$ -	\$ -	\$ 1,888,447
Accrued expenses	315,935	-	-	1,375,358	397,405	-	2,088,698
Financed insurance	-	-	-	165,342	-	-	165,342
Due to parent/subsidiaries	-	-	1,014,478	3,970,571	158,746	(5,143,795)	-
<b>Total current liabilities</b>	<b>1,155,976</b>	<b>-</b>	<b>1,014,478</b>	<b>6,559,677</b>	<b>556,151</b>	<b>(5,143,795)</b>	<b>4,142,487</b>
Note Payable	-	-	-	-	7,156,673	-	7,156,673
<b>Total Liabilities</b>	<b>1,155,976</b>	<b>-</b>	<b>1,014,478</b>	<b>6,559,677</b>	<b>7,712,824</b>	<b>(5,143,795)</b>	<b>11,299,160</b>
<b>Members' Equity</b>	<b>34,840,084</b>	<b>16,514</b>	<b>3,110,160</b>	<b>19,451,439</b>	<b>7,080,463</b>	<b>(29,658,576)</b>	<b>34,840,084</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$ 35,996,060</b>	<b>\$ 16,514</b>	<b>\$ 4,124,638</b>	<b>\$ 26,011,116</b>	<b>\$ 14,793,287</b>	<b>\$ (34,802,371)</b>	<b>\$ 46,139,244</b>

*See Independent Auditors' Report on Supplementary Information*

# US HealthVest, LLC

## Consolidating Statement of Operations

<i>For the year ended December 31, 2015</i>	US HealthVest LLC	V Colorado LLC	V Monroe Realty, LLC	2014 Health LLC	2014 Health Realty, LLC	Eliminations	Consolidated
<b>Revenues:</b>							
Net patient service revenue	\$ -	\$ -	\$ -	\$ 15,622,251	\$ -	\$ -	\$ 15,622,251
Other revenue	-	-	-	1,375,051	1,105,000	(1,105,000)	1,375,051
<b>Net Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,997,302</b>	<b>1,105,000</b>	<b>(1,105,000)</b>	<b>16,997,302</b>
<b>Operating expenses</b>							
Salaries and benefits	3,309,636	-	-	8,985,311	-	-	12,294,947
Professional fees	1,077,252	-	23,156	1,207,513	4,000	-	2,311,921
Supplies	19,828	-	-	911,683	35,720	-	967,231
Licenses, permits and fees	19,258	-	525	924,493	-	-	944,276
Travel and entertainment	534,503	-	-	79,846	-	-	614,349
Contracted Services	-	-	-	493,185	4,188	-	497,373
Property and business taxes	7,413	-	15,033	56,633	374,369	-	453,448
Contracted labor	-	-	-	401,309	-	-	401,309
Insurance	41,608	-	-	198,798	107,971	-	348,377
Telephone and Utilities	34,199	-	-	54,223	165,196	-	253,618
Repairs and maintenance	14,804	-	-	-	198,044	-	212,848
Bad debt expense	-	-	-	205,906	-	-	205,906
Rent	185,736	-	-	1,117,690	-	(1,105,000)	198,426
Recruiting	442	-	-	101,073	-	-	101,515
Computer and internet	46,734	-	-	-	-	-	46,734
Other operating expenses	21,298	-	1,126	23,635	-	-	46,059
Charitable Contributions	25,000	-	-	-	-	-	25,000
Advertising and marketing	750	-	-	24,119	-	-	24,869
Dues and Subscriptions	8,608	-	-	-	-	-	8,608
<b>Total operating expenses</b>	<b>5,347,069</b>	<b>-</b>	<b>39,840</b>	<b>14,785,417</b>	<b>889,488</b>	<b>(1,105,000)</b>	<b>19,956,814</b>
<b>Operating Profit (Loss)</b>	<b>(5,347,069)</b>	<b>-</b>	<b>(39,840)</b>	<b>2,211,885</b>	<b>215,512</b>	<b>-</b>	<b>(2,959,512)</b>
<b>Other income (expenses):</b>							
Depreciation and amortization	(14,335)	-	-	-	(266,045)	-	(280,380)
Equity in net income of subsidiaries	1,994,462	22,072	-	-	-	(2,016,534)	-
Interest income, net of expense	9,896	-	-	(4,665)	(122,385)	-	(117,154)
<b>Total other expenses</b>	<b>1,990,023</b>	<b>22,072</b>	<b>-</b>	<b>(4,665)</b>	<b>(388,430)</b>	<b>(2,016,534)</b>	<b>(397,534)</b>
<b>Net Income (Loss)</b>	<b>\$ (3,357,046)</b>	<b>\$ 22,072</b>	<b>\$ (39,840)</b>	<b>\$ 2,207,220</b>	<b>\$ (172,918)</b>	<b>\$ (2,016,534)</b>	<b>\$ (3,357,046)</b>

*See Independent Auditors' Report on Supplementary Information*



US HealthVest, LLC

**Consolidating Statement of Members' Equity**

<i>For the year ended December 31, 2015</i>	US HealthVest LLC	V Colorado LLC	V Monroe Realty, LLC	2014 Health LLC	2014 Health Realty, LLC	Eliminations	Consolidated
Beginning Balance, January 1, 2015	\$ 27,697,130	\$ (5,558)	\$ -	\$ 17,244,219	\$ 7,253,381	\$ (24,492,042)	\$ 27,697,130
Contributions from Members	10,500,000	-	3,150,000	-	-	(3,150,000)	10,500,000
Net Income (Loss)	(3,357,046)	22,072	(39,840)	2,207,220	(172,918)	(2,016,534)	(3,357,046)
Balance, December 31, 2015	\$ 34,840,084	\$ 16,514	\$ 3,110,160	\$ 19,451,439	\$ 7,080,463	\$ (29,658,576)	\$ 34,840,084

*See Independent Auditors' Report on Supplementary Information*

# US HealthVest, LLC

## Consolidating Statement of Cash Flows

<i>For the year ended December 31, 2015</i>	US HealthVest LLC	V Colorado LLC	V Monroe Realty, LLC	2014 Health LLC	2014 Health Realty, LLC	Eliminations	Consolidated
<b>Cash Flows From Operating Activities</b>							
Net Income (Loss)	\$ (3,357,046)	\$ 22,072	\$ (39,840)	\$ 2,207,220	\$ (172,918)	\$ (2,016,534)	\$ (3,357,046)
<b>Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:</b>							
Depreciation and amortization	14,335	-	-	-	266,045	-	280,380
Bad debt expense	-	-	-	205,906	-	-	205,906
<b>Changes in Operating Assets and Liabilities:</b>							
Increase in prepaid expenses	(70,131)	-	-	(12,532)	-	-	(82,663)
Increase in other receivable and other assets	(286,884)	-	-	(10,134)	-	-	(296,998)
Increase in accounts receivable	-	-	-	(3,201,540)	-	-	(3,201,540)
Increase in inventory	-	-	-	(2,315)	-	-	(2,315)
Increase in payables and accrued expenses	307,418	-	-	1,824,832	364,175	-	2,496,425
<b>Net Cash Flows Used in Operating Activities</b>	<b>(3,392,287)</b>	<b>22,072</b>	<b>(39,840)</b>	<b>1,011,437</b>	<b>457,302</b>	<b>(2,018,534)</b>	<b>(3,957,850)</b>
<b>Cash Flows From Investing Activities</b>							
Capital expenditures	(6,576)	-	(3,715,503)	329,680	(4,467,277)	-	(7,859,676)
Investment in Subsidiaries	(5,144,462)	(22,072)	-	-	-	5,166,534	-
<b>Net Cash Flows Used in Investing Activities</b>	<b>(5,151,038)</b>	<b>(22,072)</b>	<b>(3,715,503)</b>	<b>329,680</b>	<b>(4,467,277)</b>	<b>5,166,534</b>	<b>(7,859,876)</b>
<b>Cash Flows From Financing Activities</b>							
Contributed Capital	10,500,000	-	3,150,000	-	-	(3,150,000)	10,500,000
Advances from notes payable	-	-	-	-	7,156,673	-	7,156,673
Due to/from Subsidiaries	(2,523,835)	-	1,014,478	3,858,492	(2,349,135)	-	-
Closing costs	-	-	-	-	(148,881)	-	(148,881)
Decrease in financed insurance	-	-	-	(2,130)	-	-	(2,130)
<b>Net Cash Flows Provided by Financing Activities</b>	<b>7,976,165</b>	<b>-</b>	<b>4,164,478</b>	<b>3,858,382</b>	<b>4,658,657</b>	<b>(3,150,000)</b>	<b>17,505,662</b>
<b>Net Increase (Decrease) In Cash</b>	<b>(567,160)</b>	<b>-</b>	<b>409,135</b>	<b>5,197,479</b>	<b>648,682</b>	<b>-</b>	<b>5,688,136</b>
<b>Cash at Beginning of Period</b>	<b>3,783,679</b>	<b>-</b>	<b>-</b>	<b>1,352,692</b>	<b>-</b>	<b>-</b>	<b>5,136,371</b>
<b>Cash at End of Period</b>	<b>\$ 3,216,519</b>	<b>\$ -</b>	<b>\$ 409,135</b>	<b>\$ 6,550,171</b>	<b>\$ 648,682</b>	<b>\$ -</b>	<b>\$ 10,824,507</b>

See Independent Auditors' Report on Supplementary Information

# US HealthVest

BEHAVIORAL HEALTHCARE REDEFINED

## **Consolidated Audited Financial Statements and Supplemental Information**

For the Year ended December 31, 2014 and the  
Period from March 1, 2013 (Inception) through December 31, 2013

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**TOBIN & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS, PC

**INDEPENDENT AUDITORS' REPORT**

To the members of:  
US HealthVest, LLC  
New York, N.Y.

We have audited the accompanying consolidated financial statements of US HealthVest, LLC and subsidiaries, which comprise the balance sheet as of December 31, 2014 and 2013, and the related statements of operations, members' equity and cash flows for the year ended December 31, 2014 and the period from March 1, 2013 (inception) through December 31, 2013, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of US HealthVest, LLC, as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the year ended December 31, 2014 and the period from March 1, 2013 (inception) through December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

Purchase, New York  
March 25, 2015

## US HealthVest, LLC

### Consolidated Balance Sheets

<i>As of December 31,</i>	2014	2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and equivalents	\$ 5,136,371	\$ 14,365,520
Accounts receivable, net	839,297	-
Capital commitments receivable	-	19,215,279
Inventory	134,133	-
Prepaid expenses	467,357	18,801
<b>Total Current Assets</b>	<b>6,577,158</b>	<b>33,599,600</b>
Land, Property and Equipment, net	7,559,588	11,421
<b>Other Assets</b>		
Investment in future facilities	150,000	-
Other receivable and other assets	41,878	19,658
Goodwill	15,016,697	-
<b>Total Other Assets</b>	<b>15,208,575</b>	<b>19,658</b>
<b>Total Assets</b>	<b>\$ 29,345,321</b>	<b>\$ 33,630,679</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 384,149	\$ 47,387
Accrued expenses	1,096,570	169,149
Financed insurance	167,472	-
<b>Total Current Liabilities</b>	<b>1,648,191</b>	<b>216,536</b>
<b>MEMBERS' EQUITY</b>	<b>27,697,130</b>	<b>33,414,143</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$ 29,345,321</b>	<b>\$ 33,630,679</b>

*See accompanying notes to the financial statements*

# US HealthVest, LLC

## Consolidated Statements of Operations

*For the year ended December 31, 2014 and  
the period from March 1, 2013 (inception) through December 31, 2013*

	2014	2013
<b>Revenues</b>		
Net Patient Service Revenues	\$ 827,152	\$ -
Other Revenue	36,033	-
<b>Net Revenues</b>	<b>863,185</b>	<b>-</b>
<b>Operating Expenses</b>		
Salaries and benefits	3,269,671	1,538,774
Professional fees	1,962,619	785,009
Travel and entertainment	328,038	226,538
Rent	213,057	136,725
Supplies	117,930	53,532
Contracted labor	105,629	-
Insurance	97,907	-
Licenses, permits and fees	94,477	69,321
Contracted services	68,989	-
Utilities	62,998	21,763
Administrative consulting	55,347	-
Repairs and maintenance	44,392	-
Computer and internet	41,085	-
Property and business taxes	37,003	-
Dues and subscriptions	24,895	-
Other operating expenses	22,661	8,250
Advertising and marketing	8,931	480
<b>Total Operating Expenses</b>	<b>6,555,629</b>	<b>2,840,392</b>
<b>Loss from Operations before other items</b>	<b>(5,692,444)</b>	<b>(2,840,392)</b>
Depreciation expense	(42,666)	(1,772)
Interest income, net of expense of \$865)	18,097	6,307
<b>Net Loss</b>	<b>\$ (5,717,013)</b>	<b>\$ (2,835,857)</b>

*See accompanying notes to the financial statements*

US HealthVest, LLC

**Consolidated Statements of Members' Equity**

*For the year ended December 31, 2014 and  
the period from March 1, 2013 (inception) through December 31, 2013*

<b>Beginning Balance, inception</b>	<b>\$ -</b>
Contributions from Members	36,250,000
Net Loss for the period from March 1, 2013 (inception) through December 31, 2013	(2,835,857)
<b>Balance, December 31, 2013</b>	<b>33,414,143</b>
Net Loss for the year ended December 31, 2014	(5,717,013)
<b>Balance, December 31, 2014</b>	<b>\$ 27,697,130</b>

*See accompanying notes to the financial statements*



# US HealthVest, LLC

## Consolidated Statements of Cash Flows

*For the year ended December 31, 2014 and  
the period from March 1, 2013 (inception) through December 31, 2013*

	2014	2013
<b>Cash Flows From Operating Activities</b>		
Net Loss	\$ (5,717,013)	\$ (2,835,857)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:		
Depreciation	42,666	1,772
Changes in Operating Assets and Liabilities:		
Increase in prepaid expenses	(448,556)	(18,801)
Increase in other receivable and other assets	(172,220)	(19,658)
Increase in accounts receivable	(839,297)	-
Increase in inventory	(134,133)	-
Increase in accounts payable and accrued expenses	1,264,183	216,536
<b>Net Cash Flows Used in Operating Activities</b>	<b>(6,004,370)</b>	<b>(2,656,008)</b>
<b>Cash Flows From Investing Activities</b>		
Capital expenditures	(7,590,833)	(13,193)
Purchase of goodwill	(15,016,697)	-
<b>Net Cash Flows Used in Investing Activities</b>	<b>(22,607,530)</b>	<b>(13,193)</b>
<b>Cash Flows From Financing Activities</b>		
Capital commitment	-	36,250,000
Increase in financed insurance	167,472	-
(Increase) Decrease in capital commitments receivable	19,215,279	(19,215,279)
<b>Net Cash Flows Provided by Financing Activities</b>	<b>19,382,751</b>	<b>17,034,721</b>
<b>Net Increase (Decrease) In Cash</b>	<b>(9,229,149)</b>	<b>14,365,520</b>
Cash at Beginning of Year	14,365,520	-
<b>Cash at End of Year</b>	<b>\$ 5,136,371</b>	<b>\$ 14,365,520</b>
<b>Supplemental Disclosures</b>		
Cash paid during the period for:		
Interest Expense	\$ 865	\$ -

*See accompanying notes to the financial statements*

**Note 1 – Summary of Accounting Policies**

Organization and Business

US HealthVest, LLC (the Company) was formed under the laws of the State of Delaware on March 1, 2013. The purpose of the Company and its affiliates is to acquire and operate behavioral healthcare facilities throughout the United States. The Company currently operates one facility located in Illinois.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles.

Principles of Consolidation

The consolidated financial statements include the activities of US HealthVest, LLC, and its subsidiaries, collectively referred to as "the Company". All material intercompany accounts and transactions have been eliminated.

The activities of 2014 Health, LLC, 2014 Health Realty, LLC, and V Colorado, LLC, collectively referred to as "affiliates" have been consolidated with the activities of US HealthVest, LLC and are presented in the statements of supplemental information.

Recent Developments

On November 3, 2014 the Company acquired the assets of Maryville Behavioral Health Hospital. The acquisition included a 125 bed hospital as well as the land on which the hospital is located in Des Plaines, Illinois. This hospital provides services to those suffering from mental health illnesses and chemical dependency. The activities of this operation from the date of acquisition through the end of the fiscal year are included in the consolidated financial statements.

In January 2014, US HealthVest received a Certificate of Need to develop a 75 bed hospital in Washington State. The hospital will be located in Marysville, a suburb of Seattle. In September 2014, the Company received a Certificate of Need for an additional 50 beds in Washington State.

In June 2014, US HealthVest received a Certificate of Need to develop a 70 bed hospital in Georgia.

Accounts Receivable, Net Revenue and Cost Recognition

The Company recognizes revenues in the period in which services are performed. Accounts receivable consist primarily of amounts due from third-party payors. The amounts the Company receives for treatment of patients covered by governmental programs such as Medicare, Medicaid and other third-party payors such as health maintenance organizations, preferred provider organizations and other private insurers are generally less than the Company's established billing rates. Accordingly, the revenues and accounts receivable reported in the Company's consolidated financial statements are recorded at the net amount expected to be received.

**Note 1 - Summary of Accounting Policies, continued**

Cash and Equivalents

The Company considers all short term investments with an original maturity of three months or less to be cash equivalents.

Inventory - Supplies

Inventories consist of pharmaceutical and dietary supplies and are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost. Maintenance and repairs are expensed in the period incurred; major renewals and betterments are capitalized. When items of property are sold or retired, the related costs are removed from the accounts and any gain or loss is included in income.

Depreciation

Property and Equipment are depreciated using straight-line depreciation methods over their estimated useful lives as follows:

Buildings and Improvements	39 years
Furniture and Equipment	5-7 years
Computer equipment and software	5 years

Use of Estimates

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

Allowance for Doubtful Accounts

The primary risk in patient receivables would be uninsured amounts owed by direct pay patients. As of December 31, 2014 the Company did not have accounts receivable from direct pay patients, and therefore the Company has not established an allowance for doubtful accounts. The Company continually monitors accounts receivable balances and utilizes cash collection data and historical trends to support this position. The Company has however established an allowance for denials from payors in the amount of \$5,270.

Concentration of Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist of cash, cash equivalents and investments held in financial institutions. At times such balances may be in excess of Federal Deposit Insurance Company (FDIC) limits.

The Company's revenues are heavily related to patients participating in Medicaid. Management recognizes that revenues and receivables from government agencies are significant to the Company's operations, but it does not believe that there is significant credit risk associated with this government agency.

**Note 1 - Summary of Accounting Policies, continued**

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses amounted to \$8,931 and \$480 for the year ended December 31, 2014 and the period from March 1, 2013 (inception) through December 31, 2013, respectively.

Goodwill

Goodwill represents the amount of purchase price in excess of the fair value assigned to the underlying identifiable net asset in certain acquisitions. In accordance with FASB ASC 350-10, goodwill and indefinite-lived intangible assets are no longer amortized systematically, but subject to impairment annually. Management reviews the carrying value of goodwill on an annual basis in order to determine whether impairment has occurred. Impairments are based on several factors, including the Company's projection of future operating cash flows. As of December 31, 2014 the Company has not recognized impairment of goodwill.

Compensated Absences

The Company's employees earn paid time off hours ("PTO"), which can be used towards vacation, sick time and personal days off. Paid time off is earned depending on the length of service and job position. Employees can carryover no more than 80 PTO hours at year end. Accrued compensated absences as of December 31, 2014 and 2013 were \$18,307 and \$0, respectively.

Income Taxes

The Company is organized as a Limited Liability Company, in lieu of corporate taxes; the members of a Limited Liability Company are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in the financial statements. The Company's income tax returns are subject to examination by the appropriate tax jurisdictions for a period of three years from when they are required to be filed.

Acquisitions, Business Combinations

The company accounts for business combinations using the acquisition method and accordingly, the identifiable assets acquired, and the liabilities assumed are recorded at their acquisition date fair values. Goodwill represents the excess of the purchase price over the fair value of net assets, including the amount assigned to identifiable intangible assets.

**Note 2 - Capital Commitments Receivable**

Upon commencement of operations, the Company received capital commitments from its members totaling \$36,250,000. Of this amount, \$17,034,721 was collected as of December 31, 2013. The remaining balance was collected during the year ended December 31, 2014.

**Note 3 – Investment in Future Facilities**

During 2014 the Company was in the process of establishing a new psychiatric facility in Monroe, Georgia. The Company made a deposit of \$150,000 during 2014 for the future purchase of this facility.

Notes to Financial Statements

**Note 4 - Property and Equipment**

The major classifications of property and equipment are as follows:

<i>As of December 31,</i>	2014		2013	
Land	\$	1,300,000	\$	-
Building		5,900,000		-
Furniture and Fixtures		262,850		13,193
Computer Equipment and Software		121,831		-
Construction in progress		19,344		-
Total Land, Property, and Equipment		7,604,025		13,193
Less Accumulated Depreciation		(44,437)		(1,772)
Land, Property and Equipment, net	\$	7,559,588	\$	11,421

**Note 5 – Financed Insurance**

The Company financed its insurance premiums through IPFS Corporation. Total premiums on these policies are \$261,777. Of this amount, \$209,340 was financed and is payable in ten equal monthly installments of \$21,366, including finance charges at 4.48%. As of December 31, 2014 the remaining balance on this agreement was \$167,472.

**Note 6 – Operating Lease of Facilities**

The Company leases through an unrelated third party, an administrative office located in New York. The lease was assigned from a former entity of common ownership with an initial lease term of ten years, expiring October 31, 2019. Rent expense for the year ended December 31, 2014 and the period from March 1, 2013 (inception) through December 31, 2013 was \$143,245 and \$136,725, respectively.

Future minimum rental payments under this lease commitment are as follows:

December 31, 2015	\$	187,781
December 31, 2016		193,414
December 31, 2017		199,217
December 31, 2018		205,193
December 31, 2019		175,248
<b>Total</b>	<b>\$</b>	<b>960,853</b>

In addition, the Company is under an Option Agreement with an unrelated third party to purchase land in Marysville, Washington. Under this agreement, the Company pays the land owner \$5,600 per month for the term of the agreement. During the year ended December 31, 2014, these payments have been classified as rent in the amount of \$67,200.

**Notes to Financial Statements**

**Note 7 – Retirement Plan**

The Company maintains a 401(k) retirement plan ("the Plan") for all eligible employees over 21 years of age with at least five months of service. Participants can contribute a percentage of their compensation up to a maximum deferral of 85% and receive a matching employer contribution of 100% of deferrals up to 3% of compensation, and 50% of deferrals for the next 2% of compensation. Participants may also receive a discretionary employer matching contribution at the discretion of the Company's Board of Directors. The Company incurred expenses of \$60,186 in 2014.

**Note 8 – Acquisitions**

During 2014 the Company acquired the assets of Maryville Behavioral Health Hospital for cash consideration of \$22,600,000. The facility provides behavioral health care to patients in and around the Chicago, Illinois area, with a total of 125 patient beds. The aggregate net purchase price of the business was allocated to assets based on their estimated fair values as follows:

Goodwill	\$ 15,016,697
Building and Improvements	5,900,000
Land	1,300,000
Furniture and Equipment	243,303
Inventory	140,000
<hr/>	
Total Purchase Price	<u>\$ 22,600,000</u>

**Note 9 – Related Party Transactions**

Chicago Behavioral Hospital (2014 Health, LLC) leases its Illinois based facility from its related company, 2014 Health Realty, LLC. The lease is a 15 year operating lease that commenced on November 3, 2014. Base rent is \$92,083 per month. Intercompany rental income and expense is eliminated upon consolidation of the financial statements.

As of December 31, 2014, 2014 Health Realty, LLC was due \$111,194 from Chicago Behavioral Hospital (its related entity) for the November and December 2014 rent. This intercompany receivable is eliminated upon consolidation of the financial statements.

As of December 31, 2014, US HealthVest, LLC was due \$885 from Chicago Behavioral Hospital (its related entity) for miscellaneous operating expenses. This intercompany receivable is eliminated upon consolidation of the financial statements.

**Note 10 – Subsequent Event**

Subsequent events were evaluated through March 25, 2015, the date that the financial statements were available to be issued.



**TOBIN & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS, PC

**Independent Auditors' Report on Supplemental Material**

To the members of:  
US HealthVest, LLC  
New York, N.Y.

We have audited the consolidated financial statements of US HealthVest, LLC and subsidiaries as of and for the year ended December 31, 2014, and as of and for the period from March 1, 2013 (inception) through December 31, 2013, which expressed an unmodified opinion on those financial statements, appears on page 3. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information included in the following section is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. 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 consolidated financial statements. The consolidating 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 or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Purchase, New York  
March 25, 2015

# US HealthVest, LLC

## Consolidating Balance Sheet

<i>As of December 31, 2014</i>	US HealthVest LLC	V Colorado LLC	2014 Health LLC	2014 Health Realty, LLC	eliminations	Consolidated
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and equivalents	\$ 3,783,679	\$ -	\$ 1,352,692	\$ -	\$ -	\$ 5,136,371
Accounts receivable, net	-	-	839,297	-	-	839,297
Inventory	-	-	134,133	-	-	134,133
Prepaid expenses	21,834	-	445,523	-	-	467,357
Due from parent/subsidiaries	885	-	-	111,194	(112,079)	-
<b>Total current assets</b>	<b>3,806,398</b>	<b>-</b>	<b>2,771,645</b>	<b>111,194</b>	<b>(112,079)</b>	<b>6,577,158</b>
Land, Property and equipment, net	54,491	-	329,680	7,175,417	-	7,559,588
<b>Other Assets</b>						
Investment in 2014 Health, LLC (CBH)	17,249,777	(5,558)	-	-	(17,244,219)	-
Investment in 2014 Health Realty, LLC	7,253,381	-	-	-	(7,253,381)	-
Investment in V Colorado, LLC	(5,558)	-	-	-	5,558	-
Investment in future facilities	150,000	-	-	-	-	150,000
Other receivable and other assets	37,198	-	4,680	-	-	41,878
Goodwill	-	-	15,016,697	-	-	15,016,697
<b>Total Other Assets</b>	<b>24,684,798</b>	<b>(5,558)</b>	<b>15,021,377</b>	<b>-</b>	<b>(24,492,042)</b>	<b>15,208,575</b>
<b>Total Assets</b>	<b>\$ 28,545,687</b>	<b>\$ (5,558)</b>	<b>\$ 18,122,702</b>	<b>\$ 7,286,611</b>	<b>\$ (24,604,121)</b>	<b>\$ 29,345,321</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>						
<b>Liabilities</b>						
Accounts payable	\$ 86,237	\$ -	\$ 297,912	\$ -	\$ -	\$ 384,149
Accrued expenses	762,320	-	301,020	33,230	-	1,096,570
Financed insurance	-	-	167,472	-	-	167,472
Due to parent/subsidiaries	-	-	112,079	-	(112,079)	-
<b>Total current liabilities</b>	<b>848,557</b>	<b>-</b>	<b>878,483</b>	<b>33,230</b>	<b>(112,079)</b>	<b>1,648,191</b>
<b>Members' Equity</b>	<b>27,697,130</b>	<b>(5,558)</b>	<b>17,244,219</b>	<b>7,253,381</b>	<b>(24,492,042)</b>	<b>27,697,130</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$ 28,545,687</b>	<b>\$ (5,558)</b>	<b>\$ 18,122,702</b>	<b>\$ 7,286,611</b>	<b>\$ (24,604,121)</b>	<b>\$ 29,345,321</b>



# US HealthVest, LLC

## Consolidating Statement of Operations

<i>For the year ended December 31, 2014</i>	US HealthVest LLC	V Colorado LLC	2014 Health LLC	2014 Health Realty, LLC	eliminations	Consolidated
<b>Revenues:</b>						
Net patient service revenue	\$ -	\$ -	\$ 827,152	\$ -	\$ -	\$ 827,152
Other revenue	-	-	36,033	178,028	(178,028)	36,033
<b>Net Revenues</b>	-	-	<b>863,185</b>	<b>178,028</b>	<b>(178,028)</b>	<b>863,185</b>
<b>Operating expenses</b>						
Salaries and benefits	2,484,039	-	785,632	-	-	3,269,671
Professional fees	1,946,765	-	15,854	-	-	1,962,619
Travel and entertainment	323,462	-	4,576	-	-	328,038
Rent	212,152	-	178,933	-	(178,028)	213,057
Supplies	31,045	-	86,885	-	-	117,930
Contracted labor	-	-	105,629	-	-	105,629
Insurance	7,019	-	60,122	30,766	-	97,907
Licenses, permits and fees	86,714	-	7,763	-	-	94,477
Contracted services	-	-	68,989	-	-	68,989
Utilities	32,338	-	3,045	27,615	-	62,998
Administrative consulting	-	-	55,347	-	-	55,347
Repairs and maintenance	15,567	-	11,142	17,683	-	44,392
Computer and internet	41,085	-	-	-	-	41,085
Property and business taxes	-	-	13,003	24,000	-	37,003
Dues and subscriptions	24,009	-	886	-	-	24,895
Other operating expenses	8,709	-	13,952	-	-	22,661
Advertising and marketing	7,053	-	1,878	-	-	8,931
<b>Total operating expenses</b>	<b>5,219,957</b>	<b>-</b>	<b>1,413,636</b>	<b>100,064</b>	<b>(178,028)</b>	<b>6,555,629</b>
<b>Operating Profit (Loss)</b>	<b>(5,219,957)</b>	<b>-</b>	<b>(550,451)</b>	<b>77,964</b>	<b>-</b>	<b>(5,692,444)</b>
<b>Other income (expenses):</b>						
Depreciation and amortization	(9,786)	-	(8,297)	(24,583)	-	(42,666)
Equity in net income of subsidiaries	(502,400)	(5,558)	-	-	507,958	-
Interest income, net of expense	15,130	-	2,967	-	-	18,097
<b>Total other expenses</b>	<b>(497,056)</b>	<b>(5,558)</b>	<b>(5,330)</b>	<b>(24,583)</b>	<b>507,958</b>	<b>(24,569)</b>
<b>Net Income (Loss)</b>	<b>\$ (5,717,013)</b>	<b>\$ (5,558)</b>	<b>\$ (555,781)</b>	<b>\$ 53,381</b>	<b>\$ 507,958</b>	<b>\$ (5,717,013)</b>

# US HealthVest, LLC

## Consolidating Statement of Members' Equity

<i>For the year ended December 31, 2014</i>	US HealthVest LLC	V Colorado LLC	2014 Health LLC	2014 Health Realty, LLC	eliminations	Consolidated
Beginning Balance, January 1, 2014	\$ 33,414,143	\$ -	\$ -	\$ -	\$ -	\$ 33,414,143
Contributions from Members	-	-	17,800,000	7,200,000	(25,000,000)	-
Net Income (Loss)	(5,717,013)	(5,558)	(555,781)	53,381	507,958	(5,717,013)
<b>Balance, December 31, 2014</b>	<b>\$ 27,697,130</b>	<b>\$ (5,558)</b>	<b>\$ 17,244,219</b>	<b>\$ 7,253,381</b>	<b>\$ (24,492,042)</b>	<b>\$ 27,697,130</b>

# US HealthVest, LLC

## Consolidating Statement of Cash Flows

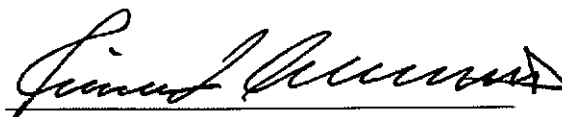
<i>For the year ended December 31, 2014</i>	US HealthVest LLC	V Colorado LLC	2014 Health LLC	2014 Health Realty, LLC	eliminations	Consolidated
<b>Cash Flows From Operating Activities</b>						
Net Income (Loss)	\$ (5,717,013)	\$ (5,558)	\$ (555,781)	\$ 53,381	\$ 507,958	\$ (5,717,013)
<b>Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:</b>						
Depreciation	9,786	-	8,297	24,583	-	42,666
<b>Changes in Operating Assets and Liabilities:</b>						
Increase in prepaid expenses	(3,033)	-	(445,523)	-	-	(448,556)
Increase in other receivable and other assets	(167,540)	-	(4,680)	-	-	(172,220)
Increase in accounts receivable	-	-	(839,297)	-	-	(839,297)
Increase in inventory	-	-	(134,133)	-	-	(134,133)
Increase in payables and accrued expenses	632,021	-	598,932	33,230	-	1,264,183
<b>Net Cash Flows Used in Operating Activities</b>	<b>(5,245,779)</b>	<b>(5,556)</b>	<b>(1,372,185)</b>	<b>111,194</b>	<b>507,958</b>	<b>(6,004,370)</b>
<b>Cash Flows From Investing Activities</b>						
Capital expenditures	(52,856)	-	(337,977)	(7,200,000)	-	(7,590,833)
Investment in Subsidiaries	(24,497,600)	5,558	-	-	24,492,042	-
Purchase of goodwill	-	-	(15,016,697)	-	-	(15,016,697)
<b>Net Cash Flows Used in Investing Activities</b>	<b>(24,550,456)</b>	<b>5,558</b>	<b>(15,354,674)</b>	<b>(7,200,000)</b>	<b>24,492,042</b>	<b>(22,607,530)</b>
<b>Cash Flows From Financing Activities</b>						
Contributed Capital	-	-	17,800,000	7,200,000	(25,000,000)	-
Due to/From Subsidiaries	(885)	-	112,079	(111,194)	-	-
Increase in financed insurance	-	-	167,472	-	-	167,472
Decrease in capital commitment receivable	19,215,279	-	-	-	-	19,215,279
<b>Net Cash Flows Provided by Financing Activities</b>	<b>19,214,394</b>	<b>-</b>	<b>18,079,551</b>	<b>7,088,806</b>	<b>(25,000,000)</b>	<b>19,382,751</b>
<b>Net increase (Decrease) in Cash</b>	<b>(10,581,841)</b>	<b>-</b>	<b>1,352,692</b>	<b>-</b>	<b>-</b>	<b>(9,229,149)</b>
Cash at Beginning of Year	14,365,520	-	-	-	-	14,365,520
<b>Cash at End of Year</b>	<b>\$ 3,783,679</b>	<b>\$ -</b>	<b>\$ 1,352,692</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,136,371</b>

**DECLARATION AND VERIFICATION**

I, Richard A. Kresch, M.D., acting in my capacity as President and CEO of US HealthVest, LLC, do hereby certify, verify and affirmatively state that two million dollars (\$2,000,000) is currently deposited in an account owned by US HealthVest, LLC. Those funds are being held for the sole purpose of the *acquisition and operation* of the facility currently known as Vista Medical Center West, located at 2615 Washington Street, Waukegan, Illinois 60085, if so approved by the Illinois Health Facilities and Services Review Board and once licensed and certified by the relevant and appropriate agencies and entities.

Under penalties as provided by law, pursuant to Section 1 – 109 of the Illinois Code of Civil Procedure, the undersigned certifies, verifies and affirmatively states that as the President of US HealthVest, LLC, he is authorized to present this Declaration and Verification, and that the statements set forth are true and correct.

Date: September 6, 2017



Richard A. Kresch, M.D.

**SECTION VIII – 1120.140 – ECONOMIC FEASIBILITY** Continued ii

**Economic Feasibility**

**This section is applicable to all projects**

**A. Reasonableness of Financing Arrangements**

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

1. That the total estimated project costs and related costs will be funded in total with cash equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or

Appended as ATTACHMENT-19A is a letter from the owner addressing the reasonableness of financing arrangements.

**D. Projected Operating Costs**

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

	2021	
Salaries	\$12,770,994	
Benefits	\$2,426,489	
Supplies	\$1,934,848	
Patient Days @ 85%		45,296.5
Total/Operating Cost/PT Day	\$17,132,331	\$378.23

**E. Total Effect of the Project on Capital Costs**

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

	2021	
Depreciation/Amortization	\$883,383	
Interest Expense	\$922,435	
Real Estate Taxes	\$646,134	
Patient Days @ 85%		45,296.5
Total/Operating Cost/PT Day	\$2,451,952	\$54.13

# US HealthVest

September 6, 2017

Ms. Courtney Avery  
Administrator  
Illinois Health Facilities and Services Review Board  
525 W. Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

RE: Certificate of Exemption for Change of  
Owners Vista Medical Center West to  
Vista West Behavioral Hospital -  
reasonableness of financing arrangements

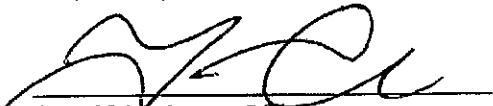
Dear Ms. Avery:

## A. Reasonableness of Financing Arrangements

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

1. That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or


Respectfully,

  
\_\_\_\_\_  
Board Member or Officer

\_\_\_\_\_  
Board Member or Officer

Notarization:

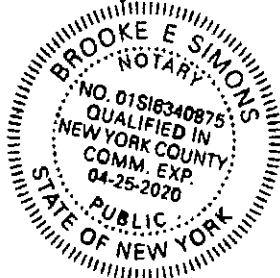
Subscribed and sworn to before me  
this 6<sup>th</sup> day of September 2017

  
\_\_\_\_\_  
Signature of Notary  
Seal

Notarization:

Subscribed and sworn to before me  
this \_\_\_\_ day of \_\_\_\_\_

\_\_\_\_\_  
Signature of Notary  
Seal



32 East 57th Street  
17th Floor  
New York, New York 10022  
T 212.243.5565 · F 212.243.1099  
www.ushealthvest.com

ATTACHMENT-19A