19-026

ORIGINAL RECEIVED

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD APPLICATION FOR PERMIT

JUN 06 2019

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

HEALTH FACILITIES & SERVICES REVIEW BOARD

This Section must be completed for all projects.

Facility/Project Identificati	on				
	n Rehabilitation Hospit	al			
Street Address: Northwe	est corner of Goshen R	oad and Gus	ewelle Road		
	ardsville 62025		<u> </u>		
County: Madison	Health Service	Area: 11	Health Plan	nning Area:	HSA 11
Applicant(s) [Provide for ea	ch applicant (refer to P	art 1130.220)]		
Exact Legal Name:			lealth Facilities, Inc, d/l	o/a Anderso	n Hospital
Street Address:		e Route 162			
City and Zip Code:	Maryville,				
Name of Registered Agent					
Registered Agent Street Ad		e Route 162			
Registered Agent City and			52		
Name of Chief Executive O					
CEO Street Address:		e Route 162			
CEO City and Zip Code:		IL 62062			
CEO Telephone Number:	618-391-6	3406			
Type of Ownership of Appl	licants				
☐ Non-profit Corpora	ation		Davisavskia		
For-profit Corpora			Partnership Governmental		
Non-profit Corpora For-profit Corpora Limited Liability Co		冶	Sole Proprietorship		Other
 Partnerships must 	limited liability compani provide the name of the ecifying whether each	ne state in w	vide an Illinois certification in they are organized on limited partner.	ate of good and the nai	l standing . me and address
APPEND DOCUMENTATION PAGE OF THE APPLICAT	ON AS ATTACHMENT			DER AFTE	R THE LAST
				CHICAGO NA SERVE	THE SAME PROPERTY.
Primary Contact [Person to	receive ALL correspon	dence or inc	uiries]		
	Lisa Klaustermeier, RN	I, MSN	·		
	Chief Nursing Officer				
Company Name:	Anderson Hospital				
Address:	6800 State Route 162	Maryville	e, IL 62062		
Telephone Number:	618-391-6404				
E-mail Address:	klaustermeierl@ander	sonhospital.	org		
Fax Number:	618-288-4088				
Additional Contact [Person		to discuss t	ne application for permi	t]	
Name:	Ralph Weber				
Title:	Consultant				
Company Name:	Weber Alliance				
Address:	920 Hoffman Lane	Riverwood	s, IL 60015		
Telephone Number:	847-791-0830				
E-mail Address:	rmweber90@gmail.co	ım			
		/111			

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identificat	ion
Facility Name: Anders	ол Rehabilitation Hospital
Street Address: Northw	est corner of Goshen Road and Gusewelle Road
	ardsville 62025
County: Madison	Health Service Area: 11 Health Planning Area: HSA 11
A 40 44 5 TO 11 A	
Applicant(s) [Provide for ea	ach applicant (refer to Part 1130.220)]
Exact Legal Name:	Kindred Healthcare, LLC
Street Address:	680 South Fourth Street
City and Zip Code:	Louisville, KY 40202-2412
Name of Registered Agen	
Registered Agent Street A	
Registered Agent City and Name of Chief Executive (
CEO Street Address:	
	680 South Fourth Street
CEO City and Zip Code: CEO Telephone Number:	Louisville, KY 40202-2412
CEO releptione Number:	502-596-6260
Type of Ownership of App	licants
☐ Non-profit Corpor	ration 🔲 Partnership
For-profit Corpora	
Limited Liability C	
 Corporations and 	limited liability companies must provide an Illinois certificate of good standing.
 Partnerships mus 	it provide the name of the state in which they are organized and the name and address
of each partner s	pecifying whether each is a general or limited partner.
CSUSTRAIN WARD TO ME AND THE STREET	
ADDEND DOCUMENTATI	
BACE OF THE ADDITION	ON AS ATTACHMENT 1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST
PAGE OF THE APPLICAT	ION FORM,
Primary Contact (Person to	preceive ALL correspondence or inquiries]
Name:	Lisa Klaustermeier, RN, MSN
Title:	Chief Nursing Officer
Company Name:	Anderson Hospital
Address:	6800 State Route 162 Maryville, IL 62062
Telephone Number:	618-391-6404
E-mail Address:	klaustermeierl@andersonhospital.org
Fax Number:	618-288-4088
	who is also authorized to discuss the application for permit]
Name:	Ralph Weber
Title:	Consultant
Company Name:	Weber Alliance
Address:	920 Hoffman Lane Riverwoods, IL 60015
Telephone Number:	847-791-0830
E-mail Address:	rmweber90@gmail.com

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identificat	ion
Facility Name: Anders	on Rehabilitation Hospital
Street Address: Northw	est corner of Goshen Road and Gusewelle Road
City and Zip Code: Edw	vardsville 62025
County: Madison	Health Service Area: 11 Health Planning Area: HSA 11
A 11 44 h 200 1 4	
Applicant(s) [Provide for ea	ach applicant (refer to Part 1130.220)]
Exact Legal Name:	Anderson Rehabilitation Hospital, LLC
Street Address:	6800 State Route 162
City and Zip Code:	Maryville, IL 62062
Name of Registered Agen	
Registered Agent Street A	
Registered Agent City and	
Name of Chief Executive (
CEO Street Address:	6800 State Route 162
CEO City and Zip Code: CEO Telephone Number:	Maryville, IL 62062
CEO relepnone Number:	618-391-6406
Type of Ownership of App	plicants
☐ Non-profit Corpor	ration Department in
For-profit Corpora	
Limited Liability C	
Entitled Elebinity C	Company
 Corporations and 	limited liability companies must provide an Illinois certificate of good standing.
 Partnerships mus 	st provide the name of the state in which they are organized and the name and address
of each partner s	pecifying whether each is a general or limited partner.
primary desired	
APPEND DOCUMENTATI	ION AS ATTACHMENT 1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST
PAGE OF THE APPLICAT	CION FORM,
Deimon O 4 (O 4	
	receive ALL correspondence or inquiries]
Name: Title:	Lisa Klaustermeier, RN, MSN
	Chief Nursing Officer
Company Name: Address:	Anderson Hospital
	6800 State Route 162 Maryville, IL 62062
Telephone Number: E-mail Address:	618-391-6404
	klaustermeierl@andersonhospital.org
	640 200 4000
Fax Number:	618-288-4088
Additional Contact [Persor	who is also authorized to discuss the application for permit]
Additional Contact [Persor Name:	who is also authorized to discuss the application for permit]
Additional Contact [Persor Name: Title:	n who is also authorized to discuss the application for permit] Ralph Weber Consultant
Additional Contact [Persor Name: Title: Company Name:	n who is also authorized to discuss the application for permit] Ralph Weber Consultant Weber Alliance
Additional Contact [Person Name: Title: Company Name: Address:	n who is also authorized to discuss the application for permit] Ralph Weber Consultant Weber Alliance 920 Hoffman Lane Riverwoods, IL 60015
Additional Contact [Persor Name: Title: Company Name:	n who is also authorized to discuss the application for permit] Ralph Weber Consultant Weber Alliance

Post Permit Contact

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

Name:	Lisa Klaustermeier, RN, MSN
Title:	Chief Nursing Officer
Company Name:	Anderson Hospital
Address:	6800 State Route 162 Maryville, IL 62062
Telephone Number:	618-391-6404
E-mail Address:	klaustermeierl@andersonhospital.org
Fax Number:	618-288-4088

Site Ownership

Provide this information for each applicable si	rmation for each applicable site	is informatio	rovide this
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ti retitae une interimation for each ap	phodble dite
Exact Legal Name of Site Owner:	Anderson Real Estate, LLC
Address of Site Owner:	6800 State Route 162 Maryville, IL 62062
Street Address or Legal Description	n of the Site:
Proof of ownership or control of the	site is to be provided as Attachment 2. Examples of proof of
ownership are property tax statemer	nts, tax assessor's documentation, deed, notarized statement of the
corporation attesting to ownership,	an option to lease, a letter of intent to lease, or a lease.
APPEND DOCUMENTATION AS ATTACH APPLICATION FORM.	MENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE

Operating Identity/Licensee

[Provide this informati	on for each applicable fac	ility and inse	rt after this page.]	
	Anderson Rehabilitation	Hospital, LL	С	
Address:	6800 State Route 162	Maryville, I	L 62062	
Non-profit Confidence Non-profit Confidence For-profit Confidence Implies Non-profit Confidence Non-profit Non-pro		G	artnership overnmental ole Proprietorship	
 Corporations Standing. 	s and limited liability comp	anies must p	provide an Illinois Ce	rtificate of Good
	must provide the name oner specifying whether each			
o Persons wit of owner	th 5 percent or greater in ship.	nterest in th	licensee must be	identified with the %
APPEND DOCUMENTAT APPLICATION FORM.	TON AS ATTACHMENT 3, IN N	IUMERIC SEQL	ENTIAL ORDER AFTER	THE LAST PAGE OF THE

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 <u>ATTACHMENT 4</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Flo	bod	Plain	Red	uire	emen	ts
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[Refer to application instructions.]

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

APPEND DOCUMENTATION AS <u>ATTACHMENT 5.</u> 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. Pr	oject Cla	ssification
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Check	those applicable - refer to Part 1110.20 and Part 1120.20(b)	ļ
Part 1	110 Classification:	
×	Substantive	
	Non-substantive	

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.

The project proposes the establishment of a freestanding hospital with a 34 bed Comprehensive Physical Rehabilitation service. Co-applicants are: Southwestern Illinois Health Facilities, Inc, d/b/a Anderson Hospital, Kindred Healthcare, LLC, and Anderson Rehabilitation Hospital, LLC, the joint venture entity and licensee

The site of the proposed project is the northwest corner of Goshen Road and Gusewelle Road in Edwardsville, IL, on property owned by Anderson Real Estate, LLC. The development site is adjacent to the Anderson Surgery Center under construction (CON Project 18-031).

The 2 story building will incorporate 49,371 sq ft. A developer to be named will lease the property from land owner Anderson Real Estate, LLC. Anderson Rehabilitation Hospital will enter into a building lease with the developer. Total capital cost of the project is \$25,995,294, of which \$23,592,794 is the amount of the lease.

Anderson Hospital currently operates a 20 bed inpatient Comprehensive Physical Rehabilitation service at its hospital campus in Maryville. The proposed 34 bed facility will replace and significantly enhance this service, including a specialized 12 bed brain injury unit. Accordingly, Anderson Hospital will prepare and submit a Certificate of Exemption for the discontinuation of the current 20 bed unit in Maryville. The co-applicants request that the reviews of the Certificate of Need for the establishment of the new service and the Certificate of Exemption for discontinuation be coordinated at the same HFSRB meeting.

The project is substantive, because it proposes the establishment of a new service, and the capital expenditure exceeds the State threshold of \$13,515,982.

Project Costs and Sources of Funds

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

USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs			
Site Survey and Soil Investigation	-		
Site Preparation	 -		
Off Site Work			
New Construction Contracts			,
Modernization Contracts			
Contingencies			
Architectural/Engineering Fees			
Consulting and Other Fees			_
Movable or Other Equipment (not in construction contracts)			
Bond Issuance Expense (project related)			_
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment			
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)	. .		
TOTAL USES OF FUNDS			
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities			
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations	-		
Grants			-
Other Funds and Sources			
TOTAL SOURCES OF FUNDS		 	

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Related Project Costs

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

Land acquisition is related to project
The project involves the establishment of a new facility or a new category of service Yes No
If yes, provide the dollar amount of all non-capitalized operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.
Estimated start-up costs and operating deficit cost is \$14,056,569
Project Status and Completion Schedules For facilities in which prior permits have been inqued places provide the provident p
For facilities in which prior permits have been issued please provide the permit numbers. Indicate the stage of the project's architectural drawings:
✓ Schematics ☐ Final Working Anticipated project completion date (refer to Part 1130.140): October 31, 2021
Indicate the following with respect to project expenditures or to financial commitments (refer to Part 1130.140):
Purchase orders, leases or contracts pertaining to the project have been executed. Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies Financial Commitment will occur after permit issuance.
APPEND DOCUMENTATION AS <u>ATTACHMENT 8,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.
State Agency Submittals [Section 1130.620(c)]
Are the following submittals up to date as applicable: ☑ Cancer Registry ☑ APORS
All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

Cost Space Requirements

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

		Gross Sc	quare Feet	Amount of Proposed Total Gross Squ That Is:			Square Feet
Dept. / Area	Cost	Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE				331154			Opace
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical							
NON REVIEWABLE				,			
Administrative							
Parking					1		
Gift Shop							
Total Non-clinical							
TOTAL							

APPEND DOCUMENTATION AS <u>ATTACHMENT 9</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Facility Bed Capacity and Utilization

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

FACILITY NAME: Anderson	Hospital	CITY:	Maryville		
REPORTING PERIOD DATES	: From: Jar	uary 1, 2018	to: Dec	ember 31, 201	8
Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical	98	4,704	23,090**	0	98
Obstetrics	24	1,522	5,136**	0	24
Pediatrics	0	0	0	0	0
Intensive Care	12	689*	2,469**	0	12
Comprehensive Physical Rehabilitation	20	386	4,121	0	20
Acute/Chronic Mental Illness	0			0	0
Neonatal Intensive Care	0			0	0
General Long Term Care	0			0	0
Specialized Long Term Care	0			0	0
Long Term Acute Care	0			0	0
Other ((identify)	0			0	0
TOTALS:	154	7,301	34,816**	0	154

^{*} Intensive Care admissions exclude 236 transfers into the ICU service.

The CON permit application for establishment of Anderson Rehabilitation Hospital does not change bed counts at Anderson Hospital. A Certificate of Exemption for discontinuation will address the 20 rehabilitation beds now at Anderson Hospital.

^{**} Patient days include observation days on the unit.

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);

	or more general partners do not exist);
0	in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
0	in the case of a sole proprietor, the individual that is the proprietor.
Anders in acco Act. To Applications information	pplication is filed on the behalf of Southwestern Illinois Health Facilities, Inc. d/b/a son Hospital * ordance with the requirements and procedures of the Illinois Health Facilities Planning he undersigned certifies that he or she has the authority to execute and file this ation on behalf of the applicant entity. The undersigned further certifies that the data and ation provided herein, and appended hereto, are complete and correct to the best of his knowledge and belief. The undersigned also certifies that the fee required for this ation is sent herewith or will be paid upon request.
P	William Marshall SIGNATURE Wichael H. Marshall PRINTED NAME VICEPRESIDENT / CFO PRINTED TITLE PRINTED TITLE
	Action: Notarization: Subscribed and sworn to before me and any of
\$ gnatu	Ind D. Pundl Quelid D Pundle Signature of Notary
Seal **	OFFICIAL SEAL JUDITH I PURCELL NOTARY PUBLIC - STATE OF ILLINOIS HY COMMISSION EXPIRES:07/10/21
•	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~

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.

June 17, 2022

*Insert the EXACT legal name of the applicant

	쥑!
The undersigned certifies that he or she has behalf of the applicant entity. The undersign provided herein, and appended hereto, are of	kindred Healthcare, LLC ccedures of the Illinois Health Facilities Planning Act. the authority to execute and file this Application on need further certifies that the data and information complete and correct to the best of his or her cortifies that the fee required for this application is
DIOMATION	J. W.
SIGNATURE DOUGLAS L. CURNUTTE PRINTED NAME	SIGNATURE Zachariah PRINTED NAME
SVP. CORPORATE DEVELOPMENT PRINTED TITLE	President, Kindred Rehabilitation Services PRINTED TITLE
Notarization: Subscribed and sworn to before me this 290 day of MAY, 2019	Notarization: Subscribed and sworn to before me this 290 day of MAY 2019
Signature of Notary CHNDY S. JOHNSON NOTARY PUBLIC State at Large, Kentucky My Commission Expires	Signature of Hotery CINDY S. JOHNSON NOTARY PUBLIC State at Large, Kentucky My Commission Expires

June 17, 2022

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

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- 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 indi	vidual that is the proprietor.
Act. The undersigned certifies that he or sh Application on behalf of the applicant entity information provided herein, and appended	ocedures of the Illinois Health Facilities Planning e has the authority to execute and file this . The undersigned further certifies that the data and hereto, are complete and correct to the best of his ed also certifies that the fee required for this
SIGNATURE KEITH A PAGE PRINTED NAME BOARD OF TRISLES PRINTED TITLE	PRINTED TITLE
Notarization: Subscribed and sworn to before me this 39 day of May	Notarization: Subscribed and sworn to before me this day of
Signature of Notary Seal OFFICIAL SEAL JUDITH I PURCELL NOTARY PUBLIC - STATE OF ILLINOIS *Insert the YERMON SIRVEY FIRE FIRE OF ILLINOIS	Signature of Notary Seal

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);
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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

in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act.

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

This Application is filed on the behalf of Anderson Rehabilitation Hospital, LLC

The undersigned certifies that he or she has behalf of the applicant entity. The undersign provided herein, and appended hereto, are a knowledge and belief. The undersigned also sent herewith or will be paid upon request.	ned further o complete an	certifies that the data and information decorrect to the best of his or her
	B	in alg
SIGNATURE	SIGNATURE	an Sambera
PRINTED NAME	PRINTED NA	ad Member
PRINTED TITLE	PRINTED TI	TLE
Notarization: Subscribed and sworn to before me this day of		and sworn to before me
Signature of Notary	Bron Signature of	Notary Notary
Seal	Seal	BRANDY HUBER Notary Public - Notary Seal St Louis County - State of Missouri Commission Number 13484662
*Insert the EXACT legal name of the applicant		My Commission Expires May 21, 2021

SECTION II. DISCONTINUATION

NOT APPLICABLE

This Section is applicable to the discontinuation of a health care facility maintained by a State agency. **NOTE:** If the project is solely for discontinuation and if there is no project cost, the remaining Sections of the application are not applicable.

Criterion 1110.290 – Discontinuation (State-Owned Facilities and All Relocations)

READ THE REVIEW CRITERION and provide the following information:

GENERAL INFORMATION REQUIREMENTS

- 1. Identify the categories of service and the number of beds, if any that is to be discontinued.
- 2. Identify all of the other clinical services that are to be discontinued.
- 3. Provide the anticipated date of discontinuation for each identified service or for the entire facility.
- 4. Provide the anticipated use of the physical plant and equipment after the discontinuation occurs.
- 5. Provide the anticipated disposition and location of all medical records pertaining to the services being discontinued and the length of time the records will be maintained.
- 6. For applications involving the discontinuation of an entire facility, certification by an authorized representative that all questionnaires and data required by HFSRB or DPH (e.g., annual questionnaires, capital expenditures surveys, etc.) will be provided through the date of discontinuation, and that the required information will be submitted no later than 90 days following the date of discontinuation.

REASONS FOR DISCONTINUATION

The applicant shall state the reasons for the discontinuation and provide data that verifies the need for the proposed action. See criterion 1110.290(b) for examples.

IMPACT ON ACCESS

- 1. Document whether or not the discontinuation of each service or of the entire facility will have an adverse effect upon access to care for residents of the facility's market area.
- 2. Document that a written request for an impact statement was received by all existing or approved health care facilities (that provide the same services as those being discontinued) located within 45 minutes travel time of the applicant facility.

APPEND DOCUMENTATION AS <u>ATTACHMENT 10</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

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

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

1110.110(a) - Background of the Applicant

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 listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility.
- For the following questions, please provide information for each applicant, including corporate officers or directors, LLC members, partners and owners of at least 5% of the proposed facility. A health care facility is considered owned or operated by every person or entity that owns, directly or indirectly, an ownership interest.
 - a. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant, directly or indirectly, during the three years prior to the filing of the application.
 - b. A certified listing of each applicant, identifying those individuals that have been cited, arrested, taken into custody, charged with, indicted, convicted or tried for, or pled guilty to the commission of any felony or misdemeanor or violation of the law, except for minor parking violations; or the subject of any juvenile delinquency or youthful offender proceeding. Unless expunged, provide details about the conviction and submit any police or court records regarding any matters disclosed.
 - c. A certified and detailed listing of each applicant or person charged with fraudulent conduct or any act involving moral turpitude.
 - d. A certified listing of each applicant with one or more unsatisfied judgements against him or her.
 - A certified and detailed listing of each applicant who is in default in the performance or discharge of any duty or obligation imposed by a judgment, decree, order or directive of any court or governmental agency.
- 4. 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.
- 5. 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 <u>ATTACHMENT 11</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

Criterion 1110.110(b) & (d)

PURPOSE OF PROJECT

- 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.
- 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 achieving the stated goals as appropriate.

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

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

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

ALTERNATIVES

Identify <u>ALL</u> of the alternatives to the proposed project:

Alternative options must include:

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

APPEND DOCUMENTATION AS <u>ATTACHMENT 13.</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IV. PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE

Criterion 1110.120 - Project Scope, Utilization, and Unfinished/Shell Space

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

- Document that the amount of physical space proposed for the proposed project is necessary and not excessive. This must be a narrative and it shall include the basis used for determining the space and the methodology applied.
- 2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following:
 - a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies and certified by the facility's Medical Director.
 - b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that delineates the constraints or impediments.
 - c. The project involves the conversion of existing space that results in excess square footage.
 - Additional space is mandated by governmental or certification agency requirements that were not in existence when Appendix B standards were adopted.

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

	SIZ	E OF PROJECT		
DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?

APPEND DOCUMENTATION AS <u>ATTACHMENT 14.</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PROJECT SERVICES UTILIZATION:

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

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

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

		UTILI	ZATION		· ·
	DEPT./ SERVICE	HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.	PROJECTED UTILIZATION	STATE STANDARD	MEET STANDARD?
YEAR 1					
YEAR 2				-	

APPEND DOCUMENTATION AS <u>ATTACHMENT 15.</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

UNFINISHED OR SHELL SPACE:

NOT APPLICABLE

Provide the following information:

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

APPEND DOCUMENTATION AS <u>ATTACHMENT 16.</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ASSURANCES:

NOT APPLICABLE

Submit the following:

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

APPEND DOCUMENTATION AS <u>ATTACHMENT 17</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

B. Criterion 1110.205 - Comprehensive Physical Rehabilitation

- 1. Applicants proposing to establish, expand and/or modernize the Comprehensive Physical Rehabilitation category of service must submit the following information:
- 2. Indicate bed capacity changes by Service: Indicate # of beds changed by action(s):

Category of Service	# Existing Beds	# Proposed Beds
☐ Comprehensive Physical Rehabilitation		

3. READ the applicable review criteria outlined below and submit the required documentation for the criteria:

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.205(b)(1) - Planning Area Need - 77 III. Adm. Code 1100 (formula calculation)	X		
1110. 205(b)(2) - Planning Area Need - Service to Planning Area Residents	X	Х	
1110.205(b)(3) - Planning Area Need - Service Demand - Establishment of Category of Service	Х		
1110.205(b)(4) - Planning Area Need - Service Demand - Expansion of Existing Category of Service	ion	Х	
1110.205(b)(5) - Planning Area Need - Service Accessibility	Х		
1110.205(c)(1) - Unnecessary Duplication of Services	, X		
1110.205(c)(2) - Maldistribution	X		
1110.205(c)(3) - Impact of Project on Other Area Providers	X		
1110.205(d)(1), (2), and (3) - Deteriorated Facilities			Х
1110.205(d)(4) - Occupancy			Х
1110.205(e)(1) - Staffing Availability	Х	х	
1110.205(f) - Performance Requirements	Х	Х	X
1110.205(g) - Assurances	Х	Х	

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

M. Criterion 1110.270 - Clinical Service Areas Other than Categories of Service

- 1. Applicants proposing to establish, expand and/or modernize Clinical Service Areas Other than categories of service must submit the following information:
- 2. Indicate changes by Service:

Indicate # of key room changes by action(s):

Service	# Existing Key Rooms	# Proposed Key Rooms
		-

3. READ the applicable review criteria outlined below and submit the required documentation for the criteria:

Project Type	Required Review Criteria
New Services or Facility or Equipment	(b) - Need Determination - Establishment
Service Modernization	(c)(1) - Deteriorated Facilities
	AND/OR
	(c)(2) - Necessary Expansion
	PLUS
	(c)(3)(A) - Utilization - Major Medical Equipment
	OR
	(c)(3)(B) - Utilization - Service or Facility

The following Sections <u>DO NOT</u> need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18-month period prior to the submittal of the application):

- Section 1120.120 Availability of Funds Review Criteria
- Section 1120.130 Financial Viability Review Criteria
- Section 1120.140 Economic Feasibility Review Criteria, subsection (a)

VI. 1120.120 - AVAILABILITY OF FUNDS

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable [Indicate the dollar amount to be provided from the following sources]:

	a) Ca	ish and Sec m financial i	urities – statements (e.g., audited financial statements, letters nstitutions, board resolutions) as to:
		1) .	the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and
		2)	interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
	sh gro	owing anticip	anticipated pledges, a summary of the anticipated pledges pated receipts and discounted value, estimated time table of and related fundraising expenses, and a discussion of past
	c) Gi	ts and Bequ	ests – verification of the dollar amount, identification of any se, and the estimated time table of receipts;
<u></u>	tim the	e period, va anticipated	ment of the estimated terms and conditions (including the debt riable or permanent interest rates over the debt time period, and repayment schedule) for any interim and for the permanent osed to fund the project, including:
	:	1)	For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated;
		2)	For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;
6 6		3)	For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.;
		4)	For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment;
		5)	For any option to lease, a copy of the option, including all

	terms and conditions.
	e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
	f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
	g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
	TOTAL FUNDS AVAILABLE

APPEND DOCUMENTATION AS <u>ATTACHMENT 33.</u> 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 <u>ATTACHMENT 34</u>, 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.

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

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

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 <u>ATTACHMENT 35</u>, 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:

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

B. Conditions of Debt Financing

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

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

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

 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 GRO	OSS SQU	ARE FEE	T BY DEP	ARTMEN	T OR SERVI	CE	
Danadonant	Α	В	С	D	E	F	G	Н	
Department (list below)	Cost/Squ New	are Foot Mod.	Gross New	Sq. Ft. Circ.*	Gross Mod.	Sq. Ft. Circ.*	Const. \$ (A x C)	Mod. \$ (B x E)	Total Cost (G + H)
Contingency									
TOTALS								-	
* Include the pe	rcentage (%	6) of space	for circula	tion					

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 <u>ATTACHMENT 36</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IX. SAFETY NET IMPACT STATEMENT

SAFETY NET IMPACT STATEMENT that describes all of the following must be submitted for <u>ALL SUBSTANTIVE PROJECTS AND PROJECTS TO DISCONTINUE STATE-OWNED HEALTH CARE FACILITIES</u> [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 the Board.
- 2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.
- 3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service.

A table in the following format must be provided as part of Attachment 38.

Safety Ne	t Information per	PA 96-0031	
	CHARITY CARE	<u> </u>	
Charity (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
Total			
Charity (cost in dollars)			
Inpatient			
Outpatient			
Total			
Medicaid (# of patients)	MEDICAID Year	Year	Year
Inpatient			
Outpatient			
Total			
Medicaid (revenue)			
Inpatient			

		Outpatient			
	Total				
ABBEND DOCL	MENTATION AC	ATTACUMENT 27 IN NUMBER	EDIC SEQUENTIAL OF	ODED AFTED THE LA	OT DAGE OF THE
APPLICATION	FORM.	ATTACHMENT 37, IN NUM	ERIC SEQUENTIAL UP	RUER AFTER THE LA	ST PAGE OF THE
A PAR					

SECTION X. CHARITY CARE INFORMATION

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 <u>must</u> be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 39.

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

APPEND DOCUMENTATION AS <u>ATTACHMENT 38</u>, 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:

:HMEN1 D.		PAGES
1	Applicant Identification including Certificate of Good Standing	31-33
2	Site Ownership	34-38
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	39-43
4	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	44-45
5	Flood Plain Requirements	46-50
6	Historic Preservation Act Requirements	51
7	Project and Sources of Funds Itemization	52-54
8	Financial Commitment Document if required	NA
9	Cost Space Requirements	55
10	Discontinuation	NA
11	Background of the Applicant	56-78
12	Purpose of the Project	79-85
	Alternatives to the Project	86-88
	Size of the Project	89
	Project Service Utilization	90-91
	Unfinished or Shell Space	NA
17	Assurances for Unfinished/Shell Space	NA
	Service Specific:	
	Medical Surgical Pediatrics, Obstetrics, ICU	+==
19	Comprehensive Physical Rehabilitation	92-113
20	Acute Mental Iliness	
	Open Heart Surgery	
22	Cardiac Catheterization	
23	In-Center Hemodialysis	
24	Non-Hospital Based Ambulatory Surgery	
25	Selected Organ Transplantation	
26	Kidney Transplantation	
27	Subacute Care Hospital Model	_
28		
29	Long Term Acute Care Hospital	4
30	Clinical Service Areas Other than Categories of Service	114-11
31	Freestanding Emergency Center Medical Services	
32	Birth Center	
	Financial and Economic Feasibility:	116-24
33	Availability of Funds	
34		NA 246 25
35		246-25
36		253-25
37		258-26
38	Charity Care Information	263-26



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

SOUTHWESTERN ILLINOIS HEALTH FACILITIES, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON MARCH 20, 1929, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



In Testimony Whereof, I hereto set

my hand and cause to be affixed the Great Seal of the State of Illinois, this 30TH day of MAY A.D. 2019.

Authentication #: 1915001732 verifiable until 05/30/2020 Authenticate at: http://www.cyberdriveillinois.com

SECRETARY OF STATE



I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF

DELAWARE, DO HEREBY CERTIFY "KINDRED HEALTHCARE, LLC" IS DULY

FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD

STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS

OFFICE SHOW, AS OF THE TWENTY-SECOND DAY OF MAY, A.D. 2019.

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

2875922 8300 SR# 20194306273

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

Jeffrey W. Butlock, Secretary of State

Authentication: 202873309

Date: 05-22-19



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

ANDERSON REHABILITATION HOSPITAL, LLC, HAVING ORGANIZED IN THE STATE OF ILLINOIS ON DECEMBER 14, 2018, 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 22ND

day of

MAY

A.D. 2019

Authentication #: 1914202244 verifiable until 05/22/2020 Authenticate at: http://www.cyberdriveillinois.com

SECRETARY OF STATE

esse White

Site Ownership

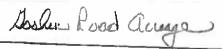
Attachment 2 includes the Title Policy showing Anderson Real Estate, LLC, as owner of the property.

The legal description of the property is shown in Schedule A of the Title Policy.

There are two leases relevant to the project:

- A Ground Lease, wherein Anderson Real Estate, LLC will lease the land to a yet to be selected developer.
- A Building Lease, wherein the developer will lease the building to Anderson Rehabilitation Hospital.

The draft leases are included in Section 1120.120, Attachment 33 of this permit application





First American Title™

Owner's Policy of Title Insurance

First American Title Insurance Company

POLICY NUMBER

5011400-1046081e

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at the address shown in Section 18 of the Conditions.

COVERED RISKS

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B, AND THE CONDITIONS, FIRST AMERICAN TITLE INSURANCE COMPANY, a Nebraska corporation (the "Company") insures, as of Date of Policy and, to the extent stated in Covered Risks 9 and 10, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or

Title being vested other than as stated in Schedule A. 1.

Owner's Policy

Any defect in or lien or encumbrance on the Title. This Covered Risk includes but is not limited to insurance against loss from

forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;

failure of any person or Entity to have authorized a transfer or conveyance;

(lii) a document affecting Title not properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;

(iv) failure to perform those acts necessary to create a document by electronic means authorized by law;

(v) a document executed under a falsified, expired, or otherwise invalid power of attorney;

(vi) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means (vii) a defective judicial or administrative proceeding.

The lien of real estate taxes or assessments imposed on the Title by a governmental authority due or payable, but unpaid.

(c) Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land. The term "encroachment" includes encroachments of existing improvements located on the Land onto adjoining land, and encroachments onto the Land of existing improvements located on adjoining land. Unmarketable Title.

No right of access to and from the Land.

(Covered Risks Continued on Page 2)

In Witness Whereof, First American Title Insurance Company has caused its corporate name to be hereunto affixed by its authorized officers as of

First American Title Insurance Company

Dennis J. Gilmore President

Jeffrey S. Robinson Secretary

For Reference:

File #: T41620

Loan #: 0

MADISON COUNTY TITLE CO., INC.

120 North Main Street Edwardsville, IL 62025 (618) 656-0400; (618) 345-0900 (618) 254-0500 Fax (618) 656-6662

Countersigned by

(This Policy is valid only when Schedules A and B are attached)

This Jacket was created electronically and constitutes an original document

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Page 1 of 5

ALTA Owner's Policy of Title Insurance (6-17-06) Attachment 2

ALTA OWNERS POLICY

Inquiries Should be Directed to: Madison County Title Company, Inc. 120 North Main St., P.O. Box 605 Edwardsville, IL 62025

First American Title Insurance Company

SCHEDULE A

Order No.:T41620

Policy No.:0-5011400-1046081e

Date of Policy: February 13, 2015

Amount of Insurance:\$2,500,000.00

- 1. Name of Insured: ANDERSON REAL ESTATE, LLC
- 2. The estate or interest in the land which is covered by this policy is: Fee Simple
- 3. Title to the estate or interest in the land is vested in: Anderson Real Estate. LLC
- The land referred to in this policy is described as follows: Part of the Northwest Quarter of Section 19, Township 4 North, Range 7 West of the Third Principal Meridian, Madison County, Illinois being more particularly described as follows: Commencing at the Southwest corner of the Northwest Quarter of Section 19; thence South 87 degrees 57 minutes 45 seconds East along the South line of the Northwest Quarter of Section 19, a distance of 1,968.45 feet to the Southerly extension of the West line of Gusewelle Lane; thence North 00 degrees 00 minutes 00 seconds West along said West line, 50.03 feet to an iron rod in the North right of way line of Goshen Road and the point of beginning of the tract herein described; thence North 87 degrees 57 minutes 45 seconds West along said North right of way line 660.30 feet to an iron rod; thence North 00 degrees 00 minutes 00 seconds West, 660.30 feet to an iron rod; thence South 87 degrees 57 minutes 45 seconds East, 660.30 feet to an iron rod in the West line of Gusewelle Lane; thence South 00 degrees 00 minutes 00 seconds East along said West line, 660.30 feet to the point of beginning, containing 10.00 acres as shown by survey by Madison County Surveyors, Inc. during November, 2014, (except coal and other minerals underlying said premises with the right to mine and remove same), in Madison County, Illinois.

ALTA OWNER'S POLICY -

Inquiries Should be Directed to:
Madison County Title Company, Inc.
120 North Main St., P.O. Box 605
Edwardsville, IL 62025
First American Title Insurance Company

SCHEDULE B

Policy No.: 0-5011400-1046081e

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of

Standard Exceptions

- (a) Rights or claims of parties in possession not shown by public records.
- (b) Easements, or claims of easements, not shown by the public records.
- (c) Encroachments, overlaps, boundary line disputes, or other matters which would be disclosed by an accurate survey and inspection of the premises.
- (d) Any lien, or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the public records.
- (e) Taxes or special assessments which are not shown as existing liens by the public records.

Special Exceptions

Taxes for the years 2014 and 2015, not yet due and payable.
 Permanent Parcel No. 10-1-16-19-00-000-001 (1)

10-1-16-19-00-000-001.009 (2)

10-1-16-19-00-000-001.011 (3)

10-1-16-19-00-000-001.015 (4)

NOTE: The Permanent Parcel No. is given for information purposes and is not warranted or insured herein.

- Rights of way for drainage ditches, drain tiles, feeders, laterals, and underground pipes, if any.
- 3. Grant of Easement dated October 20, 1989 and recorded October 26, 1989 in Book 3546 Page 1059 as Roll and Frame No. 1694-506 executed by Bessie M. Knecht to the City of Edwardsville for water line and appurtenances and all rights thereto and terms thereof.

Attached to and made a part of First American Title Insurance Company Policy No. O-5011400-1046081e

Inquiries Should be Directed to: Madison County Title Company, Inc. 120 North Main St., P.O. Box 605 Edwardsville, IL 62025

Continuation of Schedule B

- 4. Right of Way contained in Warranty Deed dated September 11, 2002 and recorded September 26, 2002 in Book 4517 Page 3450 as Document No. 2002R56566 made by Knecht Family Limited Partnership to the City of Edwardsville and all rights thereto and terms thereof.
- 5. Ordinance No. 5543-9-04 recorded September 21, 2004 in Document No. 2004R56804 annexing certain territory to the City of Edwardsville and all rights thereto and terms thereof.
- 6. Ordinance No. 5542-9-04 recorded September 21, 2004 as Document No. 2004R56805 approving an annexation agreement concerning premises in question and all rights thereto and terms thereof.
- 7. Resolution No. 290-1-2004 adopting a policy for the inclusion of contribution language in all annexation agreements and determining contributions recorded August 29, 2005 as Document No. 2005R48594 and all rights thereto and terms thereof.
- 8. Covenants and restrictions contained in Deed dated May 21, 1902 in Book 287 Page 442 provided if a fence is built along the West side of Gusewelle Road, it shall not be nearer than 1/2 foot from the West line of said strip conveyed for roadway.
- 9. Ordinance No. 5966-2-15 recorded February 12, 2015 in Document No. 2015R04374 annexing certain territory to the City of Edwardsville and all rights thereto and terms thereof.
- 10. Ordinance No. 5965-2-15 recorded February 12, 2015 in Document No. 2015R04375 rezoning vacant property from R-1 Single Family Residence District to B-2 Commercial/Business District and all rights thereto and terms thereof.

Operating Identity / Licensee

Anderson Rehabilitation Hospital is a joint venture of Southwestern Illinois Health Facilities, Inc d/b/a Anderson Hospital (60% ownership) and Kindred Healthcare, LLC (40% ownership).



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

ANDERSON REHABILITATION HOSPITAL, LLC, HAVING ORGANIZED IN THE STATE OF ILLINOIS ON DECEMBER 14, 2018, 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 22ND day of MAY A.D. 2019.

Authentication #: 1914202244 verifiable until 05/22/2020 Authenticate at: http://www.cyberdriveillinois.com

se white

SECRETARY OF STATE



To all to whom these Presents Shall Come, Greeting:

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

SOUTHWESTERN ILLINOIS HEALTH FACILITIES, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON MARCH 20, 1929, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



In Testimony Whereof, I hereto set

my hand and cause to be affixed the Great Seal of the State of Illinois, this **30TH**

day of

MAY

A.D.

2019

Authentication #: 1915001732 verifiable until 05/30/2020 Authenticate at: http://www.cyberdriveillinois.com

SECRETARY OF STATE

Page 1



I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF

DELAWARE, DO HEREBY CERTIFY "KINDRED HEALTHCARE, LLC" IS DULY

FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD

STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS

OFFICE SHOW, AS OF THE TWENTY-SECOND DAY OF MAY, A.D. 2019.

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

2875922 8300 SR# 20194306273

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

Jeffrey W. Bullock, Secretary of State

Authentication: 202873309

Date: 05-22-19



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

COMMUNITY MEMORIAL HOSPITAL ASSOCIATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON APRIL 26, 1946, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



In Testimony Whereof, I hereto set

my hand and cause to be affixed the Great Seal of the State of Illinois, this 30TH

day of

MAY

A.D.

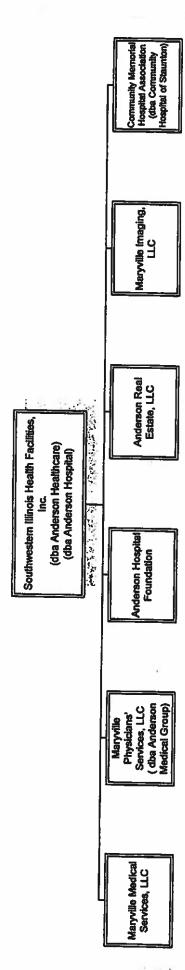
2019

Authentication #: 1915001740 verifiable until 05/30/2020 Authenticate at: http://www.cyberdriveillinois.com

SECRETARY OF STATE

Southwestern Illinois Health Facilities, Inc.

Organization Chart

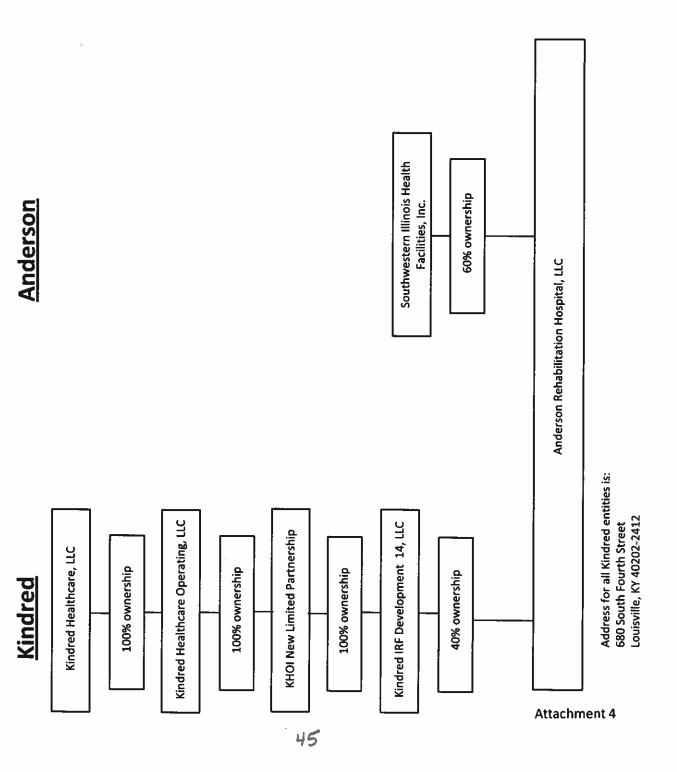


Southwestern Illinois Health Facilities, Inc.

Reviewed & Amended / May 2018

President

Kindred Organizational Chart



Flood Plain Requirements

The following pages include the most recent Flood Insurance Rate Map (FIRM) for the site location on which Alderson Rehabilitation Hospital is proposed. This information has not been updated since April 15, 1982.

The site is located in Zone C, panel 1704360075B. According to FEMA, Zone C consists of "areas determined to be outside 500 year floodplain determined to be outside the 1% and 0.2% annual chance floodplains [sic]." (www.floodmaps.com/zones.htm)

Illinois Executive Order #2006-5, "Construction Activities in Special Flood Hazard Areas" defines "Special Flood Hazard Areas" or "Floodplains" as areas subject to "100 year frequency flood and shown as such on the most current Flood Insurance Rate Map published by the Federal Emergency Management Agency."

The attachment includes a notarized statement from Keith Page, President and CEO of Southwestern Illinois Health facilities, Inc, d/b/a Anderson Hospital, which is the sole member of Anderson Real Estate, LLC, the owner of this site, attesting to the project's compliance with the requirements of Illinois Executive Order #2006-5, Construction Activities in Special Flood Hazard Areas, because the project site is located outside a 500 year flood plain.



May 29, 2019

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

Re: Compliance with the Requirements of Illinois Executive Order 2006-5
Regarding Construction Activities in Special Flood Hazard Areas

Dear Ms. Avery

I am the applicant representative of Southwestern Illinois Health Facilities, Inc, d/b/a Anderson Hospital, the sole member of Anderson Real Estate, LLC.

Anderson Real Estate, LLC is the owner of a site in Edwardsville on which it plans to construct the Anderson Rehabilitation Hospital.

I hereby attest that this site is located in Zone C, as identified by the most recent FEMA Flood Insurance Rate Map for this location. Zone C is identified by FEMA as consisting of "areas determined to be outside the 500-year floodplain determined to be outside the 1% and 0.2% annual chance floodplains." (www.floodmaps.com/zones.htm).

Accordingly, this location complies with the Flood Plain Rule and the requirements stated under Illinois Executive Order #2006-5, "Construction Activities in the Special Flood Hazard Areas."

Sincerely,

Keith A. Page, FACHE

President & CEO

OFFICIAL SEAL JUDITH I PURCEL

NOTARY PUBLIC - STATE OF ILLINOIS MY COMMISSION EXPIRES:07/10/21

s/09/19



(//www.fema.gov/)

Navigation

Search

Languages

MSC Home (/portal/)

MSC Search by Address (/portal/search)

MSC Search All Products (/portal/advanceSearch)

 MSC Products and Tools (/portal/resources/productsandtools)

Hazus (/portal/resources/hazus)

LOMC Batch Files (/portal/resources/lomc)

Product Availability (/portal/productAvailability)

MSC Frequently Asked Questions (FAQs) (/portal/resources/faq)

MSC Email Subscriptions (/portal/subscriptionHome)

Contact MSC Help (/portal/resources/contact)

FEMA Flood Map Service Center: Search By Address

Enter an address, place, or coordinates: @

goshen rd and gusewelle rd, edwardsville, il

Search

Whether you are in a high risk zone or not, you may need <u>flood insurance (https://www.fema.gov/national-flood-insurance-program)</u> because most homeowners insurance doesn't cover flood damage. If you live in an area with low or moderate flood risk, you are 5 times more likely to experience flood than a fire in your home over the next 30 years. For many, a National Flood Insurance Program's flood insurance policy could cost less than \$400 per year. Call your insurance agent today and protect what you've built.

Learn more about steps you can take (https://www.fema.gov/what-mitigation) to reduce flood risk damage.

Search Results—Products for MADISON COUNTY UNINCORPORATED AREAS

Show ALL Products » (https://msc.fema.gov/portal/availabilitySearch?addcommunity=170436&communityName=MAD

The flood map for the selected area is number 1704360075B, effective on 04/15/1982 @

MAP IMAGE



(https://msc.fema.gov/portal/viewProduct?

filepath=/17/P/Firm/1704360075B.tif&productID=1704360075B



(https://msc.fema.gov/portal/downloadProduct?

filepath=/17/P/Firm/1704360075B.tif&productTypeID=FINAL_PRODUCT&productSubTypeID=FIRM_PANEL&r

Changes to this FIRM 10

Revisions (0)

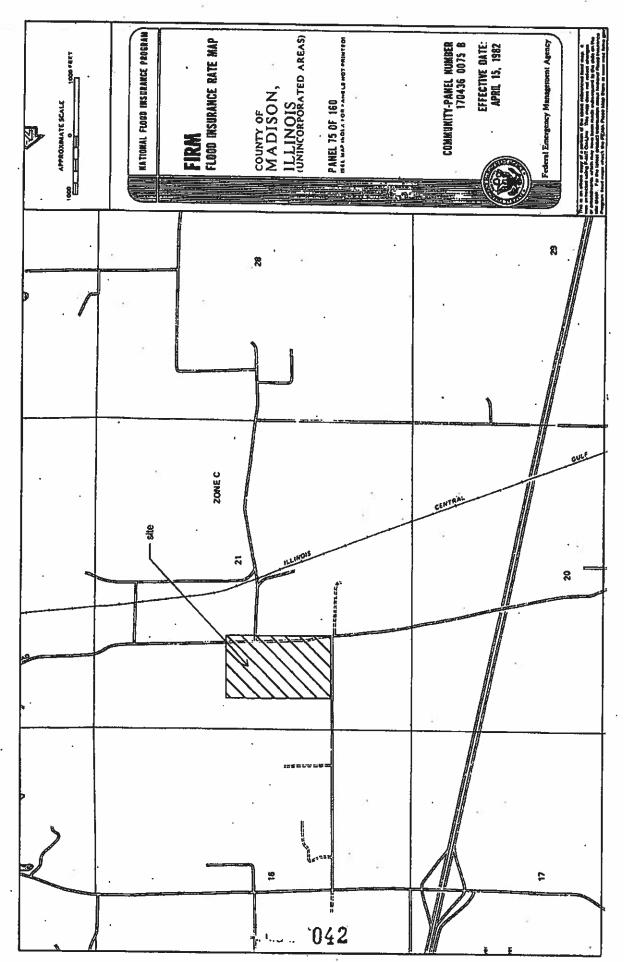
Amendments (8)

Revalidations (0)

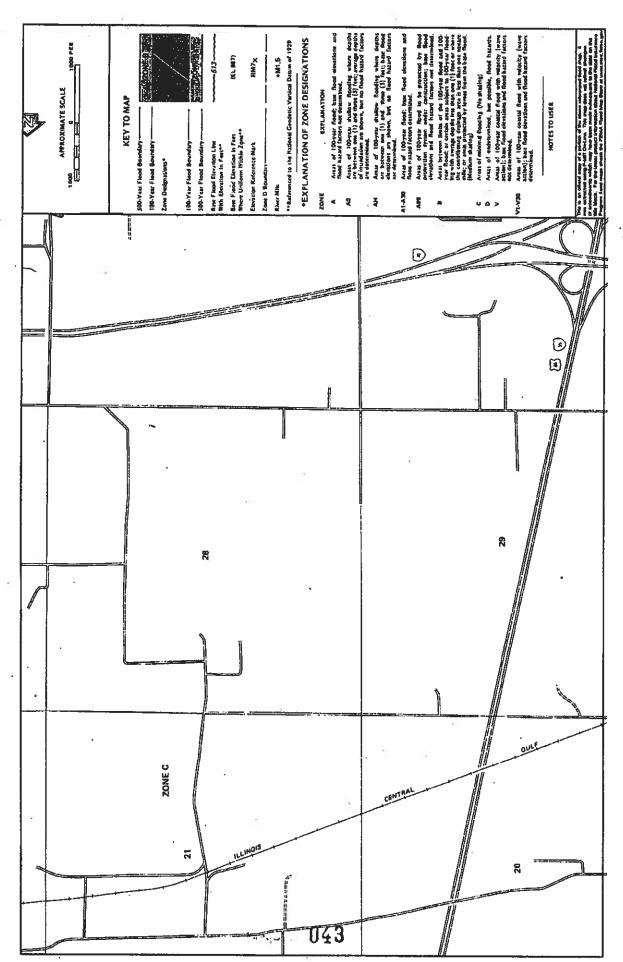
You can choose a new flood map or move the location pin by selecting a different location on the locator map below or by entering a new location in the search field above. It may take a minute or more during peak hours to generate a dynamic FIRMette.







49



JB Pritzker, Governor Colleen Callahan, Director

www.dnr.illinois.gov

Mailing address: State Historic Preservation Office, 1 Old State Capitol Plaza, Springfield, IL 62701

Madison County

RESOURCES

PLEASE REFER TO:

SHPO LOG #007051019

Edwardsville

NW of Goshen Road & Gusewelle Road, Section:19-Township:4N-Range:7W

New construction, rehabilitation center - Anderson Hospital

May 28, 2019

Ralph Weber Weber Alliance 920 Hoffman Lane Riverwoods, IL 60015

Dear Mr. Weber:

The Illinois State Historic Preservation Office is required by the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420, as amended, 17 IAC 4180) to review all state funded, permitted or licensed undertakings for their effect on cultural resources. Pursuant to this, we have received information regarding the referenced project for our comment.

Our staff has reviewed the specifications under the state law and assessed the impact of the project as submitted by your office. We have determined, based on the available information, that no significant historic, architectural or archaeological resources are located within the proposed project area.

According to the information you have provided concerning your proposed project, apparently there is no federal involvement in your project. However, please note that the state law is less restrictive than the federal cultural resource laws concerning archaeology. If your project will use federal loans or grants, need federal agency permits, use federal property, or involve assistance from a federal agency, then your project must be reviewed under the National Historic Preservation Act of 1966, as amended. Please notify us immediately if such is the

This clearance remains in effect for two (2) years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the IL Human Skeletal Remains Protection Act (20 ILCS 3440).

Please retain this letter in your files as evidence of compliance with the Illinois State Agency Historic Resources Preservation Act.

If further assistance is needed please contact Jeff Kruchten, Chief Archaeologist at 217/785-1279 or Jeffery.kruchten@illinois.gov.

Sincerely,

Robert F. Appleman Deputy State Historic

Preservation Officer

Bart 2. appl-

PROJECT COSTS AND SOURCES OF FUNDS

	Clinical	Non-Clinical	Total	
Use of Funds			<u> </u>	
Preplanning Costs	\$125,303	\$99,698	\$225,000	
Site Survey and Soil Investigation	\$19,492	\$15,509		
Site Preparation	\$515,133	\$409,868		
Off-Site Work	\$0	\$0	\$0	
New Construction contracts	\$9,815,110	\$7,809,890	\$17,625,000	
Modernization Contracts	\$0	\$0	\$0	
Contingencies	\$874,176	\$809,824	\$1,684,000	
Architectural/Engineering Fees	\$484,503	\$385,497	\$870,000	
Consulting and Other Fees	\$647,212	\$514,957	T .	
Movable or Other Equipment (not in construction contracts)	\$832,566	\$662,435	35 AV	
Bond Issuance Expense (project related)	S0	\$0		
Net Interest Expense During Construction			114847	
(project related)	\$594,003	\$472,622	\$1,066,625	
Fair Market Value of Leased Space or Equipment	\$0	\$0	\$0	
Other Costs to be Capitalized	\$505,387	\$402,113	\$907,500	
Acquisition of Building or Other Property			- 33 1389	
(excluding land)	\$0		\$0	
Total Uses of Funds	14,412,883	11,582,411	\$25,995,294	
Source of Funds				
Cash and Securities	\$1,337,952.25	\$1,064,548	\$2,402,500	
Pledges			=11 SI	
Gifts and Bequests				
Cond Issues (project related)			- 1	
Mortgages				
Leases (fair market value)	\$13,074,931	\$10,517,863.12	\$23,592,794	
Governmental Appropriations			25 Mar 10 15 15	
Grants			W.	
Other Funds and Sources			2 9	
Total Sources of Funds	14,412,883	11,582,411	\$25,995,294	

Project Costs and Sources of Funds Line Item Itemization

Line 1. Preplanning Costs - \$225,000

This amount includes up-front building permit and impact fees, feasibility studies, and analysis of alternative legal and joint venture structures.

Line 2. Site Survey and Soil Investigation - \$35,000

Soil testing and geotechnical work.

Line 3. Site preparation - \$925,000

Site work including erosion control measures, clearing and grubbing, grading work, storm, sewer, and fire utility infrastructure installation, asphalt paving, drainage, and landscaping.

Line 5. New Construction Contracts - \$17,625,000

All construction work will be done by a developer to be selected. Total construction cost is \$17,625,000, of which \$9,815,110 is clinical. Costs include core and shell, interior buildout, fixed equipment, all finishes, and contractor's overhead.

Line 7. Contingencies - \$1,684,000

Contingencies cover allowance for unforeseen circumstances. Clinical contingency is \$874,176. Clinical cost per sq ft (construction plus contingency) is \$388.79.

Line 8. Architectural / Engineering Fees - \$870,000

This work includes preliminary design, schematic design, design development, construction document services, bidding and negotiation, and construction administration.

Line 9. Consulting and other fees - \$1,162,169

These include legal fees, developer fees, Certificate of Need, environmental and other.

Line 10. Movable or other equipment (not in construction contracts) - \$1,495,000

This line item includes all equipment, furniture and furnishings for the clinical and support space. These include: patient lifts, patient beds, Stretchers, treatment carts, overbed tables, refrigerator and ice machines, automatic medication dispensing unit, kitchen equipment, exerciser, mat platforms, parallel bars, staircase, treadmill, treatment table, treatment equipment, weights and storage rack, wheelchairs, lockers, and the like.

Itemization of selected equipment above \$10,000 per unit and between \$5,000 and \$10,000 per unit is as follows:

a. Items Over \$10,000 - Subtotal \$586,000

i. Ekso Bionic Suit - 1 @ \$140,000

ii. TriWG Parallel Bars - 2 @ (\$15,000ea) - \$30,000

iii. Defribrillator for Crash Carts – 2 @ (\$12,000ea) - \$24,000

iv. GE EKG MAC5500 – 1 @ \$13,000

v. Technobody IsoFree - 1 @ \$13,000

vi. InMotion Arm Interactive Therapy System – 1 @ \$100,000

vii. Senaptec Sensory Station – 1 @ \$18,000

- viii. Stryker Bari10A Beds 2 @ (\$18,000ea) \$36,000
- ix. LiteGait Balance Control Stander and Gait Keeper Treadmill Package 1 @ \$12,000
- x. Omnicell 1 @ \$200,000

b. Items Over \$5,000 - Subtotal \$321,860

- i. Stryker S3 Beds 20 @ (\$6,225ea) \$124,500
- ii. Stryker Spirit Select Beds 12 @ (\$6,780ea) \$81,360
- iii. Spirit Medical Rehab Treadmill 1 @ \$6,000
- iv. Food Tronix Cash Register 1 @ \$5,000
- v. Tollos Lifts 11 @ (\$7,500ea) \$82,500
- vi. Verathon Bladder Scanner 1 @ \$6,500
- vii. Pharmacy Hood 1 @ \$8,000
- viii. Smart Car 1 @ \$8,000
- c. Items under \$5,000 Subtotal \$587,140

Total Equipment Costs - \$1,495,000

Line 12. Net interest expense during construction (project related) - \$1,066,625

This line item constitutes interest on the loan taken out by the developer. Interest payments are passed through to Anderson Rehabilitation Hospital and incorporated in rent payments to the developer.

Line 14. Other costs to be capitalized - \$907,500

IT - \$720,000 Artwork - \$17,100 Signage - \$18,800 Other items - \$151,600

Line 16. Cash and Securities - \$2,402,500

Kindred will pay this amount to cover equipment, IT, artwork, signage, and other capitalized costs

Line 21. Leases (fair market value) - \$23,592,794

Anderson Rehabilitation Hospital will make payments to the developer upon completion of the project based on the terms of the lease. The lease is structured to reimburse the developer for the total project costs, exclusive of equipment.

The lease covers preplanning costs, site survey and soil investigation, construction & contingencies, site preparation, net interest expense during construction, and A/E and consulting services.

Cost Space Requirements (departmental gross sq ft)

Department/Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Sq Ft That Is:			
		Existing	Proposed	New Const	Modernized	As Is	Vacated
Construction Costs	·						
CLINICAL/REVIEWABLE							
Patient Rooms/Rehabilitation	\$7,457,185		20,889	20,889			
Pharmacy	\$183,493		514	514			
Physcial Therapy/Occupatioal			775314				
Therapy	\$2,174,432	<u>. </u>	6,091	6,091	<u>l</u>		
Subtotal Clinical	\$9,815,110		27,494	27,494			
NON-REVIEWABLE			-		<u> </u>		
Administration/Case Mng	\$1,242,328		3,480	3,480		-	
Dayrooms	\$762,533	· · ·	2,136			1	
Dining/Dietary	\$1,243,756		3,484	3,484		1	
Lobby/Public Circulation	\$1,949,527		5,461	5,461		+	-
Mechanical	\$753,608		2,111	2,111	-		
Storage	\$498,359	-	1,396		-	+	-
Clean/soiled supply	\$319,150		894	894		1	-
Other Support	\$686,494		1,923	1,923		 	-
Staff Lounge/Lockers	\$354,135	1	992	992		 	
Subtotal Non-Clinical	\$7,809,890		21,877	21,877		1	
						†	
TOTAL CONSTRUCTION	\$17,625,000		49,371	49,371			
Other Proj Costs							
Preplanning Costs	\$225,000						
Site Survey and Soil Investigation	\$35,000						
Site Preparation	\$925,000						
Off-Site Work	\$0						
New Construction Contracts	\$17,625,000						
Modernization Contracts	\$0						
Contingencies	\$1,684,000						
Architectural/Engineering Fees	\$870,000						
Consulting and Other Fees	\$1,162,169						
Moveable or Other Equipment							
(not in construction contracts)	\$1,495,000						
Bond Issuance Expense (project							
related)							
Net Interest Expense During	material Tolera					 	
Construction (project related)	\$1,066,625						
Fair Market Value of Leased Space			 			 	
or Equipment							
Other Costs to be Capitalized	\$907,500					+	
	or sign street						
Acquisition of Building or Other							
Property (excluding land)	\$0						
Subtotal	25,995,294		1			1	
	all at the street						
TOTAL PROJECT COSTS	\$25,995,294			_			

Background of the Applicant

Southwestern Illinois Health Facilities, Inc, d/b/a Anderson Hospital

- List of facilities
- Licenses and certifications
- Letter: adverse actions and authorizing access to information

Kindred Healthcare, LLC

- List of facilities in Illinois
- Licenses and certifications
- Letter: adverse actions and authorizing access to information

List of Facilities Anderson Hospital

Southwestern Illinois Health Facilities, Inc, d/b/a Anderson Hospital 6800 State Route 162 Maryville, IL 62062

Community Memorial Hospital Association
Known as Community Memorial Hospital, d/b/a Community Hospital of Staunton
400 Caldwell Street
Staunton, IL 62088

Anderson Surgery Center Goshen Road and Gusewelle Road Edwardsville, IL 62025 (under construction, CON project 18-031)

DISPLAY THIS PART IN A CONSPICUOUS PLACE

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:

CATEGORY

Niray D. Shah, M.D., J.D.

Issued under the authority of the lifects Department of Public Health

Director

12/31/2019

I.D. NUMBER

0004119

General Hospital

Effective: 01/01/2019

Anderson Hospital 6800 State Route 162 Maryville, IL 62062

The face of this license has a colored background. Printed by Authority of the State of Binols * P.O. \$48240 5M 5/16

Exp. Date 12/31/2019

Lic Number

0004119

Date Printed 11/14/2018

Anderson Hospital

6800 State Route 162 Maryville, IL 62062

FEE RECEIPT NO.

Southwestern Illinois Health Facilities, Inc.

Maryville, IL

has been Accredited by



The Joint Commission

Which has surveyed this organization and found it to meet the requirements for the Hospital Accreditation Program

October 21, 2017

Accreditation is customarily valid for up to 36 months.

Craig W. Jones App HE

ID #7380 Print/Reprint Date: 12/12/2017

Mark R. Chassin, MD, FACP, MPP, MPH

The Joint Commission is an independent, not-for-profit national body that oversees the safety and quality of health care and other services provided in accredited organizations. Information about accredited organizations may be provided directly to The Joint Commission at 1-800-994-6610. Information regarding accreditation and the accreditation performance of individual organizations can be obtained through The Joint Commission's web site at www.jointcommission.org.



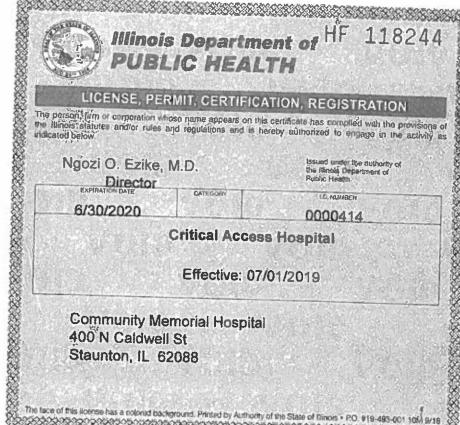












LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

Ngozi O. Ezike, M.D.

Issued under the duthority of the flinels Department of Rubic Hearn

Director

6/30/2020

0000414

Critical Access Hospital

Effective: 07/01/2019

Community Memorial Hospital 400 N Caldwell St Staunton, IL 62088

The face of this license has a colonid background. Printed by Authority of the State of timors • P.O. #18-483-001 100 9/18



May 29, 2019

Ms Courtney Avery
Administrator
Illinois Health Facilities and
Services Review Board
525 West Jefferson Street - 2nd Floor
Springfield, IL 62761

Re: No Adverse Actions / Authorized Access to Information

Dear Ms Avery

I am the applicant representative of Southwestern Illinois Health Facilities, Inc, d/b/a Anderson Hospital. I hereby certify that there have been no adverse actions taken against the following facilities owned and operated by Southwestern Illinois Health Facilities, Inc during the three years prior to the filing of this application:

Southwestern Illinois Health Facilities, Inc, d/b/a Anderson Hospital, Maryville

Community Memorial Hospital Association, known as Community Memorial Hospital, d/b/a Community Hospital of Staunton

Furthermore, I hereby authorize the Illinois Health Facilities and Services Review Board and the Illinois Department of Public Health (IDPH) to access any documents necessary to verify the information submitted, including but not limited to any or all of the following: 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, as identified in the requirements specified in 77 III. Adm. Code 1110.110(a).

Sincerely,

Keith Page, FACHE President & CEO

OFFICIAL SEAL
JUDITH I PURCELL
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:07/10/21

Jucell

Attachment 11

6800 State Route 162 Maryville, Illinois 62062 618-288-5711 Kindred Healthcare
List of Facilities in Illinois

Kindred Hospital – Sycamore 225 Edward Street Sycamore, IL 60178

Kindred Chicago Central Hospital d/b/a THC Chicago, LLC 4058 West Melrose Street Chicago, IL 60641

Kindred Chicago – Lakeshore d/b/a THC NorthShore, LLC 6130 N. Sheridan Road Chicago, IL 60660

Kindred Hospital – Chicago d/b/a Kindred Hospital – Chicago North 2544 W. Montrose Avenue Chicago, IL 60618

Kindred Hospital – Chicago d/b/a Kindred Hospital – Chicago Northlake 365 East North Avenue Northlake, IL 60164

Greater Peoria Specialty Hospital LLC d/b/a Kindred Hospital Peoria 500 West Romeo B Garrett Avenue Peoria, IL 61605

Notes:

Kindred Chicago Central Hospital and Kindred Chicago – Lakeshore share Medicare provider number, as main hospital and satellite location respectively. Therefore, they are surveyed together under Joint Commission.

Kindred Hospital - Chicago North and Kindred Hospital - Chicago Northlake share Medicare provider number as main hospital and extension. Therefore, they are surveyed together under Joint Commission.



Illinois Department of PUBLIC HEALTH

HF116279

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate ites compiled with the provisions of the Rinols 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 ender the authority of the stancis Department of Public Health

7/24/2019

0004945

Long Term Acute Care Hospital

Effective: 07/25/2018

Kindred Hospital - Sycamore 225 Edward Street Sycamore, IL 60178

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Exp. Date 7/24/2019 Lic Number 0004945

Oate Printed 7/11/2018 Validation Num

Kindred Hospital - Sycamore

225 Edward Street Sycamore, IL 60176

FEE RECEIPT NO.

Quality Report

Kindred Hospital - Sycamore



DBA: LTAC HCO ID: 7437 225 Edward Street Sycamore, IL, 60178 (815) 895-2144 www.kindredhealthcare.com

Summary of Quality Information

Accreditation Programs

View Accreditation History



Hospital

Accreditation Decision Accredited

Effective Date 12/17/2016

Last Full Survey Date 12/16/2016

Last On-Site Survey Date 1/27/2017



Laboratory

Accreditation Decision

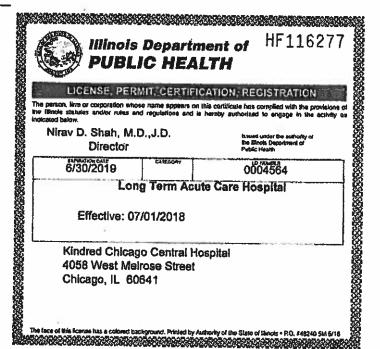
<u>Accredited</u>

Effective Date 1/9/2019

Last Full Survey Date 1/8/2019

Last On-Site Survey Date 1/8/2019

Sites



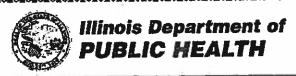
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Exp. Date 6/30/2019 Lic Number 0004584 Date Printed 7/11/2018 Validation Num

Kindred Chicago Central Hospital

4058 West Melrose Street Chicago, IL 60641

FEE RECEIPT NO.



HF116855 DISPLAY THIS PART IN A CONSPICUOUS PLACE

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

issued under the authority of the Minois Department of Public Health

DIFECTOR CAPEO

ID MANBER

11/1/2019

4000014

Subacute Care Hospital Demonstration Program

Licensed Beds: 103

Kindred Chicago- Lakeshore 6130 North Sheridan Road Chicago, IL 60660

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Exp. Date 11/1/2019

Lic Number

4000014

Date Printed 11/7/2018

Kindred Chicago-Lakeshore

6130 Sheridan Road Chicago, IL 60641

FEE RECEIPT NO.

Quality Report

THC Chicago, LLC and THC North Shore, LLC



DBA: Kindred Chicago Central Hospital & Kindred Chicago Lakeshore HCO ID: 518225 4058 West Melrose Chicago, IL, 60641 (773) 736-7000

www.kindredhealthcare.com

Summary of Quality Information

Accreditation Programs

View Accreditation History



<u>Hospital</u>

Accreditation Decision Accredited

Effective Date 12/2/2017

Last Full Survey Date 12/1/2017

Last On-Site Survey Date 12/1/2017



Laboratory

Accreditation Decision Accredited

Effective Date 11/9/2017

Last Full Survey Date 11/8/2017

Last On-Site Survey Date 11/8/2017

Sites



Illinois Department of PUBLIC HEALTH

HF116278

DISPLAY THIS PART IN A CONSPICUOUS PLACE

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

Issued under the extracity of the things Department of

7/24/2019

0004937

Long Term Acute Care Hospital

Effective: 07/25/2018

Kindred Hospital - Chicago 2544 W. Montrose Avenue Chicago, IL 60618

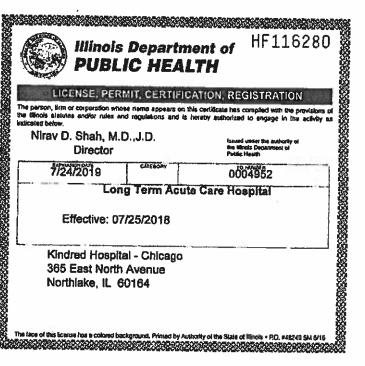
Exp. Date 7/24/2019 Lic Number 0004937

Date Printed 7/11/2018 Validation Num

Kindred Hospital - Chicago

2544 W. Montrose Avenue Chicago, IL 60818

FEE RECEIPT NO.



DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Data 7/24/2019 Lic Number 0004952

Date Printed 7/11/2018 Validation Num

Kindred Hospital - Chicago

365 East North Avenue Northlake, IL 60164

FEE RECEIPT NO.

Kindred Hospital - Chicago North

2544 W. Montrose Avenue Chicago, IL, 60618

Available Services

- Behavioral Health (24-hour Acute Care/Crisis Stabilization Adult)
- CT Scanner (Imaging/Diagnostic Services)
- EEG/EKG/EMG Lab (Imaging/Diagnostic Services)
- General Laboratory Tests
- Inpatient Unit (Inpatient)
- · Long Term Acute Care Unit (Inpatient)
- Toxicology

Kindred Hospital - Chicago Northlake

365 East North Avenue Northlake, iL, 60164

Available Services

- EEG/EKG/EMG Lab (Imaging/Diagnostic Services)
- · General Laboratory Tests
- Inpatient Unit (Inpatient)
- Long Term Acute Care Unit (Inpatient)

National Patient Safety Goals and National Quality Improvement Goals

Show Keys +

Symbol Key

This organization achieved the best possible results

This organization's performance is above the target range/value

This organization's performance is similar to the target range/value

This organization's performance is below the target range/value

This measure is not applicable for this organization

№ Not displayed

Summary of Quality Information

Accreditation Programs

View Accreditation History



Hospital

Accreditation Decision

Accredited

Effective Date

2/25/2017

Last Full Survey Date

2/24/2017

Last On-Site Survey Date

4/7/2017



Laboratory

Accreditation Decision

Accredited

Effective Date

10/7/2017

Last Full Survey Date

10/6/2017

Last On-Site Survey Date

10/10/2018

Sites

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

Ngozi O. Ezike, M.D.

Issued under the authority of the Illinois Department of Public Health

Director

CATEGORY

LO NUMBER

5/31/2020

0005777

Long Term Acute Care Hospital

Effective: 06/01/2019

Greater Peoria Specialty Hospital LLC dba Kindred Hospital Peoria 500 W Romeo B Garrett Ave

Peoria, IL 61605

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Quality Report

Greater Peoria Specialty Hospital, LLC



DBA: Kindred Hospital Peoria HCO ID: 484161 500 W. Romeo B. Garrett Avenue Peoria, IL, 61605 (309) 680-1500 khpeoria.com

Summary of Quality Information

Accreditation Programs

View Accreditation History



Hospital

Accreditation Decision Accredited

Effective Date 8/31/2018

Last Full Survey Date 8/30/2018

Last On-Site Survey Date 8/30/2018



<u>Laboratory</u>

Accreditation Decision Accredited

Effective Date 2/28/2018

Last Full Survey Date 2/27/2018

Last On-Site Survey Date 2/27/2018

Sites



May 29, 2019

Ms. Courtney Avery Administrator Illinois Health Facilities and Services Review Board 525 West Jefferson Street - 2nd Floor Springfield, IL 62761

Re: Adverse Actions / Authorized Access to Information

Dear Ms. Avery,

In accordance with Review Criterion 1110.110.a, Background of the Applicant, I am submitting this letter assuring the Illinois Health Facilities and Services Review Board of the following:

- 1) Kindred Hospital Chicago Central received a survey citation in April 2019 that was cleared in May 2019.
- 2) I hereby certify that no other adverse actions have been taken against the Kindred Healthcare facilities in Illinois, directly or indirectly, within three years prior to the filing of this application. For the purpose of this letter, the term "adverse action" has the meaning given to it in the Illinois Administrative Code, Title 77, Section 1130.

I hereby authorize the Health Facilities and Services Review Board and IDPH to access any documentation which it finds necessary to verify any information submitted, including but not limited to official records of IDPH or other State agencies and the records of nationally recognized accreditation organizations.

If you have any questions, please contact me at (502) 596-7951.

Sincerely,

Stacie S. Winkler Senior Vice President

And Chief Counsel, Hospital Division

Kindred Healthcare, LLC

Purpose of the Project

Anderson Hospital has provided Comprehensive Physical Rehabilitation in a 20 bed unit at the main hospital site in Maryville since late 2004. Other inpatient services provided at Anderson Hospital are the 98 bed medical/surgical service, 12 intensive care beds and a 24 bed obstetrics service. In 2004, Anderson entered into an agreement with Kindred Healthcare to assist in operating the rehabilitation unit. The relationship with Anderson Hospital has strengthened in the years since then, and is a solid basis for partnership in the proposed Anderson Rehabilitation Hospital.

Kindred Healthcare is a nationally recognized healthcare services company based in Louisville, Kentucky with annual revenues of approximately \$3.3 billion. As of December 31, 2018, Kindred, through its subsidiaries, has approximately 35,700 employees providing healthcare services in 1,789 locations in 45 states, including owning and operating 74 long-term acute care hospitals (6 in Illinois), 22 inpatient rehabilitation hospitals, 11 sub-acute units, as well as managing another 96 hospital-based, inpatient rehabilitation units (8 in Illinois) and contract rehabilitation service businesses which served 1,586 Skilled nursing/long term care sites of service. Ranked as one of Fortune magazine's Most Admired Healthcare Companies for nine years, Kindred's mission is to help patients reach their highest potential for health and healing with intensive medical and rehabilitative care through a compassionate patient experience. A presentation of Kindred's outstanding quality outcomes for inpatient rehabilitation within its comparable rehabilitation hospitals across the U.S. is presented at the end of this section.

The proposed new Anderson Rehabilitation Hospital will be a joint venture with Kindred. It will be located on property owned by Anderson Real Estate, LLC, an affiliate of Anderson Hospital, in Edwardsville, IL, approximately 5 miles from the hospital campus in Maryville. The proposed building location is adjacent to the hospital's ambulatory surgery center under construction in Edwardsville (HFSRB Project 18-031).

1. Document that the project will provide health services that will improve health care or well-being of the market area population to be served.

Anderson Hospital's rehabilitation unit has provided an average of over 4300 inpatient days of service in each of the past four years. Anderson Hospital's rehabilitation unit specializes in the care of Stroke and other Neurological disorders in need of Comprehensive Physical Rehabilitation services, including neurological disorders as well as major multiple trauma cases, complex orthopedic cases, amputations, pulmonary, cardiac conditions, etc. Anderson Hospital's rehabilitation unit is accredited by The Joint Commission and Commission on Accreditation of Rehabilitation Facilities (CARF). The unit is also a CARF-accredited Stroke Specialty Program.

The proposed Anderson Rehabilitation Hospital will provide Comprehensive Physical Rehabilitation services which strive to achieve the highest possible level of functional independence for every patient. The psychosocial adjustment to a disability is as significant a process as is the physical and restorative services of rehabilitation nursing, physical therapy, occupational therapy, nursing and speech/language pathology. By treating each patient and his or her family members in a holistic and individualized program, optimum levels of independence are obtained. The philosophy of Anderson Rehabilitation Hospital is to provide a warm and supportive environment for the patient and family who, together with the staff, become partners in skill development. Focusing on abilities rather than disabilities will be the

hallmark of Anderson Rehabilitation Hospital. By addressing the multiple effects of trauma to the patient and family, and by integrating the combined resources of the patient, the family, and the interdisciplinary rehabilitation team, Comprehensive Physical Rehabilitation can maximize the abilities and self-esteem of the patient and family and offer a healthy reintegration into the community.

The value of Comprehensive Physical Rehabilitation is clear: reduces length of stay for inpatients whose acute care needs are met, but require physical rehabilitation in a specialized setting, and require a level of care above what is typically provided in a nursing home setting, reduces costs since rehabilitation rates are less than med/surg. bed charges, and enables quicker and more complete recovery than care provided in less specialized settings, etc.

Two years ago there were four inpatient rehabilitation units in HSA 11. During the past two years, beginning in 2017, two hospitals in the HSA and within 25 miles of the proposed Anderson Rehabilitation Hospital site have closed their rehabilitation units: OSF St Anthony in Alton (22 miles) and Gateway Regional Medical Center (16 miles). OSF St Anthony operated 28 rehabilitation beds; Gateway operated 14 rehabilitation beds. Together, these two hospitals provided more than 3,500 patient days of rehabilitation service in 2016, with declining volumes in 2017 preceding the closures of the units.

St Elizabeth Hospital in O'Fallon is located 24 miles from the proposed site. It reduced the size of its inpatient rehabilitation service by 17 beds in 2017, as part of their planned relocation from Belleville. HSHS St Elizabeth now operates a 16 bed unit.

The closures of the two units and St Elizabeth's reduction results in a complement of 36 inpatient rehabilitation beds at the two remaining units - Anderson (20) and St Elizabeth (16). The State Inventory shows a need for 7 additional beds in HSA 11. With a projected 2020 population of 614,100, the ratio of beds per 1,000 population in HSA 11 is 0.057, the lowest of all Health Services Areas in the State.

The location of Anderson Rehabilitation Hospital is closer to Granite City and to Alton, and the patients served by the rehabilitation units at those hospitals than is the existing service at HSHS St Elizabeth (26 miles from Granite City to O'Fallon, and 34 miles from Alton to O'Fallon.) Access to rehabilitation care for patients who had the services in their communities is enhanced by the proposed facility in Edwardsville.

2. Define the planning area or market area, or other relevant area, per the applicant's definition.

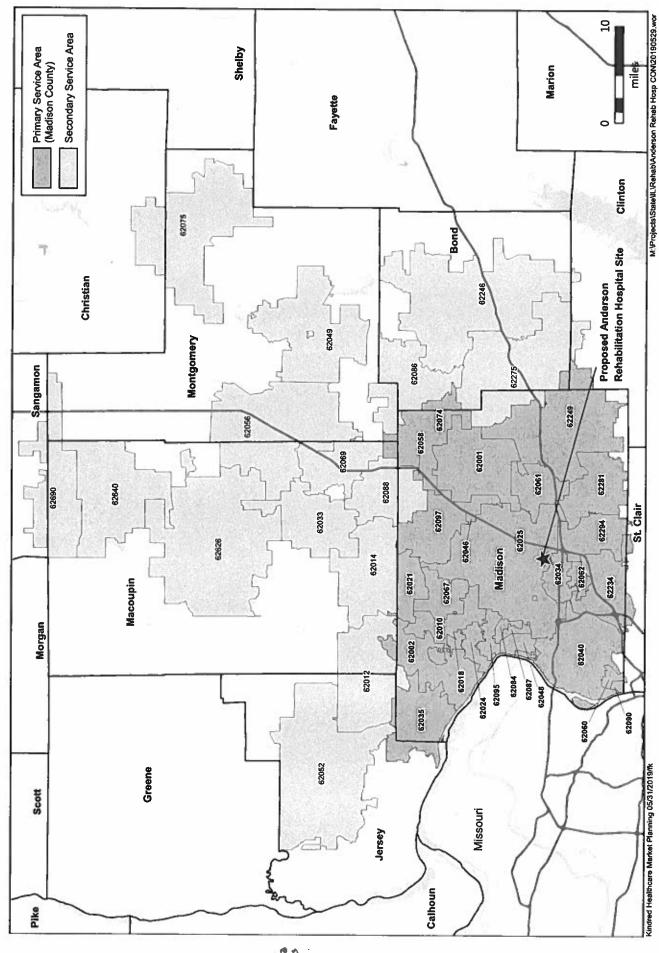
Anderson Hospital has defined Madison County and zip codes extending north along I-55 and east along I-70 as the planning area for the project. 67.3% of the projected admissions in 2023 (two years after project completion) reside in Madison County, the Primary Service Area. 22.4% reside in the 15 zip codes in the Secondary Service Area that encompasses parts of Jersey, Macoupin, Montgomery and Bond Counties. The distribution of residents reflects the growth of services to the north, northeast and northwest, incorporating the areas formerly served by the closed units at Gateway Regional Medical Center in Granite City and OSF St Anthony Hospital in Alton. Collectively, the PSA and SSA constitute the planning area for the project. They are projected to be the source of 732 of the 816 patients forecast to be hospitalized at the 34 bed Anderson Rehabilitation Hospital in Edwardsville.

See the patient origin table and accompanying map on the next two pages.

zip code	State	County	community name	population	rehabilitation patients Anderson Rehabilitation Hospital (year)	% of total Anderson rehabilitation patients from this zip code	Cumulative %
Primary S	ervice Area	1	1	 			1
62040	IL	Madison	Granite City	40933	83	10.2%	10.2%
62025	IL	Madison	Edwardsville	34696	70	8.6%	18.8%
62234	IL	Madison	Collinsville	32428	65	8.0%	26.7%
62002	IL	Madison	Alton	31239	63	7.7%	34.4%
62249	IL	Madison	Highland	16473	33	4.0%	38.5%
62035	IL	Madison	Godfrey	16035	32	3.9%	42.4%
62294	IL	Madison	Troy	14852	30	3.7%	46.1%
62034	IL.	Madison	Glen Carbon	14516	29	3.6%	49.6%
62062	IL.	Madison	Maryville	8329	24	2.9%	52.6%
62095	IL	Madison	Wood River	10742	22	2.7%	55.3%
62010	IL	Madison	Bethalto	10871	22	2.7%	58.0%
62024	IL	Madison	East Alton	8966	18	2.2%	60.2%
	IL	All Other Mad	lison County zips		58	7.1%	67.3%
Secondary	Service Are	a			-		
62052	IL	Jersey	Jerseyville	12150	26	3.2%	70.5%
62246	II.	Bond	Greenville	9711	20	2.5%	72.9%
62049	IL	Montgomery	Hillsboro	8067	17	2.1%	75.0%
62626	IL	Macoupin	Carlinville	7800	17	2.1%	77.1%
62056	IL.	Montgomery	Litchfield	8486	16	2.0%	79.0%
62088	IL	Macoupin	Staunton	6750	14	1.7%	80.8%
62012	IL	Macoupin	Brighton	6509	14	1.7%	82.5%
62033	IL	Macoupin	Gillespie	4969	10	1.2%	83.7%
62690	IL.	Macoupin	Virden	3986	9	1.1%	84.8%
62275	IL.	Bond	Pocahontas	3871	8	1.0%	85.8%
62014	IL	Macoupin	Bunker Hill	3864	8	1.0%	86.8%
62640	IL	Macoupin	Girard	3673	7	0.9%	87.6%
62069	IL	Macoupin	Mount Olive	3422	7	0.9%	88.5%
62075	IL	Montgomery	Nokomis	3219	7	0.9%	89.3%
62086	IL	Bond	Sorento	1406	3	0.4%	89.7%
	IL	All Other Bon	d County zips		6	0.7%	90.4%
	IL	All Other Jers	ey County zips		11	1.3%	91.8%
	IL	All Other Mad	oupin County zip	S	17	2.1%	93.9%
	IL	 	ntgomery County	zips	20	2.5%	96.3%
	IL	All St. Clair Co	unty zips		30	3.7%	100.0%
				Total	816	· · · · · · · · · · · · · · · · · · ·	

Source: Claritas (population)

Anderson Rehabilitation Hospital Service Area



3. Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.

There are several significant planning issues associated with the need for improved Comprehensive Physical Rehabilitation services in the area:

- The closures of the 28 bed rehab unit at OSF St Anthony in Alton, the closure of the 14 bed unit at Gateway Regional Medical Center and the 17 bed reduction at St Elizabeth results in a deficit of 7 rehab beds in the four counties comprising HSA 11.
- There is a significant outmigration of Illinois residents obtaining rehabilitation services in Missouri. According to (CompData, Illinois Hospital Association) 67.5% of Illinois residents from the defined service area within the 12 month period ended September 30, 2018 who had inpatient rehabilitation were at Comprehensive Physical Rehabilitation programs in Missouri.
- The exodus of patients is due, in part, to the lack of a significant rehabilitation service in HSA 11.

 None of the existing units have had the critical mass necessary to support more than basic rehabilitation service.
- The existing 20 bed unit at Anderson Hospital has significant facility limitations. The 20 beds are all semi-private, at a time when patients and their families expect single-bed rooms that patient and family comfort and privacy. The supporting PT/OT facilities, patient dining area and ADL (Activities for Daily Living) training area are undersized and in need of modernization.
- 4. Cite the sources of information provided as documentation.
- Patient medical records, Anderson Hospital
- HFSRB Profiles
- CompData, Illinois Hospital Association
- Rehabilitation Impairment Code regulations, U. S. Centers for Medicare and Medicaid Services
- Population Projections: Illinois, Chicago and Illinois Counties by Age and Sex, July 1, 2010 to July 1, 2025; Illinois Department of Public Health, Office of Health Informatics, Illinois Center for Health Statistics. (2014 edition)
- Mapquest (distances)
- Claritas, population estimates
- 5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well being.

The establishment of a 34 bed Anderson Rehabilitation Hospital in Edwardsville is an increase of 14 beds above the current 20 bed unit, thereby addressing the deficit of 7 rehabilitation beds in the HSA. The additional 7 beds above the deficit provides capacity for patients now going outside the HSA for acute medical/surgical care, who will have the option of returning in the area for rehabilitation closer to home. The new service will provide a local option for area residents to stay in Illinois, closer to family.

The 34 bed facility will have the critical mass to develop a broader range of rehabilitation services. For example, a 12 bed, secure neurological/brain injury program is planned, complete with its own complex neurological/brain injury gym. Dedicated patient dining room spaces, fully functioning and full array of

Activities of Daily Living therapy services, large, all private patient rooms. Anderson Hospital is developing neurosurgery programs, which result in increased need for coordinated rehabilitation care.

Anderson Rehabilitation Hospital will be a resource to rural areas of the region. The hospital will be oriented to serving smaller hospitals in rural areas seeking post-acute rehabilitation for their patients.

Finally, construction of a new facility allows for the replacement of double-occupancy rooms, an upgrading of the PT/OT space and area supporting ADL, and a new dining area for unit patients.

<u>6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals, as appropriate.</u>

Objectives of the project are as follows:

- a) Provide minimum of 10,600 patient days of rehab care annually (above 85% occupancy of 34 beds).
- b) Begin operations in the new hospital by October 31, 2021.
- c) Reduce migration out of HSA 11 by 450 cases annually.

#

Kindred's Rehabilitation Hospitals across the U.S., regularly track and report on key clinical quality drivers, including specific target clinical outcomes. Kindred subscribes to UDSMR®, a not—for—profit organization affiliated with the University at Buffalo, The State University of New York. UDSMR® provides the most comprehensive rehabilitation data to the industry. UDSMR® maintains the world's largest database for medical rehabilitation outcomes. A comparison of key quality performance indicators between all of Kindred's Rehabilitation Hospitals, to the UDSMR® portfolio of rehabilitation providers across the U.S. ("UDS Nation") as well as the UDSMR® Program Evaluation Model, ("PEM"), rankings are presented below.

IRF Clinical Indicators (FY2018): Kindred vs. UDS Nation

Clinical Indicators	Kindred IRFs	UDS Nation	<u>Variance</u>	% Variance
Case Mix Index	1.43	1.34	0.09	6.6%
Qualifying Comorbid Condition	63.5%	57.5%	5.8%	10.1%
Admission FIM Score	54.5	55.4	(0.9)	(1.7%)
FIM Gain	36.3	32.8	3.5	10.8%
LOS Efficiency	3.40	2.81	0.59	21.1%
Discharge to Community	78.8%	75.5%	3.3%	4.4%
Discharge to SNF	10.9%	13.2%	(2.3%)	(17.6%)
Transfer To Acute Care	9.8%	10.5%	(0.7%)	(7.0%)

Uniform Data System ("UDS") 2018 Program Evaluation Model ("PEM") Results









🎇 Penn Medicine Lancaster Rehabilitation Hospital Lancaster General Health

Mercy

Rehabilitation Hospital

- 90th Percentile -

经常 Community Rehabilitation Hospital



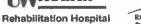


Rehabilitation Hospital Dignity Health.
Hospital Dignity Health.
East Valley Rehabilitation Hospital



- 90th Percentile -

I WHealth



REHABILITATION HOSPITAL OF WISCONSIN



Rehabilitation Hospital



- 80th Percentile -

- 80th Percentile -

Alternatives

The proposed project is the construction of a freestanding 34 bed rehabilitation hospital on property owned by Anderson Real Estate LLC in Edwardsville. The site is adjacent to Anderson's ambulatory surgery treatment center now under construction (CON Project 18-031). Anderson Rehabilitation Hospital is a joint venture between Anderson Hospital and Kindred Healthcare.

During the initial planning of this project, several alternatives were considered before the proposed project was selected as the preferred option:

1. Expand the existing comprehensive physical rehabilitation service into contiguous space at the Anderson Hospital in Maryville.

The existing 20 bed rehabilitation unit occupies approximately 7,500 sq ft of space on the 2nd floor of the hospital. The 20 beds are located in 10 double occupancy rooms, compromising patient privacy and patient preference for single bed rooms. Supporting space for physical therapy/occupational therapy, ADL (Activities for Daily Living) and dining are undersized and dated and in need of modernization.

There is no expansion space available on the floor. Adjacent space is occupied by the Intermediate Care Unit (IMU). This 18 bed medical/surgical unit is key to the efficient operation of all medical/surgical bed units in the hospital, which total 98 beds, counting the IMU. These 98 beds have ranged in peak census from 88 – 98 patients over the past three years. It is not feasible to convert this medical/surgical unit to rehabilitation.

The alternative of expanding the existing unit into adjacent space was not considered because it is not feasible; no cost was developed for this option.

2. Expand the current unit by adding on to the existing hospital.

An addition would provide the space needed to add bed capacity, convert the existing rooms to single occupancy, and provided enlarged space for PT/OT, ADL and unit dining.

This option was rejected because of the configuration of the current building. The space to support expansion would be located above the emergency room and loading docks. Construction of a second floor to accommodate beds would require adding structural supports in each of those spaces, at great capital cost comparable to the proposed building. More significantly, such a project would disrupt current operations to the ER and loading area such that those functions would be impossible to maintain during the construction.

This option was rejected because it is not structurally and operationally feasible.

3. Replace the Anderson rehabilitation unit in varying bed unit sizes at the site in Edwardsville.

The project proposes to establish a 34 bed hospital, adding 14 beds to the existing complement of 20 beds now in operation at Anderson Hospital in Maryville. In part, this size responds to the the closure in the past two years of the OSF St Anthony rehab unit in Alton and the unit at Gateway Regional

Medical Center in Granite City, as well as recognizing the significant volume of residents of the planning area receiving acute rehab care in St Louis.

- a) Build a 27 bed rehabilitation hospital. There is a current deficit of 7 rehab beds in HSA 11. Consideration was given to sizing the new hospital at 27 beds, adding 7 beds to the existing complement of 20 to meet the area computed bed need. This option was rejected because it did not achieve the economies of scale associated with a hospital of 34 beds or more. The additional patients in the 34 bed hospital maximize the efficiency of acute rehab staff as well as the PT/OT and other support staff. Moreover, a 27 bed hospital does not meet that community need for expanded rehabilitation facilities, and address part of the migration of patients to St Louis for acute rehabilitation care. The capital cost of a 27 bed project was estimated at \$22 million, not significantly lower than the more complete project at 34 beds.
- b) Build a 50 60 bed hospital. A larger project was considered, in the range of 50 60 beds. While studies show that such a facility could effectively reduce some of the outmigration of post-acute care rehabilitation cases to Missouri, and would be well utilized, the additional capital cost was not justified. The cost of a 50 60 bed rehabilitation hospital is estimated to be \$35 \$42 million. This level of higher capital commitment is not compatible with other competing priorities of Anderson Hospital for the use of funds.

These other sized rehabilitation hospitals were rejected as not meeting the requirements of the program or exceeding the capital funds available for the project.

4. Consider locating the proposed rehabilitation hospital in Maryville closer to Anderson Hospital.

Because Anderson Real Estate owns the property for the proposed project, other locations on property not owned by Anderson Real Estate LLC were not given serious consideration. The site of the project in Edwardsville is 5.2 miles from Anderson Hospital. A shortened transfer by medical transport to a closer location is not considered beneficial or worth significant consideration. Furthermore, the benefit of the Edwardsville location is that it is closer to Alton and Granite City, and the populations formerly served at the rehabilitation units that closed at OSF St Anthony Hospital in Alton and Gateway Regional Medical Center in Granite City.

As a result, this option was not given consideration. There is no cost savings related to other sites, since cost of constructing the same sized facility would not be different in Maryville than the proposed project in Edwardsville.

5. Pursue the new project as an investment by Anderson Hospital only, and not as a joint venture with Kindred Healthcare.

The appeal of a joint venture is the result of the current successful arrangement at Anderson Hospital, where Kindred has been involved since 2004 in the operation of the rehabilitation service. Under the joint venture arrangement, Kindred Healthcare will commit \$2.4 million to fund some of the capital investment, and will have a management services agreement to oversee operations of the hospital. The

joint venture agreement brings Kindred's national expertise in operating more than 95 inpatient rehabilitation services and having an ownership interest in an additional 22 rehab hospitals. Anderson's 60% interest in the joint venture gives it the control it desires, while capitalizing on the rehabilitation experience of Kindred.

If Anderson Hospital would pursue the project independently, it would have to commit the \$2.4 million provided by Kindred Healthcare, which would divert those funds from other worthy projects. It would also forego the benefit of Kindred's expertise that is enhanced with the joint venture relationship.

The option was rejected because it does not have the financial and operational benefits associated with the proposed approach.

Size of the Project

The project involves construction of a two story hospital building on unimproved property on the northwest corner of Goshen Road and Gusewelle Rd in Edwardsville. Total square footage of the Project is 49,371 departmental gross sq ft. 27,494 sq ft is clinical; 21,877 is non-clinical.

Clinical space includes the 34 bed Comprehensive Physical Rehabilitation units and related supporting space. Clinical space also includes a pharmacy and physical therapy/occupational therapy.

Non-clinical space includes: lobby and public circulation, administration, case management, dayrooms, dining and dietary, storage, mechanical and building systems, clean and soiled supply, and staff lockers and lounges.

The size of the project is consistent with State standards.

Department/service	Proposed dgsf	State standard	<u>Difference</u>	Met Standard?
Comprehensive Physical Rehabilitation	20,889	525-660 dgsf/bed 34 x 660 = 22,440	+ 1,551	Yes
Pharmacy	514	NA	NA	NA
Physical therapy/ Occupational therapy	6,091	NA	NA	NA
Total Clinical Space	27,494			2.

Project Services Utilization

Anderson Rehabilitation Hospital projects that the proposed 34 Comprehensive Physical Rehabilitation beds will serve 816 or more patients in the second year of operation, which will meet the State's standard of 85% utilization.

Documentation and analysis supporting this projection is presented in section 1110.205 of this permit application. The case for the full utilization of the 34 bed hospital is based on the following information, which is excerpted from the analysis:

- 1. Patients that have been cared for in Anderson Hospital's 20 bed inpatient rehabilitation unit will be the base on which the new hospital will build volume. Admissions have been relatively flat over the past 5 years, restricted by the limitations of the current facility all rooms are semi-private, and space for supporting functions (Activities for Daily Living, PT/OT and resident dining) are undersized and in need of modernization. Admissions have fluctuated between 343 in 2017 and 395 in 2014. There were 386 admissions last year. Patient days have averaged 4360 for the past 5 years.
- 2. There is an unrealized need of 889 potential admissions for inpatient rehabilitation by residents of the area. These cases are not now being served. Area patients matching a Rehabilitation Impairment Code (RIC) and qualifying for post acute care hospital rehab care generate an expected 2,177 inpatient rehabilitation cases a year. Compdata analysis shows that only 1,288 of patients residing in the area were hospitalized for inpatient rehabilitation following their discharges from hospital medical and surgical units. The potential additional admissions for needed care is the difference, 889 patients.
- 3. In addition and importantly, over 70% of residents of the area who are hospitalized for inpatient rehabilitation go to hospitals in St Louis or other locations for that care. (This analysis used Compdata for the 12 month period October 2017 through September, 2018). That is over 900 patients per year from this area who leave Illinois for care that should be available locally. If even just half of those remained in Illinois, that would be an additional 450 patients.

As a result of these three factors, the potential volume for the new facility is the sum of a) Anderson Hospital's current volume of approximately 400 admissions, b) 899 patients from the area who should be hospitalized for inpatient rehabilitation but are not receiving this care, and c) 450 patients who are hospitalized out of state who could and would likely prefer to receive that care closer to home. The total is 1,750 patients. Anderson Rehabilitation Hospital is conservatively sized to accommodate 816 annual patients.

The following table shows the historic and projected utilization. Facility constraints result in continuation of 400 annual admissions levels for the next years prior to facility opening.

		Н	istoric				Pro	ojected		
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Admissions	395	376	365	343	386	400	400	400	538	816
Pt Days	4,499	4,428	4,322	4,431	4121	4500	4500	4500	6,840	10,600
ALOS	11.4	11.8	11.8	12.9	10.7	11.25	11.25	11.25	12.7	13.0

Source: Anderson Hospital Annual Hospital Questionnaires, as reported in HFSRB Profiles

The slightly higher length of stay in 2022 and 2023 reflects the ability to care for more complex patients, which is enabled by a larger facility with greater staff capabilities.

Year	Projected Utilization	State Standard	Met Standard		
2022	6,840 days (55.1%)	85%	No		
2023	10,600 days (85.4%)	85%	Yes		

Criterion 1110.205 - Comprehensive Physical Rehabilitation

Service	# Existing Rooms *	# Proposed Rooms		
Comprehensive Physical	0	34		
Rehabilitation				

Note *: Does not reflect 20 rehabilitation beds in operation at Anderson Hospital in Maryville that will be discontinued upon approval of the Anderson Rehabilitation Hospital

1. 1110.205(b)(1) Planning Area Need – formula calculation

For HSA 11, the Inventory of Health Care Facilities and Services and Need Determinations shows a deficit of 7 inpatient rehabilitation beds. This deficit is due, in part, to the closure of two hospital rehabilitation units in the past two years (Gateway Regional Medical Center in Granite City, and OSF St Anthony in Alton). Both are in HSA 11's Madison County, the location of Anderson Hospital in Maryville, and the proposed Anderson Rehabilitation Hospital in Edwardsville. In addition, HSHS St Elizabeth Hospital in St Clair County to the south of Madison County reduced the size of its rehabilitation unit when it moved to the location in O'Fallon. There are 36 rehabilitation beds in HSA 11, an HSA with a resident population of approximately 614,000. HSA 11 has the <u>lowest</u> ratio of rehabilitation beds per 1000 population in the State. In this section, it is demonstrated that about two thirds of the residents of HSA 11 who receive acute care rehabilitation receive that care at hospitals outside of HSA 11. There is evidence that the need for beds is significantly more than the computed deficit of 7 beds.

1110.205(b)(2) Planning Area Need - Service to Planning Area Residents Table 1 on the next page shows the patient residence for the 386 patients served by Anderson Hospital's rehabilitation unit in 2018. 78.4% of these patients reside in Madison County. An additional 8.3% of patients come from other counties in HSA 11. As a result, approximately 87% of patients reside in HSA 11. (Existing patient origin data.)

Table 2 and the accompanying map shows the <u>projected</u> patient origin data for the Anderson Rehabilitation Hospital. The <u>Planning Area</u> for the proposed Anderson Rehabilitation Hospital in Edwardsville is composed of Madison County as the Primary Service Area (PSA), and additional zip codes in Jersey, Macoupin, Montgomery and Bond Counties that constitute a Secondary Service Area (SSA). Madison County, the PSA, is the source of 67.3% of the new facility's projected patient volume. The SSA adds 22.4%. Together, the PSA and SSA constitute the Planning Area, the source of 89% of patients. The remaining 10.3% come from outside the Planning Area.

As a result, the Planning Area is the source of more than 50% of the patients to be seen at the proposed new hospital.

Table: Patient Origin of Patients referred to Anderson Hospital's 20 bed rehabilitation unit, Yr 2018

zip code	community	population	patients referred to	% of total Anderson	Cumulative
	name	Year 2020	Anderson Hosp rehab	Hospital rehab patients	%
			unit (2018)	from this zip code	
Madison C	ounty		·		
62025	Edwardsville		48	12.3	12.3
62040	Granite City		46	11.8	24.1
62234	Collinsville		43	11.0	35.1
62034	Glen Carbon		29	7.4	42.5
62062	Maryville		22	5.6	48.1
62002	Alton		20	5.1	53.2
62249	Highland		18	4.6	57.8
62294	Troy		17	4.3	62.1
62024	East Alton		12	3.1	65.2
62010	Bethalto		10	3.0	68.2
62095	Wood River		10	3.0	71.2
62035	Godfrey		9	2.3	73.5
62281	St Jacob		5	1.3	74.8
62097	Worden	-	3	0.8	75.6
62060	Madison		2	0.5	76.1
Other	Madison County		9	2.3	78.4
Total Mad	ison County	271,688	303		78.4
St Clair Cou	intv	267,263	30	7.8	86.2
Clinton Co		38,696			86.7
HSA 11 tot		614,037	335		86.7
		,			
Macoupin	County	45,987	24	6.2	92.9
Other Illino			27		100.0
	b Pts (2018)		386		100.0

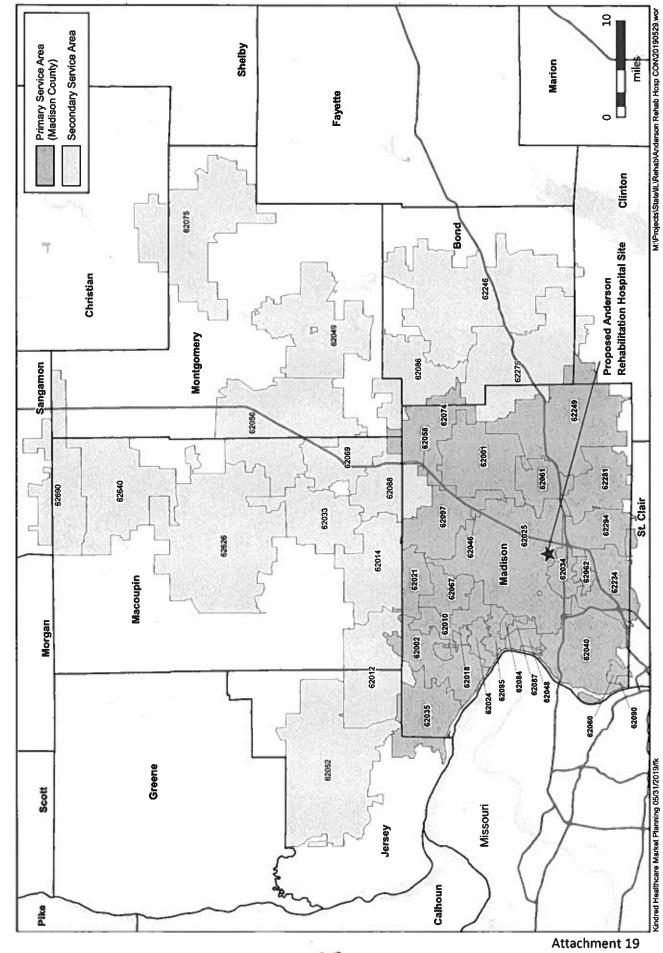
Source: Population Projections Illinois, Chicago and Illinois Counties by Age and Sex:
July 1, 2010 to July 1, 2025 (2014 edition) Illinois Department of Public Health

Table: Patient Origin of Patients anticipated, Anderson Rehabilitation Hospital, Edwardsville

zip code	State	County	community	population	rehabilitation patients Anderson Rehabilitation Hospital (year)	% of total Anderson rehabilitation patients from this zip code	Cumulative %
Primary S	ervice Area						
62040	IL	Madison	Granite City	40933	83	10.2%	10.2%
62025	IL.	Madison	Edwardsville	34696	70	8.6%	18.8%
62234	IL.	Madison	Collinsville	32428	65	8.0%	26.7%
62002	IL	Madison	Alton	31239	63	7.7%	34.4%
62249	IL	Madison	Highland	16473	33	4.0%	38.5%
62035	IL	Madison	Godfrey	16035	32	3.9%	42.4%
62294	IL	Madison	Troy	14852	30	3.7%	46.1%
62034	IL	Madison	Glen Carbon	14516	29	3.6%	49.6%
62062	IL	Madison	Maryville	8329	24	2.9%	52.6%
62095	IL	Madison	Wood River	10742	22	2.7%	55.3%
62010	ĺΓ	Madison	Bethalto	10871	22	2.7%	58.0%
62024	IL.	Madison	East Alton	8966	18	2.2%	60.2%
	IL	All Other Mad	dison County zips		58	7.1%	67.3%
Secondary	Service Ar	rea	1			-	
62052	IL	Jersey	Jerseyville	12150	26	3.2%	70.5%
62246	IL.	Bond	Greenville	9711	20	2.5%	72.9%
62049	IL	Montgomery	Hillsboro	8067	17	2.1%	75.0%
62626	IL	Macoupin	Carlinville	7800	17	2.1%	77.1%
62056	IL	Montgomery	Litchfield	8486	16	2.0%	79.0%
62088	IL	Macoupin	Staunton	6750	14	1.7%	80.8%
62012	IL	Macoupin	Brighton	6509	14	1.7%	82.5%
62033	IL	Macoupin	Gillespie	4969	10	1.2%	83.7%
62690	IL	Macoupin	Virden	3986	9	1.1%	84.8%
62275	IL	Bond	Pocahontas	3871	8	1.0%	85.8%
62014	IL	Macoupin	Bunker Hill	3864	8	1.0%	86.8%
62640	IL	Macoupin	Girard	3673	7	0.9%	87.6%
62069	IL	Macoupin	Mount Olive	3422	7	0.9%	88.5%
62075	IL	Montgomery	Nokomis	3219	7	0.9%	89.3%
62086	IL	Bond	Sorento	1406	3	0.4%	89.7%
	JL	All Other Bon	d County zips		6	0.7%	90.4%
	1L	All Other Jers	ey County zips		11	1.3%	91.8%
	IL	All Other Mad	oupin County zip	s	17	2.1%	93.9%
	FL.	All Other Mor	tgomery County	zips	20	2.5%	96.3%
	(L	All St. Clair Co			30	3.7%	100.0%
				Total	816	· · · · · · · · · · · · · · · · · · ·	

Source: Claritas (population)

Anderson Rehabilitation Hospital Service Area



1110.205(b)(3) Service Demand – Establishment of Comprehensive Physical Rehabilitation

The primary purpose of this project is to provide increased access to residents of the Planning Area for Comprehensive Physical Rehabilitation care. 71.8% of residents of the area who receive Comprehensive Physical Rehabilitation receive that care outside of HSA 11, primarily at facilities in St Louis. (October 2017 through September 2018.)

There are only 36 inpatient rehabilitation beds in HSA 11, 20 at Anderson Hospital in Maryville in Madison County, and 16 at HSHS St. Elizabeth in St Clair County. Two hospitals closed their rehabilitation services in the past two years — OSF St Anthony in Alton, and Gateway Regional Medical Center in Granite City (both in Madison County). As a result, the ratio of rehabilitation beds per 1000 population in HSA 11 is the lowest of HSAs in the entire State. There is evidence that the need for beds far exceeds the current computed deficit of 7 rehabilitation beds as reported by the State's Need Determination formulas.

The project justification is based on two factors: 1) historic utilization at Anderson Hospital's rehabilitation unit, and projections of service at that unit; and 2) estimation of the need for acute hospital rehabilitation care for the residents of HSA 11.

The following table shows the volume of service at Anderson Hospital's rehabilitation unit for the past 5 years. Average annual patient days was 4,360 patient days. This volume has been fairly constant, and is limited mostly because of the existing facility. All 20 beds are in double occupancy rooms, which does not meet patient expectations for private rooms, and limits operational efficiencies (for example, matching gender). In addition, the small, 7500 sq ft unit has insufficient space and outdated facilities for its Activities for Daily Living (ADL) function, physical and occupational therapy, and unit dining.

		ŀ	Historic				Pr	ojected		
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Admissions	395	376	365	343	386	400	400	400	538	816
Pt Days	4,499	4,428	4,322	4,431	4121	4500	4500	4500	6,840	10,600
ALOS	11.4	11.8	11.8	12.9	10.7	11.25	11.25	11.25	12.7	13.0

Source: Anderson Hospital Annual Hospital Questionnaires, as reported in HFSRB Profiles

Importantly, the unit lacks the critical mass to develop significant rehabilitation services beyond basic physical rehabilitation needs. A larger complement of beds is needed to support program enhancement.

The proposed project is scheduled to be completed in late 2021. The table above anticipates that patient admissions and patient days on the unit will be relatively constant for the next three years. Those volumes are based on 2019 YTD experience through end of April. The table shows that with the new facility and added services, volumes will increase to a level of 10,600 patient days, slightly above 85% utilization of the 34 rehabilitation beds.

Appendix A includes letters from 32 physicians and physician assistants, documenting their historic referrals to the unit and their commitments to refer to the new rehabilitation hospital, and the patient origin of their patients. These letters document a commitment of 162 patients. All of the

162 patients were admitted to the inpatient rehabilitation unit at Anderson Hospital in Maryville, None of the 162 were admitted to other area hospital for acute rehabilitation. Collection of additional letters is underway at the time of submittal of this permit application. These additional letters will be submitted during the next several weeks.

The physician commitment letters are not, by themselves, sufficient to justify full utilization of the Anderson Rehabilitation Hospital. A significant part of the justification is supported by the analysis of patients who have conditions matching Rehabilitation Impairment Codes (RICs) but are not hospitalized for post acute rehabilitation.

For the Anderson Rehabilitation Hospital, the projection of future referrals to the rehabilitation hospital is supported by an analysis of patients who live within the defined services area for Anderson Rehabilitation Hospital and who matched an RIC code. Matching an RIC code indicates that post acute care inpatient rehabilitation may be appropriate. This method estimates that there were as many as 2,177 Illinois residents who should have received hospital-based inpatient rehabilitation care upon discharge from community hospitals in Illinois and Missouri. This analysis was for the most recent 12 month period for which data was available from Illinois Hospital Association - COMPData (October 2017 – September 2018).

In establishing requirements for reimbursement for rehabilitation care, the US Centers for Medicare and Medicaid Service (CMS) established the system of Rehabilitation Impairment Codes (RICs). Patients with stoke, neurological, brain injury, spinal cord injury, amputation, hip fractures, joint replacement or other orthopedic procedures, and other conditions match an RIC, indicating their eligibility for post acute treatment in a rehabilitation inpatient unit. Not all of these patients receive care in an inpatient rehabilitation unit. Instead, most are discharged to skilled nursing, home care services, LTAC, hospice, home without care services, or other disposition. It is the national experience of Kindred, Anderson Rehabilitation Hospital's partner in the operation of the proposed rehabilitation hospital, that about only 8% of patients matching an RIC code actually are admitted to inpatient rehabilitation.

Kindred, as the partner with Anderson Hospital in Anderson Rehabilitation Hospital, together with Anderson Hospital, conducted an analysis of the need for the proposed rehabilitation facility, based on the needs of patients who reside within the defined service area of the proposed Anderson Rehabilitation Hospital currently being discharged from community hospitals in Illinois and Missouri. Utilizing the IHA COMPData, with specific medical-surgical discharges by diagnosis for the period from October 1, 2017 to September 30, 2018, these medical-surgical discharges were selected for specific ICD-10 codes which have the potential for utilization of comprehensive physical rehabilitation. All payor categories were included as potential candidates for the comprehensive physical rehabilitation unit. Utilizing Kindred's methodology developed over many years of managing Inpatient Physical Rehabilitation programs across the country, Anderson Rehabilitation Hospital's defined service area's most recent 12 months of discharge data was analyzed for ICD-10 codes representing conditions requiring intensive inpatient rehabilitation. Of the patients with those ICD-10 codes, only a certain percentage for each condition was considered as potential for admission to the proposed facility. Those percentages were established based on Kindred's conservative estimate based on its years of experience with other inpatient rehabilitation facilities throughout the Unites States.

The analysis of need for this project then applied a conservative estimate of the average length of stay specific to each of the diagnostic categories. This analysis estimates that 2,177 patients with an average length of stay of 13.1 days will produce an acute care discharged generated average daily census of 78.4. The number of beds required to serve the census estimation at an 85% planning occupancy level is 92.2 or ninety three (93) beds, based solely on utilization of Illinois residents living within the Anderson Rehabilitation Hospital defined services area, originating from community hospitals in Illinois and Missouri current med/surg population. This analysis is presented in the following Table.

Anderson Rehabilitation Hospital defined service area residents discharged from IL & MO hospitals matching Rehabilitation Impairment Codes and the estimation of those qualifying for Comprehensive Physical Rehabilitation (CRP), generating a expected 2,177 inpatient CRP case for 12 month period ended 9/18.

RIC Description		# of	KHRS IRF%	REHAB	ALOS	REHAB
Diagnosis	RICS	Cases	% Req.	PTS.		PT DAYS
		Α	<u>B</u>	Ç	D	E
Ric 1 Stroke - Primary	Ric 1	1,728	28%	439	15.4	6,764
Ric 1 Stroke - Secondary	Ric 1	1,402	14%	178	15.4	2,749
Ric 2 BI - Traumatic	Ric 2	331	29%	85	14.7	1,256
Ric 3 B1 - NonTraumatic	Ric 3	527	21%	98	12.9	1,269
Ric 4 SCI - Traumatic	Ric 4	45	49%	18	19.4	_ 348
Ric 5 SCI - NonTraumatic	Ric 5	298	14%	37	16.5	607
Ric 6 Neurological	Ric 6	306	28%	74	12.5	922
Ric 7 Fracture	Ric 7	719	28%	188	13.8	2,594
Ric 8 Bilat - THR	Ric 8	132	8%	10	10.6	110
Ric 8 Bilat - TKR	Ric 8	69	8%	5	10.6	52
Ric 8 Joint Rep (Other)	Ric 8	2,602	10%	227	9.1	2,062
Ric 9 Other Ortho	Ric 9	584	16%	83	11.5	959
Ric 10 LE Amputation	Ric 10	718	17%	112	13.5	1,512
Ric 11 Other Amputation	Ric 11	96	15%	12	12.9	159
Ric 12 Osteoarthritis	Ric 12	394	7%	24	11.8	288
Ric 13 Rheumatoid	Ric 13	101	8%	7	11.5	79
Ric 14 Cardiac	Ric 14	3,991	5%	179	11.1	1,990
Ric 15 Pulmonary	Ric 15	1,669	5%	76	11.9	903
Ric 16 Pain Syndrome	Ric 16	367	11%	33	15.0	502
Ric 17 MMT no bi / sci	Ric 17	0	N/A	19	12.7	241
Ric 18 MMT w/ bi & sci	Ric 18	0	N/A	19	16.9	321
Ric 19 Guillain - Barre	Ric 19	13	28%	3	17.9	53
Ric 20 Miscellaneous	Ric 20	9,719	3%	244	11.4	2,783
Ric 21 Burns	Ric 21	32	30%	7	13.9	99

RIC Match Subtotal	25,843	8.4%	2,177	13.1	28,620

Internally Conserted IDF Descript	70.4
Internally Generated IRF Demand	l 78.4

This analysis was conducted on all patient discharges who are residents of Illinois from hospitals in Illinois and Missouri in 12 months ended September, 2018, 25,843 of these patients matched a RIC code. This information is used to estimate potential demand for the Anderson Rehabilitation Hospital. The step by step calculations within the Table presented above are as follows;

- Of the residents of the defined service area, 66,165 patients were admitted to hospitals in Illinois and Missouri from October 1, 2017 through September 30, 2018 (inpatients only, excluding observation, maternity and those under age 16), 25,843 inpatients fall into a Rehabilitation Impairment Code (RIC) (Column A.)
- Column B: Utilizing Kindred's actual experience across the US in the admission into inpatient Comprehensive Physical Rehabilitation programs, % Requiring Rehab by RIC, and multiplying B by the number of cases in A, yields a total 2,177 Rehab patients to be admitted for inpatient comprehensive physical rehabilitation. (Column C.)
- 3) Column D: Utilizing Kindred's actual average length of stay (ALOS) by RIC and multiplying the lengths of stay in Column D by the number of Rehab Patients in C yields the corresponding Rehab Patient Days. (Column E.)
- 4) Dividing the total 28,620 Rehab Patient Days in Column E by 365 days in a year, yields 78.4 Internally Generated IRF ADC

In the 12 months ended 9/30/18, 1,288 patients (only 58% of Anderson Rehabilitation Hospital's defined service area RIC Match potential of 2,177) were actually admitted for hospital rehabilitation. The implication is that a significant number of Anderson Rehabilitation Hospital defined service area inpatients qualifying for and requiring inpatient Comprehensive Physical Rehabilitation were not obtaining that level of care at all or receiving only a lesser level of rehabilitation service in a skilled nursing environment.

While the national experience shows that 8.4% of patients matching a RIC code actually are admitted for inpatient rehabilitation, Anderson Rehabilitation Hospital has conservatively estimated that 3% of patients matching a RIC code would demonstrate a demand for inpatient rehabilitation service. This would equate to an annual demand by 816 patients (3% of 25,843 patients as the need from Table 3) for inpatient rehabilitation care.

Without absorbing all of the demand associated with the RIC analysis, 816 patients produce a demand for the 34 bed project. At a length of stay of 13.0 days, these 816 patients generate a demand of 10,600 patient days, exceeding the 85% occupancy level of the 34 bed rehabilitation hospital. It can also be said that Anderson already captures part of the 816 potential, by serving the 386 patients in its current 20 bed unit in Maryville (Year 2018 rehab admissions at Anderson Hospital).

The next page presents an application of the Rehabilitation Impairment Code methodology used years to forecast area need in support of Project 14-021, the establishment of a Comprehensive Physical Rehabilitation service at Northwest Community Hospital in Arlington Heights. The unit was opened without having an adverse impact on area providers of rehabilitation service.

Looking Back

How Rehabilitation Impairment Codes proved to be a reliable tool for planning the Comprehensive Physical Rehabilitation unit at Northwest Community Hospital, Arlington Heights, IL

In 2013, Northwest Community Hospital (NCH), a 509 bed unaffiliated hospital in the northwest suburbs of Chicago, began planning an inpatient Comprehensive Physical Rehabilitation service. To forecast and document the need for the service, NCH utilized a methodology using Rehabilitation Impairment Codes to quantify the need for rehabilitation in the area, by category of rehabilitation service (trauma, spinal cord injury, stroke, cardiac, and other clinical conditions). NCH retained RehabCare (part of Kindred Healthcare) to facilitate the planning of the unit.

At the time, approximately 90% of NCH patients needing acute rehabilitation were referred to Alexian Brothers Hospital in nearby Elk Grove Village. Alexian Brothers operated a large program, 66 beds and was in the process of increasing that to 72. Their program was operated in collaboration with the Rehabilitation Institute of Chicago (now named the Shirley Ryan AbilityLab). Both Alexian Brothers and The Rehabilitation Institute of Chicago opposed NCH's Certificate of Need permit application as a duplication of service.

Rehabilitation Impairment Codes is a system developed by the Centers for Medicare and Medicaid Services to categorize patients in need of acute rehabilitation following hospitalization for medical or surgical services. Brian Samberg, Vice President at RehabCare, applied the use of Rehabilitation Impairment Codes to support the need for NCH's proposed 17 bed unit, and to demonstrate that the new service would be fully utilized, with minimal if any adverse impact on the large Alexian Brothers program.

NCH submitted its Certificate of Need permit application in May, 2014. The Health Facilities and Services Review Board approved the project in August, 2014. NCH opened its 17 bed unit in the fall of 2015.

The following table shows that during the years while the NCH program grew, there was no adverse impact on Alexian Brother's strong program. Both programs are operating at or near capacity. NCH added 16 beds to its rehabilitation unit last year.

Year	Admissions	Patient Days	% Occupancy	
Alambharach Camana	mia. Itaaniani Aulimaa	u Haiabea		
Northwest Commi	unity Hospital, Arlingto	in deignics		
2015	53	722	11.6	
2016	361	5001	80.4	
2017	432	5940	95.7	
(Rehabili	tation unit increased t	o 33 beds in fall, 201	8)	
Alexian Brothers, E	lk Grove Village			
2014	1,545	21,446	81.6	
2015	1,632	21,792	82.9	
2016	1,617	21,359	81.1	
2017 1,594		21,711 82.6		

Source: HFSRB Hospital Profiles

Conclusion: The use of Rehabilitation Impairment Codes to quantify need for acute rehabilitation in a geographic area is a valid approach to planning and regulatory review. It has proven to be a reliable source of objective, nationally tested information as a resource for area rehabilitation services planning.

1110.205(b)(5) Service Accessibility

The key finding of the Rehabilitation Impairment Code analysis earlier in this section is that nationally, approximately 8% or hospital patients being discharged from their acute medical or surgical stay are appropriate for inpatient physical rehabilitation. It was shown that for the Anderson Rehabilitation Hospital service area, 2,177 patients need rehabilitation. According to Compdata analysis, 1,228 patients received rehab care in the 12 months from October 2017 to September 2018. This finding quantifies a significant service availability/access issue.

The same Compdata analysis for the period October 2017 – September 2018 indicates that 71.8% of the residents of the Planning Area who receive inpatient rehabilitation care receive that care outside of HSA 11, primarily in St Louis. This migration of patients was exacerbated by the closure of OSF St Anthony's rehabilitation unit in Alton, and Gateway Regional Medical Center's unit in Granite City. Both of these closures are in Madison County in HSA 11.

While that might lead to more patient service at the remaining facilities, Anderson Hospital's rehabilitation unit has not seen a noticeable increase in admissions. In part, that is likely due to the small scale of the unit, the lack of private rehabilitation rooms, and the restricted amount of space for ADL, PT/OT and unit patient dining.

Facilities in Missouri are filling the access gap for Illinois residents. The proposed new hospital in Edwardsville, in central Madison County, allows for access to higher level rehabilitation services closer to home.

The lack of sufficient capacity is evidenced by two State metrics:

a) recognized deficit of 7 rehabilitation beds, as documented in the State Inventory of Health Care Facilities and Services and Need Determinations. The formula for determining need also recognizes that migration out of the area qualifies as met need, even though it is a loss for Illinois. A health policy to reduce out-of-state migration might count part of the patient volume served out of state as unmet need in the relevant Illinois area.

b) ratio of rehab beds per 1000 population. HSA 11 has 36 inpatient rehabilitation beds, serving a population of 614,000 persons. This is a ratio of 0.059, the lowest in the State. This measure is an indicator of a lack of access to services.

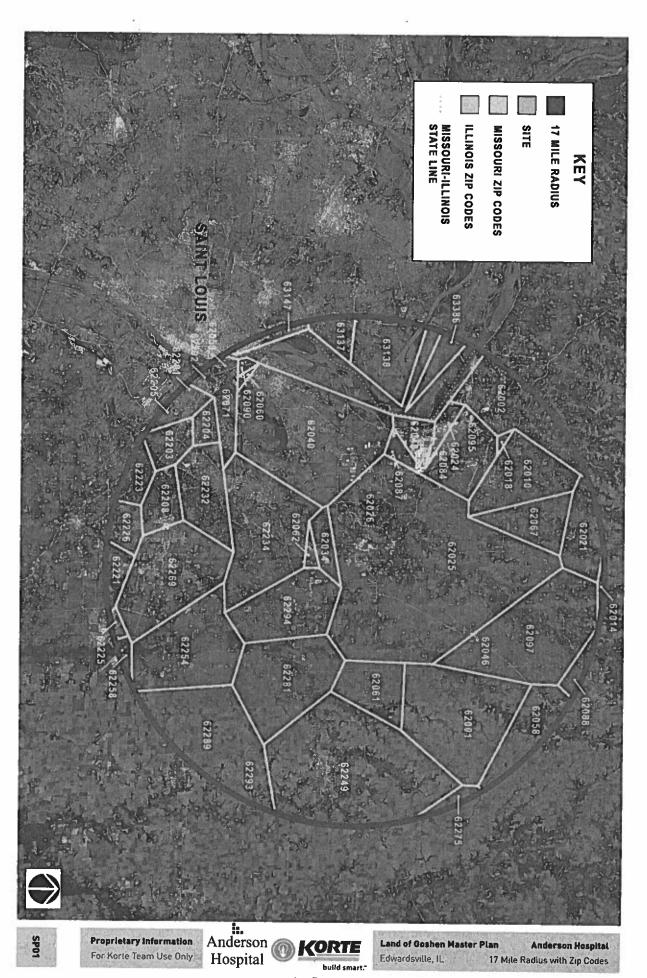
1110.205(c) Unnecessary Duplication/Maldistribution

The table on the next page and accompanying map presents the 28 zip codes that are in whole or in part within 17 miles of the proposed site in Edwardsville. These zip codes have a resident population of 404,360 (U.S Census Bureau, 2018 estimate).

Table: Patient Origin of Patients referred to Anderson Hospital's 20 bed rehabilitation unit (Zip codes in whole or in part within 17 miles from the Edwardsville site)

zip code	community name	population	patients referred to Anderson Hosp rehab unit (2018)	% of total Anderson Hospital rehab patients from this zip code	Cumulative %
62025	Edwardsville	34,504	48	12.3	12.3
62040	Granite City	42,692	46	11.8	24.1
62234	Collinsville	32,056	43	11.0	35.1
62034	Glen Carbon	13,605	29	7.4	42.5
62062	Maryville	8,095	22	5.6	48.1
62002	Alton	31,489	20	5.1	53.2
62249	Highland	15,520	18	4.6	57.8
62294	Troy	14,089	17	4.3	62.1
62024	East Alton	9,910	12	3.1	65.2
62010	Bethalto	11,571	10	3.0	68.2
62095	Wood River	10,553	10	3.0	71.2
62088	Staunton	6,661	9	2.3	73.5
62035	Godfrey	16,438	9	2.3	75.8
62208	Fairview Hts	16,644	6	1.6	77.4
62014	Bunker Hill	4,247	6	1.6	79.0
62269	O'Fallon	33,455	5	1.3	80.3
62281	St Jacob	1,230	5	1.3	81.6
62232	Caseyville	6,988	4	1.0	82.6
62061	Marine	1,761	4	1.0	83.6
62246	Greenville	10,092	4	1.0	84.6
62097	Worden	2,979	3.	0.8	85.4
62221	Belleville	29,031	3	0.8	86.2
62226	Belleville	28,914	3	0.8	87.0
62069	Mount Olive	3,085	3	0.8	87.8
62033	Gillespie	4,526	3	0.8	88.6
62201	East St Louis	7,862	2	0.5	89.1
62060	Madison	4,699	2	0.5	89.6
62001	Alhambra	1,664	1	0.3	89.9
Total zip co	des, 17 miles	404,360	347	89.9	
Patients fro	m outside 17 mi	le radius	39	10.1	100.0
Total patien	ts, year 2018		386	100.0	100.0

Source: U.S. Census Bureau B01001 Sex by Age, 2017; 5 year estimates; December 2018



There are no other providers of inpatient rehabilitation service in the 17 mile radius area. HSHS St Elizabeth Hospital is the closest hospital with inpatient rehabilitation; it is located outside of the area to the south, in St Clair County.

Since there is no hospital with Comprehensive Inpatient Rehabilitation service within the 17 mile area, the project will not reduce the utilization of another hospital in this area providing the same service.

The project does not create a maldistribution of service. Maldistribution for a clinical service exists when a ratio of beds to population exceed 1.5 times the Statewide average for that service.

- For rehabilitation beds, the Statewide ratio is 0.127 beds per 1000 population

1,672 rehabilitation beds / 13,129,233 = 0.127 beds per 1000 population

- For HSA 11, the ratio is 0.058, less than half the State average

36 rehabilitation beds / 614,038 = 0.058 beds per 1000 population

- The addition of 14 rehab beds would increase rehab beds to a total of 50 in HSA 11. The resulting bed to population ratio increases to 0.08 beds per 1000 population
- 0.08 is less than the State-wide ratio of 0.127, and significantly less than 1.5 times the State ratio. As a result, the project does not create a maldistribution of service.

As reported in the Project Services Utilization section, three factors support the projected patient volume of the Anderson Rehabilitation Hospital: a) Anderson Hospital's current volume of approximately 400 admissions, b) 899 patients from the area who should be hospitalized for inpatient rehabilitation but are not receiving this care, and c) 450 patients who are hospitalized out of state who could and would likely prefer to receive that care closer to home. The total is 1,750 patients. Anderson Rehabilitation Hospital is conservatively sized to accommodate 816 annual patients. Anderson Rehabilitation Hospital will not have an adverse impact on hospitals providing Comprehensive Physical rehabilitation in HSA 11.

Three area hospitals have already provided letters of support, and are included following this page:

OSF St. Anthony's Health Center Community Hospital of Staunton Carlinville Area Hospital



May 30, 2019

Keith Page President & CEO Anderson Hospital 6800 State Route 162 Maryville, IL 62062

RE: Free-Standing Rehabilitation Hospital (Anderson Hospital & Kindred Healthcare)

Dear Mr. Page:

This document will serve as a Letter of Support, for Anderson Hospital in its pursuit of the joint venture with Kindred Healthcare for a 34-bed free-standing Rehabilitation Hospital. The free-standing Rehabilitation Hospital will replace the current 20-bed unit within Anderson Hospital and bring additional needed capacity to meet the needs of our market.

Please consider this our support of your project that will be presented to the Illinois Facilities and Services Review Board (IL HFSRB).

Sincerely,

Ajay Pathak

President & CEO

OSF Saint Anthony's Health Center

PHONE: (618) 635-2200



OF STAUNTON

An Anderson Healthcare Partner

May 24, 2019

Courtney R. Avery Administrator Illinois Health Facilities and Services Review Board 525 W. Jefferson Street, 2nd Floor Springfield, IL 62761

Dear Ms. Avery,

I am writing this letter in support of the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

I am the Chief Executive Office of Community Hospital of Staunton, and our hospital is a member of Anderson Healthcare. Our hospital is a Critical Access Hospital serving the health care needs of our community in Staunton and the residents in the rural areas and other small communities within a fifteen mile radius around our hospital.

Our hospital does not offer inpatient comprehensive rehabilitation services, and this is a much needed service in this area that I believe will greatly benefit the residents living in and around Staunton. The proposed Anderson Rehabilitation Hospital will be located approximately 20 miles from our hospital with easy access for the Staunton patients and residents.

I fully support and encourage the approval of the proposed Anderson Rehabilitation Hospital in Edwardsville.

Please contact me with any questions you may have.

Sur Campluse

Sincerely,

Sue Campbell, CEO

Community Hospital of Staunton

400 North Caldwell Street

Staunton, IL 62088

618-635-4241

i



May 29, 2019

Courtney R. Avery, Administrator IL Health Facilities and Services Review Board 525 W. Jefferson Street, 2nd Floor Springfield, IL 62761

Dear Ms. Avery:

I have been asked to write a letter in support of the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

I am the Chief Executive Officer of Carlinville Area Hospital in Carlinville, Illinois. Our facility is a Critical Access Hospital serving the healthcare needs of our community in Carlinville and the residents in the rural areas and other small communities within a twenty mile radius around our Hospital.

Our Hospital does not offer inpatient comprehensive rehabilitation services, and this is a much needed service in our area that I believe will potentially benefit the residents living in and around Carlinville. The proposed Anderson Rehabilitation Hospital will be located approximately 40 miles from our Hospital with relatively easy access for the Carlinville patients and residents.

I fully support and encourage the approval of the proposed Anderson Rehabilitation Hospital in Edwardsville. Please feel free to contact me at 217-854-3141, ext. 311 if you have questions or need additional information.

Sincerely,

CARLINVILLE AREA HOSPITAL

Kenneth G. Reid, FACHE

President/CEO

1110.205(e) Staffing

Anderson Rehabilitation Hospital does not anticipate any staffing challenges. The first priority will be to provide the opportunity for the current staff of Anderson Hospital's rehab unit to accept comparable positions with Anderson Rehabilitation Hospital. Further, together, Anderson Hospital and Kindred have multiple resources available to assist with the identification and recruitment of appropriate and qualified personnel:

- Experienced recruitment teams within both Anderson Hospital and Kindred to recruit
 qualified manpower; strong success in recruiting for critical to fill positions with recruiters
 that offer support on a national level as well as local level;
- Career listings on Anderson Hospital as well as kindred healthcare website, respectively and job postings on multiple search engines and listing sites;
- Educational programs with local colleges and universities.

The recruiting program includes recruiting fairs, campus visits, open houses at Anderson Hospital, and promotion of open positions on various recruiting and social media outlets:

- Anderson Hospital advertises available positions twice a month in the <u>Belleville News</u>
 <u>Democrat</u> and the <u>Alton Telegraph</u>, with links to the hospital's online website. Positions
 at the Anderson Rehabilitation Hospital will be advertised in these newspapers as well:
- Positions for the Anderson Rehabilitation Hospital will be posted on www.indeed.com as well as on various online websites that cater to certain individual job types;
- Positions may be advertised in publications that have been used in the past, such as the <u>St. Louis American</u>, a minority newspaper in St. Louis, Diverse Medica, Inc., in the <u>Career Woman Magazine</u> and the Workforce Communications Group minority publications.

Recruitment for the Anderson Rehabilitation Hospital will also take place at community-related job fairs in the area ad at job fairs at four-year and two-year colleges within 50 miles of the site that Anderson Hospital routinely uses, such as the AND programs at Lewis and Clark Community College, Southwestern Illinois College, or SIUE's (Southern Illinois University Edwardsville) School of Nursing.

Additionally, Kindred is actively involved in the training of future health care personnel and partners with many educational institutions to serve as a training site for students from various disciplines who wish to prepare themselves for a future in a healthcare related field. These training programs provide a large pool of new health care professionals to the community and serve as an ongoing source for recruiting new personnel to Anderson Rehabilitation Hospital.

Kindred has clinical education agreements throughout the United States including Illinois and eastern Missouri with several universities and schools to provide clinical rotations for physical therapy, occupational therapy, speech therapy, and nursing students. These include but not limited to:

Kaskaskia College
Lewis & Clark Community College
Lindenwood University
Maryville University of Saint Louis
Missouri Health Professions Consortium

Saint Louis University
Saint Louis University - Doisy College of Health Sciences
Southern Illinois Collegiate Common Market
Southern Illinois University
Southern Illinois University, Edwardsville
Southwestern Illinois College
St. Charles Community College
St. Louis Community College at Meramec
University of Illinois, Urbana-Champaign
University of Missouri at Columbia
Washington University in St Louis
Western Illinois University

These education opportunities will also serve as a strong source of therapist referrals to the new Anderson Rehabilitation Hospital.

Anderson Rehabilitation Hospital will continue to implement Anderson Hospital's and Kindred's recruitment strategies and build on established affiliations with area schools to continue to provide clinical rotations for these students. As a result of these partnerships, Anderson Hospital and Kindred expect to have access to sufficient staff levels for the Anderson Rehabilitation Hospital.

Kindred has applied a staffing model that has worked in other markets throughout the United States. It will adjust the following staffing plan as program planning evolves in advance of opening the new hospital:

	Year 1	Year 2	
Position	FTEs		
Nursing			
RN's	14.2	19.8	
LPN's	6.1	8.5	
Aides	13.5	18.8	
Total Nursing	33.8	47.0	

Therapy

Physical Therapy

Physical Therapists	2.0	3.0
PTA	1.8	2.8
Techs	1.0	1.5
Occupational Therapy		
Occupational Therapists	2.0	3.0
СОТА	1.8	2.8
Techs	1.0	1.5
Speech Therapy		
SLPs	2.0	2.0
Respiratory Therapists	1.1	1.1
Total Therapy	12.7	17.7
Non-Clinical		
Non-Clinical Pharmacy		
	1.4	1.4
Pharmacy	1.4	1.4 1.0
Pharmacy Pharmacists		
Pharmacy Pharmacists Pharmacy Techs	1.0	1.0
Pharmacy Pharmacists Pharmacy Techs Case Managers/Social worker	1.0 1.5	1.0 2.0
Pharmacy Pharmacists Pharmacy Techs Case Managers/Social worker Central Supply/Purchasing	1.0 1.5	1.0 2.0
Pharmacy Pharmacists Pharmacy Techs Case Managers/Social worker Central Supply/Purchasing Dietary	1.0 1.5 1.0	1.0 2.0 1.0
Pharmacy Pharmacists Pharmacy Techs Case Managers/Social worker Central Supply/Purchasing Dietary Supervisor	1.0 1.5 1.0	1.0 2.0 1.0
Pharmacy Pharmacists Pharmacy Techs Case Managers/Social worker Central Supply/Purchasing Dietary Supervisor Registered Dietitians	1.0 1.5 1.0 1.0	1.0 2.0 1.0 1.0
Pharmacy Pharmacists Pharmacy Techs Case Managers/Social worker Central Supply/Purchasing Dietary Supervisor Registered Dietitians Cooks	1.0 1.5 1.0 1.0 1.0 2.5	1.0 2.0 1.0 1.0 1.0 2.5

Supervisor	1.0	1.0
Housekeeping		
Supervisor	1.0	1.0
Housekeepers	3.0	4.0
Switchboard Operators	2.1	2.1
Accounting		
Accounts Payable Clerks	0.5	0.5
Payroll Clerks	0.5	0.5
Business Office		
Business Office Coordinator	1.0	1.0
Admissions Coordinator	1.0	1.0
Medical Records		
Director	1.0	1.0
Coders	1.0	1.0
Nursing Administration		
Director of Nursing	1.0	1.0
Dir CQPI	1.0	1.0
Nurse Manager	1.0	1.0
Nurse Coordinator(PPS)	1.0	1.0
Director of Therapy	1.0	1.0
Administration		
CEO	1.0	1.0
Controller	1.0	1.0
HR Director	1.0	1.0

TOTAL FTEs	87.3	108.0
Total Non-Clinical	40.8	43.3
Liaisons	3.0	4.0
Dir Business Development	1.0	1.0
Business Development		
Unit Secretary	2.8	2.8
Admin Secretary	1.0	1.0

1110.205(f) Performance Requirements – Bed Capacity Minimum

The proposed size of the Anderson Rehabilitation Hospital is 34 beds. While this is not consistent with the State requirement of a minimum of 100 beds for a new rehabilitation hospital, the project is appropriately scaled for meeting the community need. The new private rooms will have appeal for area residents seeking to receive care closer to home than commuting to St Louis or other facilities outside Madison County. A 34 bed facility also provides the critical mass needed for the development of a broader range of acute rehabilitation care.

1110.205(g) Assurances

The next page provides the required statement by Keith Page, President and CEO of Anderson Hospital, in recognition of the understanding that Anderson Rehabilitation Hospital will achieve State utilization standards in 2023, two years after project completion.



May 29, 2019

Ms Courtney Avery
Administrator
Illinois Health Facilities and
Services Review Board
525 West Jefferson Street, 2nd floor
Springfield, IL 62761

Dear Ms Avery

I hereby certify and attest to the understanding and commitment that the proposed Anderson Rehabilitation Hospital will achieve the 85% occupancy standard in Illinois Administrative Code 1100 within two years of operation after project completion.

Sincerely,

Keith A. Page, FACHE President and CEO

OFFICIAL SEAL
JUDITH ! PURCELL.
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:07/10/21

Whith J. Pucell 5/29/19

1110.270 Clinical Service Areas other than Categories of Service

Service	# Existing Key Rooms	# Proposed Key Rooms	
Pharmacy	0	1	
PT/OT	0	1	

The project to establish a Comprehensive Physical Rehabilitation service includes two supporting clinical functional areas that are not categories of service:

Pharmacy

Physical Therapy / Occupational Therapy

1. Service to Planning Area Residents

For the proposed project, the Primary Service Area is defined as Madison County. Together with selected zip codes in Jersey, Macoupin, Montgomery and Bond Counties (The Secondary Service Area), the PSA and SSA define the Planning Area for the Project. 67.3% of patients will come from the PSA, an additional 22.4% from the SSA, and the remaining 10.3% from outside the planning area.

The distribution of patients utilizing the hospital pharmacy and PT/OT will be assumed to be the same as the patient origin information for the Comprehensive Physical Rehabilitation program.

2. Service Demand

Services volumes for PT/OT sessions and pharmacy orders are driven by inpatient admissions and patient days of care to rehabilitation patients. Based on experienced data at Anderson Hospital's 20 bed rehabilitation unit, a rehabilitation inpatient generates 0.74 pharmaceutical orders per patient day. There are 4.41 physical therapy sessions and 4.57 occupational therapy sessions per patient day. These historical rates are expected to remain fairly constant, since the best practices followed at the current 20 bed unit will be applied at the new 34 bed hospital.

As a result, the volume of pharmacy orders and PT and OT sessions is shown in the following table.

	Yr 2018	Yr 2023
Patient days	4,121	10,600
Pharmacy orders	3,057	7,850
Physical therapy units	18,286	46,750
Occupational therapy units	18,951	48,450

3. Impact of the project on other area providers

Anderson Hospital's current unit is the only Comprehensive Physical rehabilitation service in all of Madison County, and, following the closures of the rehab units at OSF St Anthony in Alton and at Gateway Regional Medical Center in Granite City, one of only two rehabilitation units in the entire HSA 11. The site of the new hospital is closer to the patient populations formerly treated at OSF St Anthony and at Gateway Regional Medical Center in Granite City than the other rehabilitation unit in HAS 11 at HSHS St Elizabeth in O'Fallon. The expected increase in patient volume at the new facility is due to two factors: 1) enhanced clinical services, locally and conveniently available, for those patients who reside in Madison County and the surrounding area who increasingly travel to St Louis for their rehabilitation care; and 2) an increase in the rate of admissions to Comprehensive Physical Rehabilitation, by people who have not been obtaining the level of care needed for their level of impairment, as evidenced by the Rehabilitation Impairment Code analysis. None of this additional volume is drawn from the other rehabilitation service in HSA 11. No disruption of the existing service at HSHS St Elizabeth's Hospital is anticipated.

The above statement applies to the increased use of Comprehensive Physical Rehabilitation, and, by association, the proportional increase in pharmacy and PT/OT services.

4. Utilization

The following volumes are anticipated in year 2023, two years after project completion. There are no State utilization standards for these two services.

Pharmacy 7,850

Physical therapy 46,750

Occupational therapy 48,450

Section 1120.120 AVAILABILITY OF FUNDS

- Audited Financial Statements, Southwestern Illinois Health Facilities, d/b/a Anderson Hospital
- Lease (Developer lease to Anderson Rehabilitation Hospital, LLC)
- Ground Lease (Anderson Real Estate, LLC lease to Developer)

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2018 and 2017

December 31, 2018 and 2017

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Supplementary Information
2018 Consolidated Balance Sheet - With Consolidating Information
2018 Consolidated Statement of Operations - With Consolidating Information



Independent Auditor's Report

Board of Trustees and Management Southwestern Illinois Health Facilities, Inc. d/b/a Anderson Hospital Maryville, Illinois

We have audited the accompanying consolidated financial statements of Southwestern Illinois Health Facilities, Inc. d/b/a Anderson Hospital (the "Organization"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated financial statements.

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



Board of Trustees and Management Southwestern Illinois Health Facilities, Inc. d/b/a Anderson Hospital Page 2

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Southwestern Illinois Health Facilities, Inc. d/b/a Anderson Hospital as of December 31, 2018 and 2017, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 17 to the consolidated financial statements, in 2018, Southwestern Illinois Health Facilities, Inc. d/b/a Anderson Hospital adopted Accounting Standards Update ("ASU") 2016-14, Notfor-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities and ASU 2014-09, Revenue from Contracts with Customers. Our opinion is not modified with respect to these matters.

BKD, LUP

St. Louis, Missouri May 24, 2019

Consolidated Balance Sheets December 31, 2018 and 2017

Assets

	2018	2017
Current Assets		
Cash	\$ 8,697,937	\$ 8,801,519
Short-term investments	5,805,853	3,067,780
Assets limited as to use - current	7,256,201	7,874,012
Patient accounts receivable	24,843,294	24,119,940
Supplies	3,275,540	3,010,053
Prepaid expenses and other	2,545,835	2,570,703
Total current assets	52,424,660	49,444,007
Assets Limited As To Use		
Self-insurance trust	16,715,150	15,770,660
Restricted under bond indenture	294,843	295,087
Other	596,043	549,877
	17,606,036	16,615,624
Less amount required to meet current obligations	7,256,201	7,874,012
	10,349,835	8,741,612
Long-Term Investments	76,664,719	82,671,046
Property and Equipment, At Cost		
Land	5,475,844	3,938,752
Land improvements	3,151,148	3,118,215
Buildings and improvements	147,359,693	141,537,604
Equipment	51,750,751	48,957,978
Construction in progress	6,573,690	450,236
	214,311,126	198,002,785
Less accumulated depreciation	93,580,919	86,498,336
	120,730,207	111,504,449
Other Assets	3,110,565	3,379,067
Total assets	\$ 263,279,986	\$ 255,740,181

Liabilities and Net Assets

2018	2017
\$ 4,377,692	\$ 4,470,126
160,486	80,460
6,834,167	4,133,525
9,718,655	8,732,255
6,434,992	6,001,000
7,106,000	5,669,000
742,253	520,282
35,374,245	29,606,648
16,261,000	15,325,000
39,673,876	40,266,544
91,640,239	85,361,751
171,226,581	169,850,807
413,166	527,623
171,639,747	170,378,430
\$ 263,279,986	\$ 255,740,181
	\$ 4,377,692 160,486 6,834,167 9,718,655 6,434,992 7,106,000 742,253 35,374,245 16,261,000 39,673,876 331,118 91,640,239 171,226,581 413,166 171,639,747

Consolidated Statements of Operations Years Ended December 31, 2018 and 2017

	2018	2017
Revenues, Gains and Other Support Without Donor Restrictions		
Patient care service revenue	\$ 191,235,229	\$ 179,389,374
Other	3,582,073	3,489,441
Total revenues, gains and other support without donor		
restrictions	194,817,302	182,878,815
Expenses		
Salaries and wages	71,310,178	65,343,783
Employee benefits	14,389,083	12,789,941
Purchased services and professional fees	29,813,901	27,429,576
Supplies and other	63,142,731	57,873,632
Depreciation and amortization	8,699,736	9,003,737
Interest	1,504,990	1,483,220
Total expenses	188,860,619	173,923,889
Operating Income	5,956,683	8,954,926
Other Income (Expense)		
Contributions received	677,788	393,621
Investment return, net	(5,258,697)	11,394,718
Total other income (expense)	(4,580,909)	11,788,339
Excess of Revenues Over Expenses	\$ 1,375,774	\$ 20,743,265

Consolidated Statements of Changes in Net Assets Years Ended December 31, 2018 and 2017

	2018	2017
Net Assets Without Donor Restrictions		
Excess of revenues over expenses	\$ 1,375,774	\$ 20,743,265
Increase in net assets without donor restrictions	1,375,774	20,743,265
Net Assets With Donor Restrictions		
Contributions received (change in present value)	(114,457)	176,853
Increase (decrease) in net assets with donor restrictions	(114,457)	176,853
Change in Net Assets	1,261,317	20,920,118
Net Assets, Beginning of Year	170,378,430	149,458,312
Net Assets, End of Year	\$ 171,639,747	\$ 170,378,430

Consolidated Statements of Cash Flows Years Ended December 31, 2018 and 2017

		2018		2017
Operating Activities				
Change in net assets	\$	1,261,317	\$	20,920,118
Items not requiring (providing) cash				
Depreciation and amortization		8,737,873		9,041,873
Net (gains) losses on investments		7,916,777		(9,326,815)
Loss on disposal of property and equipment		205,680		64,465
Change in accrued self-insurance costs Changes in		2,466,523		653,543
Patient accounts receivable		(723,354)		3,105,564
Estimated amounts due to third-party payers		433,992		346,681
Supplies, prepaid expenses and other assets		(419,706)		(954,547)
Accounts payable and accrued expenses		2,297,603		(759,872)
Other current assets and liabilities		274,448		(127,086)
Net cash provided by operating activities		22,451,153		22,963,924
Investing Activities				
Purchase of investments		(20,483,741)		(19,774,267)
Proceeds from disposition of investments		14,890,972		10,745,568
Increase (decrease) in internally designated assets limited as to use		38,702		(1,948)
Purchase of property and equipment		(16,018,328)	_	(7,211,610)
Net cash used in investing activities	_	(21,618,561)		(16,242,257)
Financing Activities				
Proceeds from borrowings		2,500,000		-
Payments on capital lease obligations		(174,233)		-
Principal payments on long-term debt		(3,223,239)	_	(3,093,815)
Net cash used in financing activities		(897,472)		(3,093,815)
Increase (Decrease) in Cash and Restricted Cash		(64,880)		3,627,852
Cash and Restricted Cash, Beginning of Year		8,887,648		5,259,796
Cash and Restricted Cash, End of Year	\$	8,822,768	\$	8,887,648
Cash	\$	8,697,937	\$	8,801,519
Restricted cash included in assets limited as to use - other		124,831	_	86,129
Total cash and restricted cash shown in the statement of cash flows	\$	8,822,768	<u>\$</u>	8,887,648
Supplemental Cash Flows Information				
Property and equipment included in accounts payable	\$	1,389,439	\$	225,506
Equipment acquired through capital lease obligations	\$	421,818	\$	-
Interest paid	\$	1,424,734	\$	1,403,417
Restricted contributions	\$	-	\$	316,925

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Southwestern Illinois Health Facilities, Inc. d/b/a Anderson Hospital (the "Hospital") is an Illinois not-for-profit corporation that primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in Maryville, Illinois and surrounding areas.

In addition, the Hospital is the sole member of Maryville Medical Services, LLC ("MMS"), an Illinois limited liability corporation that provides urgent care services in the Hospital's service area.

The Hospital is the sole member of Maryville Physician Services, LLC ("MPS"), an Illinois limited liability corporation that contracts for various physician services and provides the related billing for these services.

The Hospital is the sole member of the Anderson Hospital Foundation (the "Anderson Foundation"), an Illinois not-for-profit corporation. The Anderson Foundation offers such donor opportunities as endowments, planned giving, charitable gift annuities, grants, memorials, bequests, naming rights, annual campaigns and future capital campaigns.

The Hospital is the sole member of Anderson Real Estate, LLC ("Anderson Real Estate"), an Illinois limited liability corporation that was established for real estate transactions and holdings.

The Hospital is the sole member of Maryville Imaging, LLC ("Maryville Imaging"), an Illinois limited liability corporation, which operates a freestanding outpatient diagnostic imaging center located in Maryville, Illinois.

The Hospital is the sole member of Community Memorial Hospital Association d/b/a Community Hospital of Staunton ("Staunton Hospital"), an Illinois not-for-profit corporation that primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in Staunton, Illinois and the immediate surrounding area. Staunton Hospital is the sole member of Friends of Community Memorial Hospital d/b/a Friends of Community Hospital of Staunton (the "Staunton Foundation"), which conducts fundraising activities and manages activity related to contributions.

Principles of Consolidation

The consolidated financial statements include the accounts of the Hospital, MMS, MPS, Maryville Imaging, Anderson Real Estate, Anderson Foundation, Staunton Hospital and the Staunton Foundation (collectively, the "Organization"). All significant inter-company accounts and transactions have been eliminated in consolidation.

Notes to Consolidated Financial Statements December 31, 2018 and 2017

Use of Estimates

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

Cash

At December 31, 2018, the Organization's cash accounts exceeded federally insured limits by approximately \$8,314,000.

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the consolidated statements of operations and changes in net assets as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Assets Limited as to Use

Assets limited as to use include: (1) assets held by trustee under bond indenture agreements (2) a self-insurance trust arrangement (3) a USDA reserve account and (4) assets set aside by the board of trustees for future capital improvements. Amounts required to meet current liabilities are included in current assets. Board designated cash included in assets limited as to use includes cash for repayment of USDA long-term debt.

Patient Accounts Receivable

Patient accounts receivable reflects the outstanding amount of consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others. As a service to the patient, the Organization bills third-party payors directly and bills the patient when the patient's responsibility for co-pays, coinsurance and deductibles is determined. Patient accounts receivable are due in full when billed. The Organization recognizes amounts related to health care services provided to patients which have not been billed as a component of patient accounts receivable as the Organization has the unconditional right to payment for health care services provided.

Notes to Consolidated Financial Statements December 31, 2018 and 2017

Supplies

The Organization states supply inventories at the lower of cost, determined using the first-in, first-out method or net realizable value.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Land improvements	10-25 years
Buildings and improvements	15-40 years
Equipment	3-10 years

Donations of property and equipment are reported at fair value as an increase in net assets without donor restrictions unless use of the asset is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in net assets without donor restrictions when the donated asset is placed in service.

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimate future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2018 and 2017.

Contributions Receivable

Contributions receivable which are donor restricted for future capital improvements amounted to approximately \$440,000 and \$528,000 at December 31, 2018 and 2017, respectively. Of the total amount receivable at December 31, 2018 and 2017, approximately \$95,000 and \$110,000, respectively, is due within one year and included in other current assets, and the remaining amounts are due within two years and included in other assets.

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Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

Patient Care Service Revenue

Patient care service revenue is recognized as the Organization satisfies performance obligations under its contracts with patients. Patient care service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policies and implicit price concessions provided to uninsured patients.

The Organization determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payor groups. The Organization determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations by third-party payors.

Charity Care

The Organization provides care without charge, or at amounts less than its established rates, to patients meeting certain criteria under its charity care policy. Because the Organization does not pursue collections of amounts determined to qualify as charity care, these amounts are not reported as patient care service revenue. The Organization's direct and indirect costs for services furnished under its charity care policy aggregated approximately \$2,108,000 and \$2,254,000 for the years ended December 31, 2018 and 2017, respectively. The costs of charity care provided is determined by computing a ratio of allowable costs to gross charges and then multiplying that ratio by the gross uncompensated charges associated with providing care to charity patients.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Notes to Consolidated Financial Statements December 31, 2018 and 2017

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional. Donor-restricted conditional gifts in which the condition and restriction is met in the period the gift is received are reported as revenue and net assets without donor restrictions.

Employee Health Claims

Substantially all of the Organization's employees are eligible to participate in the Organization's health insurance plan. The Organization is self-insured for health claims of participating employees and dependents up to limits provided for in an agreement with its insurance Plan Administrator. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Organization's estimate will change by a material amount in the near term.

Professional Liability Claims

The Organization recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in Note 5.

Income Taxes

The Organization has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income and taxable income of MPS.

The Organization files tax returns in the U.S. federal jurisdiction.

Excess of Revenues Over Expenses

The consolidated statements of operations include excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses, consistent with industry practice, include transfers to and from affiliates for other than goods and services and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Affordable Care Act Compliance

As part of the Affordable Care Act, hospitals exempt from the tax under Section 501(c)(3) of the Internal Revenue Code are required to comply with the new requirements under new Code Section 501(r). Code Section 501(r) requires exempt hospitals prepare and implement a community health

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Notes to Consolidated Financial Statements December 31, 2018 and 2017

needs assessment, implement a financial assistance policy, implement an emergency care policy, limit charges to individuals eligible for financial assistance and refrain from certain collection actions for patients that may qualify for financial assistance.

Failure to comply with these requirements could result in a hospital not being recognized as exempt under Code Section 501(c)(3). The Internal Revenue Service (IRS) has not issued guidance on how they intend to enforce the provisions related to Code Section 501(r). The Organization believes it has taken reasonable steps to comply with Code Section 501(r) and has recorded no provision relative to the Organization's compliance or non-compliance with Code Section 501(r). However, this could change materially in the near-term.

Reclassifications

Certain reclassifications have been made to the 2017 consolidated financial statements to conform to the 2018 consolidated financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Patient Care Service Revenue

Patient care service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Organization bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility and patient accounts receivable are due in full when billed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Organization receiving inpatient acute care services or patients receiving services in its outpatient centers. The Organization measures the performance obligation from inpatient admission, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to its patients and customers in a retail setting, e.g., pharmaceuticals and medical equipment, and the Organization does not believe it is required to provide additional goods related to the patient.

Notes to Consolidated Financial Statements
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Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions which consist of contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy and implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare - The Hospital is paid at prospectively determined rates per discharge for inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. The Hospital's Medicare cost reports have been audited by the Medicare administrative contractor through December 31, 2015.

Staunton Hospital is designated as a critical access hospital. This designation provides for inpatient and outpatient services to be reimbursed on a cost based methodology. Staunton Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by Staunton Hospital and audits thereof by the Medicare administrative contractor. Staunton Hospital's Medicare cost reports have been audited by the Medicare administrative contractor through June 30, 2015.

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under prospectively determined fee schedules.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as

Notes to Consolidated Financial Statements
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significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

In addition, the Organization has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Settlements with third-party payors for retroactive adjustments due to cost report or other audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved.

Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2018 or 2017.

From time to time the Organization will receive overpayments of patient balances from third-party payors or patients resulting in amounts owed back to either the patients or third-party payors. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. At December 31, 2018 and 2017, the Organization recorded a refund payable of approximately \$410,000 and \$95,000, respectively, which is included within accounts payable on the consolidated balance sheets.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient care service revenue in the period of the change. For the years ended December 31, 2018 and 2017, no significant additional revenues were recognized due to changes in its estimates of implicit price concessions, discounts and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

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Notes to Consolidated Financial Statements December 31, 2018 and 2017

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with those patients. For the years ended December 31, 2018 and 2017, implicit price concessions were approximately \$11,042,900 and \$10,867,800, respectively.

Patients who meet the Organization's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the payor class only. Substantially all patient care service revenue is recognized over time. A table providing details of this factor is presented below.

The composition of patient care service revenue, recognized in the years ended December 31, 2018 and 2017, was approximately:

	2018	2017
Medicare	\$ 50,421,800	\$ 46,062,400
Medicaid	12,361,000	10,383,700
Other third-party payors	119,022,200	113,503,800
Self-pay	9,430,200	9,439,500
Total	\$191,235,200	\$179,389,400

Financing Component

The Organization has elected the practical expedient allowed under FASB ASC 606 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Organization does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract

Contract Costs

The Hospital has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Hospital otherwise would have recognized is one year or less in duration.

Notes to Consolidated Financial Statements
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Illinois Hospital Medicaid Assessment Programs

The state of Illinois enacted legislation that provides for a hospital assessment program intended to qualify for federal matching funds under the Illinois Medicaid program. Under the hospital assessment program, each hospital is assessed tax based on that hospital's adjusted gross hospital revenue. The legislation provides that none of the assessment funds are to be collected and no additional Medicaid payments are to be paid until the program receives the required federal government approval through the federal Centers for Medicare and Medicaid Services.

In October 2013, the Centers for Medicare and Medicaid Services notified the Illinois Department of Healthcare and Family Services of its approval of the Enhanced Hospital Assessment Program effective July 1, 2012, which is anticipated to generate an additional annual net benefit for Illinois hospitals under the Hospital Assessment Program.

In June 2018, the U.S. Centers for Medicare and Medicaid Services notified the Illinois Department of Healthcare and Family Services of its approval of the Enhanced Hospital Assessment Program effective July 1, 2018, which is anticipated to generate an additional annual net benefit for Illinois hospitals under the Hospital Assessment Program.

The effects of both programs in the consolidated statements of operations for the years ended December 31, 2018 and 2017, are as follows:

	2018	2017
Additional Medicaid payments included in patient care service revenue	\$ 10,787,670	\$ 9,246,332
Taxes assessed and included in supplies and other	\$ 7,039,575	\$ 6,694,000

The hospital assessment programs contain a sunset provision effective June 30, 2020, and there is no assurance the program will not be discontinued or materially modified.

Note 3: Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2018 and 2017, is:

	2018	2017
Medicare	23%	21%
Medicaid	5%	4%
Other third-party payors	63%	66%
Patients	9%	9%
	100%	100%

Notes to Consolidated Financial Statements December 31, 2018 and 2017

Note 4: Investments and Net Investment Return

Assets Limited as to Use

Assets limited as to use at December 31 include:

	2018	2017
Held by trustee under self-insurance trust		
Cash equivalents	\$ 828,285	\$ 518,489
Fixed income securities	5 020,203	Ψ 510,407
Corporate bonds	2,106,637	2,061,002
U.S. government-sponsored enterprises	431,068	471,757
U.S. Treasury notes	2,462,700	1,939,306
Fixed income mutual funds	3,125,326	2,893,955
Equity	5,125,525	_,0,0,,00
Mutual funds		
Small cap	463,710	8,617
Mid cap	867,403	865,662
Large cap	3,275,258	3,381,868
International	2,534,134	3,022,038
Common stock	• •	, ,
Industrials	74,309	47,423
Materials	7,316	5,486
Consumer discretionary	168,915	182,298
Consumer staples	122,144	108,085
Energy	6,220	7,502
Financials	113,186	116,512
Health care	26,514	17,732
Information technology	48,684	83,358
Interest receivable	53,341	39,570
	\$ 16,715,150	\$ 15,770,660
Held by trustee under bond indenture		
Cash equivalents	\$ 294,839	\$ 295,083
Interest receivable	4_	4
	\$ 294,843	\$ 295,087
Other assets limited as to use		
USDA reserve account		
Deposits	\$ 124,831	\$ 86,129
Internally designated for capital improvements		
Repurchase agreements	464,296	462,102
Interest receivable	6,916	1,646
	\$ 596,043	\$ 549,877

Notes to Consolidated Financial Statements December 31, 2018 and 2017

Other Investments

Other investments at December 31 include:

o .	2018	2017
Cash equivalents	\$ 2,520,062	\$ 2,923,124
Fixed income securities		
Corporate bonds	9,048,713	8,530,471
U.S. Treasury notes	6,305,406	5,932,648
U.S. government-sponsored enterprises	6,090,191	6,155,631
Fixed income mutual funds	10,492,364	9,834,173
Equity securities		
Mutual funds		
Small cap	3,307,561	2,450,074
Mid cap	5,682,601	6,566,429
Large cap	21,155,351	23,475,675
International	14,380,055	16,568,351
Other	1,179,356	1,040,767
Common stock		
Industrials	279,997	186,592
Materials	27,478	20,482
Consumer discretionary	626,581	685,466
Consumer staples	461,575	394,862
Energy	21,038	25,375
Financials	421,798	436,783
Health care	99,245	62,156
Information technology	179,042	306,877
Interest receivable	192,158	142,890
	82,470,572	85,738,826
Less long-term investments	76,664,719	82,671,046
Short-term investments	\$ 5,805,853	\$ 3,067,780
Total investment return is comprised of the following:		
	2018	2017
Interest and dividend income	\$ 2,658,080	\$ 2.233.887
	-,,	-,,
Realized gains on sales of securities	1,093,354	1,720,709
Realized investment return	3,751,434	3,954,596
Net change in unrealized gains (losses)	(9,010,131)	7,440,122
Total investment return	\$ (5,258,697)	\$ 11,394,718

Notes to Consolidated Financial Statements
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Note 5: Risk Management and Professional Liability Claims

The Hospital is self-insured for the first \$4,000,000 per occurrence and \$12,000,000 in aggregate of medical malpractice risks per claim year. The Hospital purchases commercial insurance coverage above the self-insurance limits which covers an additional \$20,000,000 of aggregate claims per year. The Hospital's reserves for professional liability claims were \$23,367,000 and \$20,994,000 at December 31, 2018 and 2017, respectively. The current portion of the reserves were \$7,106,000 and \$5,669,000 at December 31, 2018 and 2017, respectively. The Hospital's professional liability risks, in excess of certain per claim and aggregate deductible amounts, are insured through unrelated commercial insurance carriers. The total amounts receivable under these insurance contracts are approximately \$2,129,000 and \$2,275,000 and are included in other assets of which \$638,000 and \$654,000 are included in other current assets at December 31, 2018 and 2017, respectively.

MPS purchases medical malpractice insurance with a claim limit of \$1,000,000 per occurrence and \$3,000,000 in aggregate per physician and a total aggregate of \$20,000,000 of medical malpractice claims per year. MPS's reserves for professional liability claims were approximately \$1,200,000 and \$1,396,000 at December 31, 2018 and 2017, respectively and are included in accrued expenses. MPS's professional liability risks, in excess of certain per claim and aggregate deductible amounts, are insured through unrelated commercial insurance carriers. The total amounts receivable under these insurance contracts are approximately \$800,000 and \$1,115,000 and are included in other assets at December 31, 2018 and 2017, respectively.

The Organization's provision for losses related to professional liability risks are presented net of expected insurance recoveries in the consolidated statements of operations and was \$2,832,000 and \$1,335,000 for the years ended December 31, 2018 and 2017, respectively. Professional liability reserve estimates represent the estimated ultimate cost of all reported and unreported losses incurred through the respective consolidated balance sheet dates. The reserve for unpaid losses and loss expenses are estimated using individual case-basis valuations and actuarial analyses. Those estimates are subject to the effects of trends in loss severity and frequency. The estimates are continually reviewed and adjustments are recorded as experience develops or new information becomes known. The time period required to resolve these claims can vary depending upon whether the claim is settled or litigated. The estimation of the timing of payments beyond a year can vary significantly. Although considerable variability is inherent in professional liability reserve estimates, we believe the reserves for losses and loss expenses are adequate based on information currently known. It is reasonably possible that this estimate could change materially in the near term.

Staunton Hospital has joined together with other providers of health care services to form the Illinois Provider Trust and the Illinois Compensation Trust, two risk pools currently operating as common risk management and insurance programs for their members. Staunton Hospital pays annual premiums to the pools for its general liability torts, medical malpractice and employee injuries insurance coverage. The pools' governing agreements specify that the pools will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

Notes to Consolidated Financial Statements December 31, 2018 and 2017

Staunton Hospital purchases medical malpractice insurance as described above on a claims made, fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate cost of the incidents. Based upon Staunton's experience, an accrual has been made for Staunton Hospital's estimated medical malpractice costs, including costs associated with litigating or settling claims, under its malpractice insurance policy, amounting to approximately \$8,840 and \$32,555 as of December 31, 2018 and 2017, respectively. It is reasonably possible that this estimate could change materially in the near term.

Note 6: Long-Term Debt

	2018	2017
Note payable, bank (A)	\$ 1,361,184	\$ 1,665,544
Revenue Bonds 2016, Series A (B)	15,451,805	16,523,984
Revenue Bonds 2016, Series B (B)	5,954,253	6,602,548
Revenue Bonds 2016, Series C (B)	7,095,110	7,657,500
Revenue Bonds 2016, Series D (B)	4,404,100	4,730,348
Project Revenue Bonds, Series 2010 (C)	137,744	225,111
USDA Promissory Note (D)	7,745,430	7,853,370
Note payable, bank (E)	1,123,407	-
Note payable, bank (F)	1,262,133	_
Capital lease obligations (G)	491,604	244,019
	45,026,770	45,502,424
Less unamortized debt issuance costs	483,598	521,735
Less current maturities of long-term debt and capital		
lease obligations	4,538,178	4,550,586
Long-term debt and capital lease obligations	\$ 40,004,994	\$ 40,430,103

- (A) Note payable, dated December 20, 2012. Amount outstanding is due on demand and included in current maturities of long-term debt. If demand is not made, monthly payments of \$31,019, representing principal and interest at 4.45 percent are payable monthly through December 20, 2022, with a final payment of all unpaid principal and interest; secured by certain equipment.
- (B) The 2016 Revenue Bonds consist of four series of bonds in the aggregate principal amount of \$39,456,234 designated as Revenue Bond, Series 2016 A ("Series 2016 A Bond"), Revenue Bond, Series 2016 B ("Series 2016 B Bond"), Revenue Bond, Series 2016 C ("Series 2016 C Bond") and Revenue Bond, Series 2016 D ("Series 2016 D Bond").

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Series 2016 A Bonds consist of Southwestern Illinois Development Authority Health Facilities Revenue Bonds in the original amount of \$18,258,036, dated May 17, 2016, which bear interest at 2.38 percent commencing June 1, 2016, payable in monthly installments through August 1, 2036.

Series 2016 B Bonds consist of Southwestern Illinois Development Authority Health Facilities Revenue Bonds in the original amount of \$7,541,971, dated June 1, 2016, which bear interest at 2.77 percent commencing July 1, 2016, payable in monthly installments through January 1, 2027.

Series 2016 C Bonds consist of Southwestern Illinois Development Authority Health Facilities Revenue Bonds in the original amount of \$8,480,753, dated June 16, 2016, which bear interest at 2.99 percent commencing July 1, 2016, payable in monthly installments through July 1, 2029.

Series 2016 D Bonds consist of Southwestern Illinois Development Authority Health Facilities Revenue Bonds in the original amount of \$5,175,473, dated July 1, 2016, which bear interest at 3.12 percent commencing August 1, 2016, payable in monthly installments through February 1, 2030.

The 2016 Revenue Bonds are secured by the unrestricted receivables, unrestricted gross revenues, and any other property securing other long term debt for which the Hospital is obligated. The indenture agreement also requires the Hospital to comply with certain restrictive covenants including minimum insurance coverage, maintaining a historical debt-service coverage ratio of at least 1.20 to 1.00, maintaining a debt to capitalization ratio of not greater than 66 percent, and restrictions on the incurrence of additional debt.

Unamortized debt issuance costs were approximately \$484,000 and \$522,000 at December 31, 2018 and 2017, respectively, and are amortized using the effective interest rate method.

- (C) Project revenue bonds; payable in monthly installments of \$7,897 including interest at 4.0 percent through June 2020; the Illinois Finance Authority issued the bonds on behalf of Staunton; collateralized by mortgage, assignment of rents and profits and security agreement; the bonds have not been guaranteed by the Illinois Finance Authority.
- (D) USDA promissory note dated July 10, 2014, in the amount of \$8,000,000; monthly installments of \$31,760 including interest at 3.5 percent through July 2054; the note is secured by the net revenues of Staunton and a USDA reserve account which is funded \$3,179 monthly with a maximum funding of \$381,120, of which \$124,831 and \$86,129 has been funded at December 31, 2018 and 2017, respectively.
- (E) Note payable due January 2, 2028, payable \$12,431 monthly, including interest at 4.05 percent secured by real estate.
- (F) Note payable due August 14, 2028, payable \$8,205 monthly, including interest at 4.7 percent secured by real estate.

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Notes to Consolidated Financial Statements December 31, 2018 and 2017

(G) At varying rates of imputed interest from 2.08 percent to 2.75 percent; due through June 2023; collateralized by equipment. Collateral includes the following equipment under capital lease:

ÿ.	 2018	2017		
Equipment	\$ 802,127	\$	380,309	
Less accumulated depreciation	 280,216		142,382	
	\$ 521,911	\$	237,927	

The notes payable (E) and (F) above also require the Anderson Real Estate to comply with certain restrictive covenants including minimum insurance coverage and maintaining a historical debt-service coverage ratio of at least 1.00 to 1.00.

Aggregate annual maturities of long-term debt and payments on the capital lease obligation at December 31, 2018, are:

	Long-Term Debt	Capital Lease Obligation		
2019	\$ 4,377,692	\$	160,486	
2020	3,065,624		148,156	
2021	3,104,784		107,926	
2022	3,192,197		80,026	
2023	3,286,163		19,079	
Thereafter	27,508,706			
	\$ 44,535,166	\$	515,673	
Less amount representing interest			24,069	
Present value of future minimum lease payments			491,604	
Less current maturities			160,486	
Noncurrent portion		\$	331,118	

Notes to Consolidated Financial Statements
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Note 7: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

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

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2018 and 2017:

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

			2018					
		_	Fair Value Measurements Using					
		_	Quo	ted Prices	•			
			ic	n Active	Signi	ficant		
,			Ma	arkets for	Ot	her	Signific	cant
			le	dentical	Obse	rvable	Unobser	vable
				Assets		outs	Inpu	
		Total	(Level 1)	(Lev	rel 2)	(Leve	13)
Investments								
Equities								
Common stock								
Industrials	S	354,306	\$	354,306	\$	-	S	2
Materials		34,794	8458	34,794		2	- 55	0
Consumer discretionary		795,496		795,496		_		
Consumer staples		583,719		583,719		-		-
Energy		27,258		27,258		-		
Financials		534,984		534,984		-		-
Health care		125,759		125,759		-		-
Information technology		227,726		227,726		-		-
Mutual funds								
Small cap funds		3,771,271		3,771,271				-
Mid cap funds		6,519,995		6,519,995				9.
Large cap funds		24,460,618	:	24,460,618		-		-
International funds		16,914,189		16,914,189				_
Other		1,179,356		1,179,356		-		- 2
Fixed income								
U.S. government-sponsored								
enterprises		7,117,306		- 2	7,1	17,306		-
U.S. Treasury notes		8,768,106		-	8,7	768,106		-
Corporate bonds		11,155,350		-	11,1	55,350		-
Fixed income mutual funds		13,617,690		-	13,6	517,690		

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

	2017 Fair Value Measurements U						
e de la companya de	Total	ii Ma	oted Prices in Active arkets for dentical Assets Level 1)	Signi Ot Obse Inp	ificant her rvable outs /el 2)	Signific Unobserv Input: (Level	able s
Investments							
Equities							
Common stock							
Industrials	\$ 234,015	\$	234,015	\$		\$	
Materials	25,968	•	25,968	•	_	•	_
Consumer discretionary	867,764		867,764		_		_
Consumer staples	502,947		502,947		_		_
Energy	32,877		32,877		_		-
Financials	553,295		553,295		-		_
Health care	79,888		79,888		_		_
Information technology	390,235		390,235		-		_
Mutual funds			•				
Small cap funds	2,458,691		2,458,691		_		_
Mid cap funds	7,432,091		7,432,091				_
Large cap funds	26,857,543		26,857,543		-		-
International funds	19,590,389		19,590,389				_
Other	1,040,767		1,040,767		-		-
Fixed income							
U.S. government-sponsored							
enterprises	7,177,265		-	7,	177,265		-
U.S. Treasury notes	7,871,954		-	7,8	871,954		-
Corporate bonds	10,591,477		-	10,5	591,477		-
Fixed income mutual funds	12,728,128		_	12,	728,128		_

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2018.

Cash Equivalents

The carrying amount approximates fair value.

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Repurchase Agreements

Repurchase agreements are measured at fair value on a recurring basis and are securitized by U.S. Government or U.S. Agency Securities and are categorized as Level 2, as they contain inputs (other than quoted prices in active markets for identical assets), that are observable or can be corroborated by observable market data for substantially the full term of the assets. There have been no significant changes in valuation techniques during the years ended December 31, 2018 and 2017.

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities and cash flows. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 8: Functional Expenses

The Organization provides health care services primarily to residents within its geographic area. Certain costs attributable to more than one function have been allocated among the health care services and general and administrative functional expense classifications based on the actual department in which the expense was incurred and is consistently applied. The following schedule presents the natural classification of expenses by function as follows:

Salaries and wages
Employee benefits
Purchased services and professional fees
Supplies and other
Depreciation
Interest

				2010				
Н	leaith Care Services	eneral and ministrative	Re	al Estate	Fo	undation		Total
\$	57,991,379	\$ 13,204,225	S		\$	114,574	\$	71,310,178
	10,227,642	4,140,318		-		21,123		14,389,083
	20,145,961	9,667,900		-		40		29,813,901
	37,652,992	24,986,836		348,525		154,378		63,142,731
	6,034,848	2,417,744		247,144				8,699,736
	<u> </u>	 1,369,599		135,391				1,504,990
\$	132,052,822	\$ 55,786,622	\$	731,060	\$	290,115	\$	188,860,619
							_	

Notes to Consolidated Financial Statements December 31, 2018 and 2017

		_	2017		
	Health Care Services	General and Administrative	Real Estate	Foundation	Total
Salaries and wages Employee benefits Purchased services and professional fees Supplies and other Depreciation Interest	\$ 52,158,690 9,342,616 20,128,813 35,194,415 6,587,381	\$ 13,070,764 3,425,742 7,296,437 22,184,454 2,210,649 1,402,103	\$ - 281,439 205,707 81,117	\$ 114,329 21,583 4,326 213,324	\$ 65,343,783 12,789,941 27,429,576 57,873,632 9,003,737 1,483,220
	\$ 123,411,915	\$ 49,590,149	\$ 568,263	\$ 353,562	\$ 173,923,889

Note 9: Net Assets Without Donor Restrictions

The Organization's governing board has designated, from net assets without donor restrictions, net assets for the following purposes as of December 31, 2018 and 2017:

	 2018	2017
Self-insurance trust Restricted under bond indenture Other	\$ 16,715,150 294,843 596,043	\$ 15,770,660 295,087 549,877
	\$ 17,606,036	\$ 16,615,624

Note 10: Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2018 and 2017, are restricted for the purchase of medical equipment and building projects.

Note 11: Information Regarding Liquidity and Availability

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested primarily in stocks, bonds, mutual funds and repurchase agreements.

Notes to Consolidated Financial Statements December 31, 2018 and 2017

The following table reflects the Organization's financial assets as of December 31, 2018 and 2017, reduced by amounts that are not available to meet general expenditures within one year of the balance sheet date because of contractual restrictions or internal board designations. Amounts not available include a board-designated special projects fund that is intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

	2018	2017
Cash	\$ 8,697,937	\$ 8,801,519
Short-term investments	5,805,853	3,067,780
Patient accounts receivable	24,843,294	24,119,940
Financial assets available to meet cash needs for		
general expenditures within one year	\$ 39,347,084	\$ 35,989,239

Note 12: Operating Leases

Noncancellable operating leases for primary care outpatient offices and various medical equipment expire in various years through 2023. Future minimum lease payments at December 31, 2018, were:

2019	\$ 2,351,299
2020	2,017,266
2021	1,610,345
2022	884,348
2023	224,448
Future minimum lease payments	\$ 7,087,706

Rental expense under all operating leases was approximately \$4,504,000 and \$3,220,000 for the years ended December 31, 2018 and 2017, respectively.

Note 13: Pension Plan

The Hospital has a defined contribution pension plan (the "Hospital Plan") covering substantially all employees of the Hospital and Staunton Hospital. The board of trustees annually determines the amount, if any, of the Hospital's contributions to the Hospital Plan. Pension expense was \$1,547,095 and \$1,445,853 for the years ended December 31, 2018 and 2017, respectively.

Notes to Consolidated Financial Statements December 31, 2018 and 2017

Note 14: Related Party Transactions

The Hospital maintains banking and investing relationships with The Bank of Edwardsville. The Chairman of the Bank holding company is a member of the Hospital's Board of Trustees.

Two members of Staunton Hospital's board of trustees are in executive or board positions at First National Bank in Staunton. At December 31, 2018 and 2017, Staunton Hospital had \$3,519,750 and \$3,563,169 in deposits held at First National Bank in Staunton.

Note 15: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Variable Consideration

Estimates of explicit and implicit price concessions in determining the transaction price of patient care service revenues.

Professional Liability Claims

Estimates related to the accrual for professional liability claims are described in Notes 1 and 5.

Admitting Physicians

Staunton is served by a limited number of admitting physicians whose patients comprise substantially all of Staunton Hospital's patient care service revenue.

Litigation

In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Organization's malpractice insurance; for example, allegations regarding employment practices or performance of contracts. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets.

Note 16: Recent Accounting Pronouncements

Accounting for Leases

The FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the consolidated balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. For not-for-profit entities that have issued, or is a conduit bond obligor for, securities that are traded, listed or gifted on an exchange or an over-the-counter market, the standard will be effective for annual reporting periods beginning on or after December 15, 2018, and any interim periods within that annual reporting period. The Organization is evaluating the impact the standard will have on the consolidated financial statements, and we believe the primary effect of adopting the new standard will be to record right-of-use assets and obligations for current operating leases.

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 17: Changes in Accounting Principles

Revenue from Contracts with Customers

On January 1, 2018, the Organization adopted FASB ASU 2014-09, Revenue from Contracts with Customers (Topic 606), (ASU 2014-09) using a full-retrospective method of adoption to all contracts with customers (patients) at January 1, 2017. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers or patients in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The amount to which the Organization expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing patient care services to its patients. Adoption of ASU 2014-09 resulted in changes in presentation of the consolidated financial statements and related disclosures in the notes to the consolidated financial statements. Prior to the adoption of ASU 2014-09, the majority of the provision for doubtful accounts related to patients without insurance, as well as patient responsibility balances for copays, co-insurance and deductibles for patients with insurance. Under ASU 2014-09, the estimated amounts due from patients for which the Organization does not expect to be entitled or collect from the patients are considered implicit price concessions and excluded from the Organization's estimation of the transaction price or revenue recorded.

	December 31, 2017					
	As Previously Reported	As Adjusted	Adoption Impact			
Statement of Operations and Changes in Net Assets						
Revenues, Gains and Other Support Without						
Donor Restrictions						
Patient service revenue (net of contractual						
discounts and allowances)	\$ 186,581,418	\$ 179,389,374	\$ (7,192,044)			
Provision for uncollectible accounts	\$ (7,192,044)	\$ -	\$ 7,192,044			
Net patient service revenue, less provision			, ,			
for uncollectible accounts	\$ 179,389,374	\$ -	\$(179,389,374)			
Statement of Cash Flows						
Provision for uncollectible accounts	\$ 7,192,044	\$ -	\$ (7,192,044)			
Changes in patient accounts receivable	\$ (4,086,480)	\$ 3,105,564	\$ 7,192,044			

The adoption had no impact on operating income, overall change in net assets or net cash provided by operating activities.

Notes to Consolidated Financial Statements December 31, 2018 and 2017

Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities

In 2018, the Organization, adopted ASU 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities. A summary of the changes is as follows:

Balance Sheet

- The balance sheet distinguishes between two new classes of net assets, those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.
- Underwater donor-restricted endowment funds are shown within the donor-restricted net asset class. This is a change from the previously required classification as unrestricted net assets.

Statement of Operations

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.
- Amounts and purposes of board of trustee designations and appropriations as of the end of the period are disclosed.

This change had no impact on previously reported total change in net assets.

Statement of Cash Flows (Topic 230): Restricted Cash

In 2018, the Organization changed its method of accounting for restricted cash by adopting the provisions ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The new accounting guidance in ASU 2016-18 requires balances generally described as restricted cash or restricted cash equivalents to be included with cash and cash equivalents when reconciling beginning and end of the year balances on the statement of cash flows. This change was applied retrospectively to all periods presented, which resulted in a decrease in cash provided by operating activities and increase in net cash and restricted cash.

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Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 18: Subsequent Events

Subsequent events have been evaluated through May 24, 2019, which is the date the consolidated financial statements were issued.

Supplementary Information



Independent Auditor's Report on Supplementary Information

Board of Trustees Southwestern Illinois Health Facilities, Inc. d/b/a Anderson Hospital Maryville, Illinois

Our 2018 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and 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 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 information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

BKD, LLP

St. Louis, Missouri May 24, 2019



Consolidated Balance Sheet – With Consolidating Information December 31, 2018

Assets

3	Anderson Hospital	Maryville Medical Services, LLC	Maryville Physician Serivces, LLC		
Current Assets					
Cash	\$ 3,996,068	\$ 115,336	\$ 406,375		
Short-term investments	2,441,994		-		
Assets limited as to use - current	7,256,201	-	-		
Patient accounts receivable	18,371,009	107,062	3,335,189		
Due from related parties	176,663	•	· · ·		
Supplies	2,945,499	•	-		
Prepaid expenses and other	2,171,080		42,590		
Total current assets	37,358,514	222,398	3,784,154		
Assets Limited As To Use	4,618,597	-	212,695		
Long-Term Investments	78,645,431	-	-		
Property and Equipment, Net	84,575,918	-	162,534		
Investment in Subsidiary	23,155,783	•	-		
Other Assets	1,491,000		1,281,745		
Total assets	\$ 229,845,243	\$ 222,398	\$ 5,441,128		

Maryville Anderson Re Imaging, LLC Estate, LLC		7	Anderson Hospital oundation	•	Community Hospital of Staunton	Co Ho	iends of mmunity espital of taunton		Eliminations	c	onsolidated	
e	000 271	•	63.00									
\$	999,271	\$	67,227	\$ 293,283	\$	2,720,345	\$	100,032	\$	-	\$	8,697,937
	-		-	-		3,227,325		136,534		-		5,805,853
	394,254			-				•		-		7,256,201
	394,234		900	-		2,634,880		-		-		24,843,294
	6 660		-	-		-		-		(176,663)		-
	6,669		200			323,372		-		-		3,275,540
	34,253		288	 96,169		198,998		2,319	_	138		2,545,835
	1,434,447		68,415	389,452		9,104,920		238,885		(176,525)		52,424,660
	-		-	4,922,500		596,043		-		-		10,349,835
	•		•	•		119,131		232,214		(2,332,057)		76,664,719
	563,575		12,219,866			23,208,314		•				120,730,207
	-		•	÷		-		141		(23,155,783)		•
	-			 1,319	_	336,501			_			3,110,565
\$	1,998,022	\$	12,288,281	\$ 5,313,271	\$	33,364,909	\$	471,099	\$	(25,664,365)	\$	263,279,986

Consolidated Balance Sheet – With Consolidating Information (Continued)

December 31, 2018

Liabilities and Net Assets

G G		Anderson Hospital	N	laryville fledical rices, LLC	1	Maryville Physician rvices, LLC
Current Liabilities						
Current maturities of long-term debt	\$	2,677,222	\$	_	s	-
Current maturities of capital lease obligations		-		_	•	-
Accounts payable		6,030,868		32,095		344,564
Accrued expenses		7,194,825				1,728,372
Estimated amounts due to third-party						-,,
payors		6,113,124		_		_
Due to related parties		-		13,460		128,488
Estimated self-insurance costs - current		7,106,000		-		-
Other		742,253		_		•
Total current liabilities		29,864,292		45,555		2,201,424
Estimated Self-Insurance Costs		16,261,000		•		-
Long-Term Debt, Net		29,744,448		-		-
Capital Lease Obligations		-				
Total liabilities	_	75,869,740		45,555		2,201,424
Net Assets						
Without donor restrictions With donor restrictions		153,975,503		176,843		3,239,704
Total net assets		153,975,503		176,843		3,239,704
Total liabilities and net assets	\$	229,845,243	\$	222,398	\$	5,441,128

Maryville Imaging, LLC				Anderson Hospital Foundation		Community Hospital of Staunton		Friends of Community Hospital of Staunton		Eliminations	(Consolidated
\$ - 63,874 58,419	\$	1,497,746 - 11,954	\$	- - 8,303 -	s	364,909 160,486 342,509 736,901	\$		\$	(162,185) - - 138	\$	4,377,692 160,486 6,834,167 9,718,655
19,182		- 7,611 - -		7,922 - -	_	321,868			_	(176,663) - 		6,434,992 - 7,106,000 742,253
141,475		1,517,311		16,225		1,926,673		•		(338,710)		35,374,245
		2,248,978		-		9,850,322		-		(2,169,872)		16,261,000 39,673,876
						331,118	_		_	<u>-</u>	_	331,118
141,475		3,766,289		16,225	-	12,108,113			_	(2,508,582)	_	91,640,239
1,856,547	_	8,521,992		5,200,805 96,241		20,939,871 316,925		471,099	_	(23,155,783)	_	171,226,581 413,166
1,856,547	_	8,521,992		5,297,046		21,256,796		471,099	_	(23,155,783)		171,639,747
\$ 1,998,022	\$	12,288,281	<u>\$</u>	5,313,271	\$	33,364,909	\$	471,099	\$	(25,664,365)	\$	263,279,986

Consolidated Statement of Operations – With Consolidating Information Year Ended December 31, 2018

	Anderson Hospital	Maryville Medical Services, LLC	Maryville Physician Services, LLC
Revenues, Gains and Other Support Without Donor Restrictions			50
Patient care service revenue	\$ 152,491,381	\$ 435,501	\$ 17,272,066
Other	2,102,509		210,789
Total revenues, gains and other support	-		
without donor restrictions	154,593,890	435,501	17,482,855
Expenses			
Salaries and wages	53,972,501	_	9,996,265
Employee benefits	11,949,378	_	855,605
Purchased services and professional fees	13,601,885	327,746	12,208,404
Supplies and other	53,057,140	39,526	3,407,546
Depreciation	6,552,777	, <u>-</u>	354,994
Interest	1,076,295		
Total expenses	140,209,976	367,272	26,822,814
Operating Income (Loss)	14,383,914	68,229	(9,339,959)
Other Income			_
Contributions received	_	_	_
Investment return, net	(4,955,210)		(3,802)
Total other income	(4,955,210)		(3,802)
Excess (Deficiency) of Revenues Over Expenses	9,428,704	68,229	(9,343,761)
Transfers	(10,249,495)		10,879,482
Increase (Decrease) in Net Assets Without Donor Restrictions	\$ (820,791)	\$ 68,229	\$ 1,535,721

Maryville Imaging, LLC		Anderson Real Estate, LLC		Anderson Hospital Foundation		Community Hospital of Staunton		Friends of Community Hospital of Staunton		Eliminations		Consolidated	
			*					-					
* —	3,448,794 40,060	\$	879,349	\$	282,711	\$ —	17,587,487 246,655	\$ —	<u>-</u>	\$	(180,000)	\$ 	191,235,229 3,582,073
	3,488,854		879,349		282,711		17,834,142		<u>.</u> ,		(180,000)		194,817,302
	762,164		_		114,574		6,464,674		_		_		71,310,178
	154,624		_		21,123		1,408,353		-		_		14,389,083
	61,620		_		40		3,794,206		-		(180,000)		29,813,901
	1,748,565		348,525		154,378		4,385,753		101,298		(100,000)		63,142,731
	113,472		247,144		-		1,431,349		-		-		8,699,736
			135,391		•		365,466				(72,162)		1,504,990
	2,840,445		731,060		290,115		17,849,801		101,298		(352,162)		188,860,619
	648,409		148,289		(7,404)		(15,659)		(101,298)		172,162	_	5,956,683
	_		_		599,316		136,983		41,489		(100,000)		(77 700
	_		_		(317,878)		84,178		6,177		(72,162)		677,788
				_			04,170		0,177	-	(72,102)		(5,258,697)
			•		281,438		221,161		47,666		(172,162)		(4,580,909)
	648,409		148,289		274,034		205,502		(53,632)		•		1,375,774
	(999,999)		370,012		-		(168)		168				<u>-</u>
\$	(351,590)	\$	518,301	\$	274,034	\$	205,334	\$	(53,464)	\$	-	\$	1,375,774

Building Lease

Developer Lease of Building to Anderson Rehabilitation Hospital, LLC

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease") is made and entered into as of the day of, 2019 (the "Effective Date"), by and between, a												
("Landlord"), having its principal office at, and, a Delaware limited liability company ("Tenant"), having its principal office at												
Delaware limited liability company (" <u>Tenant</u> "), having its principal office at												
WITNESSETH:												
WHEREAS, Landlord, as "Developer," and Tenant, as "Company," have entered into that certain Development Agreement dated, 2019 (the "Development Agreement"), pursuant to which Landlord has agreed to (i) ground lease property located in Edwardsville, Madison County, Illinois, as more particularly described on Exhibit A (the "Land") pursuant to that certain Ground Lease Agreement of even date herewith (the "Ground Lease"), and (ii) construct a story building containing approximately square feet of rentable area located on the Land and related improvements; and												
WHEREAS, once Developer has fulfilled its obligations to construct the Building (as hereinafter defined) and related improvements pursuant to the terms of the Development Agreement, Tenant desires to (i) lease the Land, (ii) lease the Building, (iii) lease all other improvements now or hereafter located on the Land (the Building and such other improvements shall hereinafter be referred to as the "Improvements"), and (iv) lease all other rights and easements appurtenant to the Land and the Improvements (collectively, the "Premises"), subject to and in accordance with the terms hereof.												
NOW, THEREFORE, FOR \$10.00 paid Landlord by Tenant, the covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:												
ARTICLE I DEFINITIONS AND CONSTRUCTION												
I.1 <u>Defined Terms</u> . In addition to the terms defined in the other provisions of this Lease, the following terms shall have the meanings ascribed to them in this Section:												
(i) "Adjusted Project Costs" shall have the meaning ascribed to it in the Development Agreement.												
(ii) "Affiliate" means, with respect to any party, all Persons that, directly or indirectly, own or control, are owned or controlled by, or are under common ownership or control with such party. As used in the preceding sentence, the terms "control", "controlled by" and "under common control with" mean the possession of the power to direct or cause the direction of the management and policies of an entity, whether through the ownership of voting securities, by contract or otherwise.												
(iii) "Alterations" means any alterations, additions, changes or improvements to the Premises.												
(iv) "Alterations Threshold Amount" initially means an amount equal to Two Hundred Fifty Thousand and No/100 Dollars (\$250,000.00); provided, on each January 1 during the Term, the then Alterations Threshold Amount shall be increased by the percentage increase in the CPI Index during the immediately preceding twelve (12) months.												

- (vi) "Applicable Laws" means all applicable governmental laws, statutes, orders, ordinances, codes, rulings, regulations and decrees, now in force or hereafter enacted.

 (vi) "Building" shall mean the ___ story building containing approximately square feet of rentable area to be located on the Land and related improvements forming a part of the Premises, as the same is modified, from time to time.

 (vii) "Business Days" means Monday through Friday, excluding holidays on which national banking associations are authorized to be closed in Edwardsville, Illinois.

 (viii) "Capital Item" shall have the meaning ascribed to it in Section 7.01(b).

 (ix) "Capital Item Threshold Amount" initially means an amount equal to and No/100 Dollars (\$); provided, on each January 1 during the
- (x) "CPI Index" means the Consumer Price Index for All Urban Consumers (1982-1984 = 100), U.S. City Average "All Items Less Food and Energy" published by the Bureau of Labor Statistics of the United States Department of Labor; provided, however, if such index is discontinued, Tenant shall choose a comparable method for measuring the relative purchasing power of the dollar that is acceptable to Landlord, in its reasonable judgment, and the same shall be substituted for such index and shall be the "CPI Index" thereafter.

Term, the then Capital Item Threshold Amount shall be increased by the percentage increase in the CPI

Index during the immediately preceding twelve (12) months.

- (xi) "Commencement Date" means the date which is exactly thirty (30) days following the Completion Date.
- (xii) "Completion Date" shall have the meaning ascribed to it in the Development Agreement.
- (xiii) "Event of Force Majeure" means any strike, lockout, labor dispute, embargo, flood, earthquake, storm, lightning, fire, casualty, epidemic, act of God, war, national emergency, civil disturbance or disobedience, riot, sabotage, terrorism, restraint by court order, or other occurrence beyond the reasonable control of the party in question; provided, however, Landlord's or Tenant's lack of funds shall not constitute an Event of Force Majeure.
- (xiv) "Excluded Person" shall mean a health care provider who has been identified on the List of Parties Excluded from Federal Procurement and Nonprocurement Programs ("EPLS", located at http://www.sam.gov/) by designation of the U.S. Department of Health and Human Services (or its successor agency) or other federal agency declaring that the Person is excluded from receiving Federal contracts or certain types of Federal financial and nonfinancial assistance and benefits in any federal health care program including Medicare, Medicaid, CHAMPUS, and any other plan or program that provides health benefits, either directly or through insurance, or otherwise is funded directly in whole or in part by the United States government or a state health care program.
- (xv) "Existing Hazardous Substances" means any Hazardous Substances located on or about the Premises as of the Effective Date in quantities that violate Applicable Laws or that require investigation, monitoring, clean-up, remediation or abatement under Applicable Laws.
- (xvi) "Final Plans and Specifications" shall have the meaning ascribed to it in the Development Agreement.

- (xvii) "Ground Lease Rent" means the rental payments due under Sections 3.1 and 3.2 of the Ground Lease
- (xviii) "Ground Lessor" means Anderson Real Estate, LLC, an Illinois limited liability company or any successor or assign of its interest in the Ground Lease.
- (xix) "Hazardous Substances" means all hazardous or toxic substances, materials, wastes, pollutants and contaminants that are listed, defined or regulated under Applicable Laws pertaining to the environment, including, but not limited to, the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C.A. §§ 9601 to 9675, the Hazardous Materials Transportation Authorization Act of 1994, 49 U.S.C.A. § 5101 et seq., the Resource Conservation and Recovery Act, 42 U.S.C.A. §§ 6921 to 6939e, the Federal Water Pollution Control Act, 33 U.S.C.A. §§ 1251 to 1387, the Clean Air Act, 42 U.S.C.A. §§ 7401 to 7671q, the Emergency Planning and Community Right To Know Act, 42 U.S.C.A. §§ 11001 to 11050, the Toxic Substances Control Act, 15 U.S.C.A. §§ 2601 to 2692, the Solid Waste Disposal Act, 42 U.S.C.A. §§ 6901 to 6992k, the Oil Pollution Act, 33 U.S.C.A. §§ 2701 to 2761, and the environmental laws of the State of Illinois, as the same may be amended. For purposes hereof, "Hazardous Substances" shall include Medical Waste.
- (xx) "Mechanical Systems" means the mechanical, electrical, plumbing, heating, air conditioning, sprinkler, fire protection and other building systems serving the Premises.
- (xxi) "Mechanical Systems Alterations Threshold Amount" initially means an amount equal to Twenty-Eight Thousand and No/100 Dollars (\$28,000.00); provided, on each January 1 during the Term, the then Mechanical Systems Alterations Threshold Amount shall be increased by the percentage increase in the CPI Index during the immediately preceding twelve (12) months.
- (xxii) "Medical Waste" means (A) pathological waste, (B) blood, (C) sharps, and (D) wastes from medical procedures contaminated with blood, excretions, secretions or tissue.
- (xxiii) "Monetary Liens" means collectively, any monetary judgments, mortgages, deeds of trust, deeds to secure debt, security interests and other similar encumbrances.
 - (xxiv) "Monthly Rent" shall have the meaning ascribed to it in Section 4.01.
- (xxv) "Permitted Exceptions" means (i) those encumbrances described on Exhibit B, (ii) title encumbrances caused by Tenant, (iii) reasonable utility easements required as a part of Landlord's development of the Premises pursuant to the terms of the Development Agreement, (iv) any encumbrances approved by Tenant, in writing, or caused by Tenant's affirmative acts, and (v) liens for property taxes that are not yet delinquent.
- (xxvi) "Permitted Uses" means any or all of the following purposes and uses incidental thereto: (i) the operation of a rehabilitation hospital, the provision of medical services and activities related thereto, including, without limitation, (A) diagnostic and treatment services, tests and procedures by physicians and other health care professionals, (B) medical imaging, including, without limitation, the operation of CT scanners, MRIs, X-Rays and other imaging equipment, (C) the operation of a medical clinic, (D) laboratory, (E) the provision of occupational therapy, physical therapy, speech therapy, respiratory therapy and wellness services, (F) food service, (G) retail sales, including, without limitation, the sale of durable medical products and other health care related products, (H) pharmacy; and (ii) general office uses.

(xxvii) "Person" means any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, unincorporated organization, association, corporation, institution or entity, including, without limitation, any governmental body, agency or department.

(xxviii) "Premises" shall have the meaning ascribed to it in the recitals above.

(xxix) "Project Costs" shall have the meaning ascribed to it in the Development Agreement.

(xxx) "Property Taxes" means any form of real estate tax or assessment or service payments in lieu thereof, any license fee, commercial rental tax, or other similar charge or tax (other than inheritance, personal income, estate, franchise, transfer, excise, gift or capital gains taxes) imposed upon the Premises by any governmental authority having the power to so charge or tax.

(xxxi) "Purchase Option Date" shall mean (i) the seventh (7°) anniversary of the Commencement Date, and (ii) the last day of the Initial Term, and (iii) the last day of any Renewal Period.

(xxxii) "Rent" means the Monthly Rent, additional rent, and other sums that Tenant is required to pay Landlord under this Lease.

(xxxiii) "Rent Adjustment Date" means the first day of the month following the anniversary of the Commencement Date, and each anniversary of such date thereafter during the Term; provided, if the Commencement Date is the first day of the month, then the Rent Adjustment Date shall be on each anniversary thereof.

(xxxiv) "<u>Structural Support</u>" means the structural elements of the Building, including, without limitation, exterior walls, roof, elevator shafts, footings, foundations, structural portions of load-bearing walls, structural floors and subfloors, and structural columns and beams.

(xxxv) "Tenant Default" shall have the meaning ascribed to it in Section 14.01.

(xxxvi) "<u>Term</u>" means the term of this Lease, as the same may be extended pursuant to the terms of this Lease or any other written agreement entered into by Landlord and Tenant.

I.2 <u>Construction</u>. Whenever the context may require, any pronoun used in this Lease shall include the masculine, feminine and neuter forms. All references to articles, sections and paragraphs shall be deemed references to the articles, sections and paragraphs of this Lease, unless the context shall indicate otherwise. The terms "hereof," "hereunder," "herein" and similar expressions refer to this Lease as a whole and not to any particular article, section or paragraph. The titles of the articles, sections and paragraphs of this Lease are for convenience only and shall not affect the meaning of any provision hereof. Landlord and Tenant have agreed to the particular language of this Lease, and any question regarding the meaning of this Lease shall not be resolved by a rule providing for interpretation against the party who caused the uncertainty to exist or against the draftsman. FOR PURPOSES OF THIS LEASE, TIME SHALL BE CONSIDERED OF THE ESSENCE.

ARTICLE II DEMISE

II.1 <u>Demise</u>. Landlord hereby leases the Premises to Tenant, and Tenant hereby leases the Premises from Landlord, upon the terms and conditions set forth in this Lease.

ARTICLE III TERM

- III.1 Term. Subject to the other provisions hereof, the term of this Lease shall commence on the Commencement Date and expire at 11:59 pm CST on the last day of the one hundred eightieth (180th) full calendar month after the Commencement Date (the "Initial Term"), unless renewed or extended in accordance herewith. When the Commencement Date of this Lease has been determined, Tenant shall execute, acknowledge and deliver to Landlord the written statement attached hereto as Exhibit C specifying the Commencement Date of the Term.
- III.2 <u>Early Occupancy</u>. Landlord agrees to deliver exclusive possession of the Premises on the Completion Date. If Tenant uses or occupies the Premises prior to the Commencement Date, Tenant shall comply with and be bound by all of the terms of this Lease, except Tenant shall not be required to pay any Rent prior to the Commencement Date.

III.3 Extension Options.

- (a) Landlord hereby grants Tenant three (3) extension options (such options being individually referred to as an "Extension Option" and collectively referred to as the "Extension Options"), each of which, if exercised, shall extend the term of this Lease for an additional ten (10) years (each a "Renewal Period"). Tenant may exercise an Extension Option by giving written notice to Landlord at any time during the Term or after the end of the Term so long as Tenant is not currently in default, and is in possession of the Premises; provided if Tenant does not exercise an Extension Option by the date that is one hundred eighty (180) days prior to the date the Term is then set to expire, then (i) Landlord shall thereafter send a written notice (a "Renewal Notice") to Tenant reminding Tenant of its rights under this Section 3.03, and (ii) Tenant must exercise an Extension Option within sixty (60) days after Tenant's receipt of said Renewal Notice. If Tenant does not timely exercise the Extension Option, Tenant will cease to have any right to extend the Term pursuant to this Section 3.03. Any exercise by Tenant of an Extension Option that would extend the term of this Lease beyond the expiration of the initial term of the Ground Lease or any renewal term thereunder shall be contingent on Landlord's exercise of its renewal options under the Ground Lease.
- (b) Each Renewal Period shall be on the same terms, covenants and conditions set forth in this Lease except that Monthly Rent during each Renewal Period shall be a rate equal to the fair market base rental rate then in effect for facilities similar in design and size and located in similar communities within the midwestern portion of the United States (the "Market") based upon the current and bona fide market rates being offered in "arm's length" transactions at the time that each Renewal Period is to commence (the "Fair Market Rental Rate"). Determination of the Fair Market Rental Rate shall take into account all concessions, allowances and other inducements common in the Market at the commencement of each Renewal Period for comparable tenants extending or renewing the term of their lease for space in comparable facilities. Further, determination of the Fair Market Rental Rate shall also involve an evaluation and adjustment, if necessary, of the Rental Rate Escalator to ensure that it remains commercially reasonable.
- (c) For purposes of determining the Fair Market Rental Rate for the Premises, Landlord and Tenant agree to use the following process. Within fifteen (15) days after receipt of Tenant's notice exercising each Extension Option, Landlord shall notify Tenant of its determination of the Fair Market Rental Rate. Tenant shall have the right to object to Landlord's determination of the Fair Market Rental Rate by notice given to Landlord within fifteen (15) days after receipt of Landlord's determination. If Tenant objects to Landlord's determination of the Fair Market Rental Rate, and if the parties are unable to resolve the dispute within fifteen (15) days after Landlord's receipt of Tenant's objection notice, then the Fair Market Rental Rate shall be determined pursuant to the provisions of the following paragraph (d).

Within fifteen (15) business days after the expiration of the fifteen (15) day (d) dispute resolution period, Landlord and Tenant shall each appoint an appraiser that has been designated as a Member Appraisal Institute (MAI) from the American Institute of Real Estate Appraisers with no less than ten (10) years appraising health care facilities. In the event either party fails to so appoint an appraiser on or before the day specified in the preceding sentence, the person appointed as the appraiser may appoint an appraiser to represent the party having failed to appoint an appraiser within ten (10) days after the expiration of such period. The two appraisers appointed in either manner shall then proceed to appraise the Premises and jointly determine the Fair Market Rental Rate. In the event of their inability to reach a determination of the Fair Market Rental Rate within fifteen (15) days after their appointment, the two appraisers shall select a third appraiser who meets the qualifications outlined in this paragraph. The third appraiser shall appraise the Premises within fifteen (15) days after his or her appointment to determine the Fair Market Rental Rate. In such event, the third appraiser shall select the Fair Market Rental Rate determination that is closest to his/her determination. Landlord and Tenant agree to be bound by the determination of the Fair Market Rental Rate of the Premises by the appraisers. Each party shall be responsible for the fees and disbursements of its appraiser and attorneys, and the parties shall share equally the fees and disbursements of the third appraiser. The rental rate escalator that will be applied to the Fair Market Rental Rate shall be evaluated simultaneously at the time when the parties attempt to establish the Fair Market Rental Rate using the process described above; provided, in no event shall the rental rate escalator be less than the Rental Rate Escalator.

ARTICLE IV RENT

IV.1 Monthly Rent. From the Commencement Date until the first Rent Adjustment Date, Tenant shall pay Landlord monthly rent (the "Monthly Rent") for the Premises in accordance with the terms of this Section. Initially, the Monthly Rent shall be one-twelfth (1/12th) of the product obtained by multiplying the Project Costs by _____ percent (_____%). By way of illustration only, if the Adjusted , it would result in the initial Monthly Rent being Project Costs are \$ At least thirty (30) days prior to the Commencement Date, Landlord shall notify Tenant, in writing, of Landlord's best estimate of the Adjusted Project Costs and the Monthly Rent shall be initially calculated based on such estimate. Pursuant to the Development Agreement, Landlord shall furnish Tenant with a final, written statement of Adjusted Project Costs and the Monthly Rent shall be recalculated based thereon; provided Tenant shall have the right to dispute any Project Costs or Adjusted Project Costs in accordance with the Development Agreement and the Monthly Rent shall be recalculated again once such dispute is resolved pursuant thereto. Within fifteen (15) Business Days after any recalculation of the Adjusted Project Costs, Landlord or Tenant, as applicable, shall make any payments necessary to cause Tenant to have paid the correct Monthly Rent with respect to prior periods. As soon as the Adjusted Project Costs are finally known, Landlord and Tenant shall execute a written certificate setting forth the exact Monthly Rent for the first (1*) year of the Lease term. Notwithstanding anything to the contrary, for purposes of calculating the Monthly Rent, in no event will the actual Project Costs exceed the Maximum Project Costs (as defined in the Development Agreement).

On each Rent Adjustment Date, the Monthly Rent shall increase by ______ percent (_%). The Monthly Rent shall be paid by Tenant, in advance, on the first (1st) day of each month during the Term, except the initial installment of Monthly Rent shall be paid by Tenant on the Commencement Date. The Monthly Rent shall be prorated for any partial month during the Term.

IV.2 <u>Property Taxes</u>. Subject to the other terms hereof, (i) Tenant shall pay all Property Taxes that are allocable to periods falling within the Term; and (ii) Landlord shall pay all Property Taxes that are allocable to periods outside the Term. Landlord shall promptly forward to Tenant all assessments, notices and tax bills related to Property Taxes. Provided Landlord timely delivers any applicable tax bills

for Property Taxes, Tenant shall pay such Property Taxes owed at least ten (10) days prior to any delinquency date for such Property Taxes owed hereunder, subject to the terms hereof. Tenant shall provide Landlord with written evidence of the payment of all Property Taxes that Tenant is responsible for paying under this Section prior to the date such taxes would be delinquent. In no event shall Tenant be responsible for any increase in Property Taxes or assessments attributable to more than one (1) change of ownership involving the Premises during the initial five (5) year period during the Term. If the Premises are considered part of a larger tract for purposes of any Property Tax with respect to the year in which the Commencement Date occurs, then such Property Tax shall be allocated between the Premises and the remainder of such larger tract based on their relative square footage. Tenant shall have the right in its own name, or in Landlord's name where appropriate, to contest the amount or legality of any Property Taxes. Landlord agrees to execute any instruments reasonably required to allow any such contest, and Landlord agrees to cooperate and assist with any such contest; provided Landlord shall not be required to incur any out-of-pocket costs in connection therewith. If Tenant contests the amount or legality of any Property Taxes, then, so long as the payment of such Property Taxes may legally be held in abeyance, the time within which Tenant must pay the same shall be extended until such contest is completed, provided Tenant shall be responsible for any penalty imposed by the taxing authority as a result thereof.

- IV.3 Operating Expenses. Except as otherwise expressly provided herein, Tenant shall be responsible for all costs and expenses, maintenance, repair, replacement (other than replacement costs that are Landlord's responsibility under this Lease) and operation of the Premises, (which includes all corridors, restrooms, lobbies and any other accessible areas in the Premises, all landscaped areas, all parking areas and all other exterior areas) incurred by Tenant during the Term. Except as otherwise expressly provided for herein, Tenant shall contract directly with any vendor or suppliers providing services to Tenant or the Premises, and shall be responsible for the paying such vendors or suppliers. If requested by Landlord, Tenant agrees to use commercially reasonable efforts to cause any such service contracts that are required to operate the Building to be assigned to Landlord or terminated upon expiration or earlier termination of the Term.
- IV.4 <u>Payment</u>. Except as otherwise expressly provided herein, all Rent shall be paid by Tenant without deduction, demand, notice or offset. Tenant shall deliver all Rent to Landlord at the address specified in Article XX or such other place as Landlord may designate to Tenant by written notice.
- IV.5 <u>Late Charges</u>. If Tenant fails to pay any installment of Rent due under this Lease within ten (10) days after receiving written notice from Landlord, then Tenant shall pay Landlord a late charge equal to One Hundred Dollars (\$100.00) for each day between the date such payment was due and the date it is actually paid. The parties agree that the provisions of this Section are reasonable and shall not be deemed (i) a consent by Landlord to late payments, (ii) a penalty, (iii) a waiver of Landlord's right to insist on the timely payment of Rent, or (iv) a waiver or limitation of the rights and remedies available to Landlord on account of the late payment of any Rent.
- IV.6 Rental Taxes. If (i) a tax (but not a general income or excise tax) is levied directly on any of the Rent, or (ii) a sales or use tax (but not a general income or excise tax) is imposed on Landlord that is measured or based, in whole or part, on any of the Rent, then Tenant shall reimburse Landlord for such tax within ten (10) days after Landlord's written demand therefor.

ARTICLE V USE AND OPERATION

V.1 <u>Use</u>. Tenant shall have the right to use (and allow others to use) the Premises for any or all of the Permitted Uses. Tenant may not use the Premises for any purpose other than the Permitted

Uses, unless Tenant obtains Landlord's prior written consent, which consent shall not be unreasonably withheld, qualified or delayed. Tenant shall conduct its operations and activities on the Premises, and maintain and repair the Premises, at all times in material compliance with all Applicable Laws. Tenant shall have the right to contest the enforcement or attempted enforcement of any Applicable Law, in which case Tenant shall not be deemed to have defaulted under or breached this Lease as a result of its failure to comply with any Applicable Law until a final and unappealable court order against Tenant has been entered enforcing the same and the period of time reasonably necessary to effect compliance therewith has passed; provided, Tenant shall indemnify, defend and hold harmless Landlord from and against any claims or associated liabilities (including court costs, litigation expenses and reasonable attorney's fees) resulting from the same. So long as Tenant complies with the provisions of Section 8.01, Tenant shall have the right to expand, modify, reconfigure, relocate, reduce or discontinue its operations in the Premises, from time to time, as Tenant determines appropriate, in its sole and absolute discretion. Landlord shall cooperate and assist with Tenant's efforts to obtain all permits, licenses and other governmental approvals required for Tenant's operations in the Premises.

V.2 No Waste. Tenant shall not commit or allow any waste to be committed on any portion of the Premises by Tenant or any of its Affiliates, employees, agents, contractors or representatives.

V.3 <u>Medical Waste & Hazardous Substances.</u>

- (a) Tenant may only store, use, handle and generate Hazardous Substances at the Premises in connection with the Permitted Uses and in compliance with all Applicable Laws. Upon the expiration or earlier termination of this Lease, Tenant shall remove all Hazardous Substances being kept on the Premises by Tenant in accordance with Applicable Laws, with the exception of fuels and equipment integral to the operation of the Building. Tenant shall indemnify, defend and hold harmless Landlord and Landlord's Affiliates and the Ground Lessor from and against all third party claims and associated lawsuits, governmental actions, liabilities and expenses (including, but not limited to, remediation costs) arising as a result of Tenant's and/or Tenant's Affiliates', employees', agents', contractors' or representatives' release or claimed release of any Hazardous Substances on or about the Premises during the Term in violation of Applicable Laws, except to the extent any such release is caused by the acts or omissions of Landlord or any of Landlord's Affiliates, employees, agents, contractors or representatives. Tenant's indemnification obligations under this subsection shall survive the expiration or earlier termination of this Lease for a period of two (2) years.
- Hazardous Substances to the extent validly required by any governmental authority under Applicable Law. Landlord agrees to perform its obligations under this subsection with due diligence and in a manner that causes the least interference with Tenant's use of the Premises reasonably possible, and Landlord agrees to immediately reimburse Tenant for the cost of repairing, or if necessary, replacing, any portion of the Premises damaged as a result of Landlord's (or any of its agents, employees or contractors) activities on the Premises. Landlord agrees to indemnify, defend and hold harmless Tenant (and its directors, officers, employees, agents and affiliates) from and against all third party claims and associated lawsuits, governmental actions, liabilities and expenses (including, but not limited to, remediation costs) to the extent arising as a result of the presence of any Existing Hazardous Substances except to the extent any such presence is caused by the acts or omissions of Tenant or any of Tenant's Affiliates, employees, agents, contractors or representatives. Landlord's indemnification obligations under this subsection shall survive the expiration or earlier termination of this Lease for a period of two (2) years.
- V.4 <u>Signage</u>. Tenant may install any and all signs, banners and other advertising materials (collectively, "<u>Tenant's Signs</u>") on the Premises (interior and exterior) that are permitted under

Applicable Laws; provided Tenant shall repair any damage to the Premises caused by the installation or removal of the Tenant's Signs.

ARTICLE VI UTILITIES

VI.1 Service. During the Term, Tenant shall pay for all utility services provided to the Premises, including, without limitation, electricity, gas, water, sewer and telephone service. Unless due to Landlord's negligence, misconduct, or breach of this Lease, Landlord shall not be liable to Tenant as a result of a disruption of any utility service to the Premises and any such disruption shall not relieve Tenant from its obligations and liabilities under this Lease; provided if any utility service to the Premises is disrupted due solely to Landlord's failure to fulfill a responsibility under this Lease or the Development Agreement (including, without limitation, the correction of defects that are Landlord's responsibility under the Development Agreement), to such an extent that Tenant cannot, in its reasonable judgment, operate its business in the Premises for a period of more than forty-eight (48) hours, then the Rent shall abate during the entire period of such disruption.

ARTICLE VII MAINTENANCE AND REPAIR

VII.1 Tenant Repairs.

- (a) Tenant, at Tenant's sole cost and expense, shall perform all repairs, maintenance and replacements required to keep the Premises in good working order and condition, except Landlord shall be responsible for performing any maintenance, repairs or replacements that are Landlord's responsibility under this Lease. Without limiting the generality of the foregoing, Tenant acknowledges that Tenant's obligations under this Section include the maintenance, repair and replacement of Structural Support, Mechanical Systems, landscaping, driveways and parking areas and such additional maintenance as may be necessary because of damages by persons other than Tenant, its agents, employees, invitees or visitors. All such repairs and replacements required to be made by Tenant pursuant to the terms of this Section shall be made in a good and workmanlike manner utilizing materials and workmanship that equal or exceed those utilized in connection with the initial construction of the Improvements and in compliance with all Applicable Laws. All such work which may affect the Structural Support must be approved by the Building's engineer, at Tenant's expense; provided, Landlord's Building engineer will not unreasonably withhold, condition or delay any such approval, and if Landlord's Building engineer fails to give Tenant written notice of its objection to any such repair within ten (10) Business Days, then Landlord shall be deemed to have approved the same. All work affecting the roof of the Building must be performed by Landlord's roofing contractor or such other roofing contractor that is approved by the roof manufacturer, and no such work will be permitted if it would void or reduce the warranty on the roof. Landlord shall use reasonable efforts to enforce all warranties issued by third parties that are related to portions of the Premises to be maintained by Tenant under the terms of this Section 7.01, including, but not limited to, warranties issued by manufacturers, suppliers, contractors and subcontractors. In addition, Landlord shall ensure that any warranties that are related to portions of the Premises to be maintained by Tenant under the terms of this Section 7.01, run to the benefit of (and are enforceable by) both Landlord and Tenant, to the extent required under the terms of the Development Agreement. Notwithstanding anything to the contrary contained herein, Tenant shall not be required to repair or replace portions of the Premises that remain functional but are subject only to ordinary wear and tear.
- (b) With respect to those repairs, replacements or renewals reasonably made by Tenant in accordance with this <u>Section 7.01</u> during the last five (5) years of the Term and classified as capital expenditures, in accordance with generally accepted accounting principles in the United States, generally applied to the ownership and management of health care facilities (each a "<u>Capital Item</u>"), if

this Lease expires or terminates (for any reason other than a default by Tenant) prior to the agreed-upon expected useful life of any Capital Item, then Landlord shall reimburse Tenant for a percentage of the approved cost expended by Tenant for such Capital Item, such percentage being equal to the percentage of the agreed-upon expected useful life that extends beyond the termination/expiration date of this Lease, measured from the date of Tenant's full completion of and payment for the Capital Item. Landlord shall pay any such reimbursement to Tenant within thirty (30) days after the expiration/termination of this Lease and payment by Tenant of all Rent due, and Landlord's receipt from Tenant of a request for payment that details each applicable Capital Item, as well as the approved cost and then-remaining portion of the agreed expected useful life of each such Capital Item. Prior to incurring the cost of any Capital Item during the last five (5) years of the Term that is estimated to exceed the Capital Item Threshold Amount, Tenant shall give written notice to Landlord of such Capital Item (a "Capital Item Notice"). If Landlord reasonably believes that any such Capital Item estimated to exceed the Capital Item Threshold Amount is not necessary, Landlord shall have a period of ten (10) Business Days after its receipt of the Capital Item Notice for such Capital Items to notify Tenant, in writing, that Landlord objects to such Capital Item; provided if Landlord fails to give Tenant written notice of its objection to any Capital Item within such ten (10) Business Day period, then Landlord shall be deemed to have consented to the same. If Landlord timely objects to any Capital Item that Tenant desires to undertake during the last five (5) years of the Term that is estimated to exceed the Capital Item Threshold Amount, (i) Tenant shall retain a qualified engineer or consultant, who is reasonably acceptable to Landlord, to determine whether such Capital Item is reasonably necessary or advisable, and (ii) such engineer's or consultant's determination shall be final and binding on Landlord and Tenant. If Landlord objects to a Capital Item that is estimated to exceed the Capital Item Threshold Amount and such engineer or consultant determines the same is reasonably necessary or desirable, then Landlord shall pay the fees charged by such engineer or consultant. Otherwise, Tenant shall be responsible for paying the fees of any engineer or consultant retained to review the need for any Capital Item pursuant hereto. If Landlord timely objects to a Capital Item in the last two (2) years of the Term, Landlord shall propose an alternative repair or replacement in lieu of Tenant's proposed Capital Item with such objection, which shall be an adequate alternative to the Capital Item proposed by Tenant to allow Tenant's use and occupancy of the Premises at the levels required by Tenant's use ("Landlord's Alternative Maintenance"). If Landlord and Tenant are not able to agree upon the appropriate repair within three (3) days thereafter, Tenant shall have the option of either (i) performing Landlord's Alternative Maintenance with the costs thereof being allocated in accordance with the terms hereof, or (ii) performing the repairs and replacements set forth in the Capital Item Notice, in which event Tenant shall pay the difference in the costs between the Landlord's Alternative Maintenance and the repairs or replacements described in the Capital Item Notice, subject to the other terms hereof. If Tenant chooses to perform the repairs and replacements set forth in the Capital Item Notice and pay the additional amounts set forth above, then Tenant shall have the right to seek reimbursement for such amounts through arbitration conducted in accordance with the terms of this subsection. If it is determined through arbitration that the repairs or replacements set forth in the Capital Item Notice were appropriate and necessary for the continued occupancy and use of the Premises at the levels required by Tenant's use, then Landlord shall reimburse Tenant for the additional costs paid hereunder. Any dispute arising or related to this Subsection 7.01(b) shall be resolved by binding arbitration conducted in accordance with the expedited procedures of the Commercial Rules of the American Arbitration Association (the "AAA") and the rules set forth in this section. If Tenant decides to dispute the costs it has paid under subsection (ii) above, it shall send written notice to Landlord and to the AAA specifying, in detail, the nature of the dispute and its position regarding the same (a "Dispute Notice"). The following special rules (the "Special Rules") shall apply to any arbitration proceeding commenced pursuant to this Section: (i) the arbitration shall be conducted in the Edwardsville, Illinois area; (ii) the AAA shall select a single arbitrator who is an engineer knowledgeable in building maintenance to decide the dispute, and (iii) the arbitration hearing will be commenced within thirty (30) days after the delivery of the Dispute Notice. The costs of the arbitration shall be paid by the non-prevailing party.

VII.2 Landlord Repairs. Landlord, at its sole cost and expense, shall, or shall cause the Developer to, promptly after notice from Tenant, (i) correct any failures or patent or latent defects in the construction of the Improvements constructed or installed by Landlord pursuant to and consistent with Landlord's obligations (warranty and otherwise) set forth in Development Agreement; (ii) repair and/or replace any damage suffered to any other portions of the Premises to the extent resulting from any patent or latent defects, or failures, described in clause (i), (iii) make any alterations, additions or improvement to the Premises to comply with all Applicable Laws in effect on the date(s) the Improvements that were constructed or installed by Landlord were completed, and (iv) repair any damage to the Premises to the extent caused by Landlord's Affiliates, employees, agents, contractors or representatives. In addition, to the extent any warranty that is required under the Final Plans and Specifications or the Development Agreement is not assignable to Tenant, Landlord shall remain responsible for enforcing the same during the duration of such warranty. All such repairs, replacements, alterations, additions and improvements required to be made by Landlord shall be made in a good and workmanlike manner utilizing materials and workmanship that equal or exceed those utilized in connection with the initial construction of the Improvements, in compliance with all Applicable Laws, and consistent with the quality contemplated by the initial construction of the applicable improvements. Landlord shall also use commercially reasonable efforts to perform all maintenance, repairs and replacements that are Landlord's responsibility under this Section 7.02 in a manner that does not materially interfere with Tenant's use and enjoyment of the Premises.

VII.3 <u>Delivery of Warranties/Operating Manuals</u>. On or before the Commencement Date, Landlord shall deliver to Tenant clean, readable copies of all guarantees and warranties issued in connection with the development of the Premises and all manufacturer's, contractor's, subcontractor's and supplier's instructions, maintenance manuals, replacements lists, detailed drawings and any technical requirements necessary to operate and maintain the Premises. Notwithstanding anything to the contrary contained in this Lease, Tenant shall not be required to make any repairs to the extent covered by applicable policies of insurance or warranties.

ARTICLE VIII ALTERATIONS AND IMPROVEMENTS

VIII.1 Tenant Alterations. In compliance with Applicable Laws, Tenant may: (i) install all medical equipment that Tenant deems necessary or desirable in connection with the Permitted Uses, whether now existing or hereafter developed, including, but not limited to, position emission tomography (PET) scanners, computed tomography (CT) scanners, MRIs, linear accelerators, and surgical robotic equipment; and (ii) make any Alterations required to allow the use and operation of such medical equipment in the Premises; provided Tenant shall not alter the roof, foundation or other structural elements of the Premises without obtaining Landlord's approval; provided, however, in all instances Tenant shall provide Landlord with a copy of plans and specifications related to such Alterations prior to commencing any Alterations. In addition, subject to the other terms hereof, without obtaining Landlord's approval, Tenant may make (i) changes to floor coverings, wall coverings, paint and other cosmetic changes to the Premises, (ii) interior, non-structural Alterations costing less than the Alterations Threshold Amount in any calendar year, and (iii) non-material exterior Alterations to the Building and the other improvements on the Land. Except as otherwise expressly provided above. Tenant shall not make any Alterations unless Landlord has approved such Alterations, in writing, which approval will not be unreasonably withheld, conditioned or delayed. All Alterations must be completed by Tenant in a good and workmanlike manner and in compliance with Applicable Laws. In the event that Landlord consents, in writing, to Tenant installing any facilities on or making any Alterations to the roof of the Building, Tenant shall: (i) not void or violate any roof warranty; (ii) follow the roof manufacturer's recommendations and requirements; and (iii) ensure the installation or alteration does not damage the roof or exceed the load bearing capacity of the roof. All such work which may affect the Structural Support

must be approved by Landlord's building engineer, at Tenant's expense; provided, Landlord's Building engineer will not unreasonably withhold, condition or delay any such approval, and if Landlord's Building Engineer fails to give Tenant written notice of its objection to any such repair within ten (10) Business Days, then Landlord shall be deemed to have approved to the same. In addition, all Alterations to the Mechanical Systems that exceed the Mechanical Systems Alterations Threshold Amount, must be approved by the Building's engineer, at Tenant's expense; provided, Landlord's Building engineer will not unreasonably withhold, condition or delay any such approval, and if Landlord's Building Engineer fails to give Tenant written notice of its objection to any such repair within ten (10) Business Days, then Landlord shall be deemed to have approved to the same. All Alterations affecting the roof of the Building must be performed by Landlord's roofing contractor or such other roofing contractor that is approved by the roof manufacturer.

VIII.2 Liens. Notice is hereby given that Landlord will not be liable for any work, services, materials or labor furnished to Tenant during the Term, and no mechanic's, materialmen's or other lien arising or resulting from Tenant's failure to pay any amounts owed by Tenant (collectively, "Tenant Liens") shall attach to Landlord's interest in the Premises; provided, Tenant's Liens shall not include, and Tenant shall have no liability or responsibility for, liens arising out of work, services, material or labor that is Landlord's responsibility under the terms of this Lease, including, without limitation, the maintenance, repair and replacement obligations set forth in Section 7.02 above. Tenant shall keep the Premises free and clear of all Tenant Liens. In the event Tenant fails to discharge any Tenant Liens encumbering the Premises (by posting a bond or other method) within thirty (30) days after the filing thereof, Landlord may (but shall not be obligated to) cause such Tenant Liens to be released and discharged, in which event Tenant shall reimburse Landlord for all reasonable costs that Landlord incurs in connection therewith, including, but not limited to, reasonable attorneys' fees.

VIII.3 Expansion Option. In the event Tenant desires to expand the Building after the Commencement Date, Landlord agrees to work with Tenant in good faith to accommodate any Building expansion plans after Tenant provides written notice of its desire to expand the Building (such area of expansion being the "Expansion Premises"). Thereafter, Landlord and Tenant shall negotiate an amendment to this Lease setting forth mutually acceptable terms under which Landlord will build the Expansion Premises, including, without limitation, the rent for the Expansion Premises. If Landlord and Tenant are unable to agree upon the terms of an amendment to address the conditions under which Landlord will build the Expansion Premises within thirty (30) days after Tenant notifies Landlord of its desire to build the Expansion Premises, then (i) subject to Tenant's compliance with the terms of Section 8.01, Tenant shall be entitled to construct the Expansion Premises itself, or (ii) Tenant shall be entitled to exercise its Purchase Option pursuant to Article XXIV of this Lease; provided, however, in no event shall Tenant be entitled to exercise such Purchase Option prior to the second anniversary of the Commencement Date. The Expansion Premises shall become a part of the Premises when the same are completed.

ARTICLE IX INSURANCE AND INDEMNITY

IX.1 Tenant's Insurance.

(a) Tenant shall, at Tenant's expense maintain property insurance on the Premises (including, without limitation, all appurtenant structures, if applicable) in the amount of 100% of the replacement costs of the Premises (including, without limitation, all buildings, structures, fixtures and improvements forming a part thereof), written on an "all risk" basis (the "Premises Property Insurance"), which policy shall include coverage for catastrophe such as windstorm up to the full replacement cost of the Premises and earthquake and flood up to the Maximum Project Value (as

hereinafter defined). For purposes of this Agreement, the "replacement cost" of the Premises shall mean the full replacement cost of the Premises at the time of casualty, but in no event less than the Maximum Project Value. The Premises Property Insurance shall name Ground Lessor, Landlord and Mortgagee (as defined in Section 19.01) as loss payees as their interests may appear. In addition to the Premises Property Insurance, Tenant shall, at Tenant's expense, obtain and keep in force at all times during the term of the Lease, a policy or policies of property insurance covering loss or damage to any and all of the personal property, trade fixtures, furnishings, and Tenant's business contents (collectively, "Tenant's Personal Property") at the Premises in the amount equal to their actual cash value, which shall cover risk of loss or damage normally covered in an "all risk" policy as such term is used in the insurance industry. The proceeds of the Premises Property Insurance shall be used for repair or replacement of the Premises and shall be paid solely to Landlord or any mortgagee or beneficiary under a deed of trust holding a lien encumbering the Premises to be held and applied to the costs of restoring the Premises and made available to Tenant as it incurs such costs; provided, if requested by Tenant, Landlord agrees that the proceeds of the Premises Property Insurance will be escrowed with a third party reasonably acceptable to Landlord. The terms and conditions governing the release of the escrowed insurance proceeds shall allow Tenant to draw on the escrowed funds monthly, as and when the costs of restoring the Premises are incurred by Tenant, and otherwise be reasonably acceptable to Landlord. Tenant shall be responsible for the amount of all deductibles. Additionally, Tenant shall maintain coverages as follows:

- (i) <u>Liability Coverage</u>. Tenant shall, at Tenant's expense maintain a policy of commercial general liability insurance, ISO Form CG 00 01, or its equivalent, insuring Tenant, and as additional insureds, Landlord and any Mortgagee (as defined in <u>Section 19.01</u>), against liability arising out of the ownership, use, occupancy, or maintenance of the Premises or from any other cause covered by a commercial general liability insurance policy applicable to Tenant's operations at the Premises, known or unknown. Such insurance shall be primary and non-contributory and shall provide coverage on a claims made basis with a per occurrence limit of not less than \$3,000,000 for each policy year, which limit may be satisfied by any combination of primary and excess or umbrella per occurrence policies.
- (ii) <u>Workers Compensation</u>. Worker's Compensation insurance in amounts required by applicable law; provided, if there is no statutory requirement for Tenant, Tenant shall still obtain Worker's Compensation insurance coverage. Throughout the performance of any work, alterations or improvements that Tenant shall perform or cause to be performed in the Premises, Tenant, shall cause to be carried, worker's compensation insurance in statutory limits.
- (iii) <u>Business Interruption</u>. Business interruption insurance with a commercially reasonable deductible that is sufficient to pay continuing expenses (including rent) for a period of at least twelve (12) months. Business interruption insurance will include an Extended Period of Indemnity equal to 180 days.
- (iv) <u>Automobile Insurance</u>. Commercial automobile liability insurance insuring bodily injury and property damage arising from all owned, non-owned and hired vehicles, if any, with minimum limits of liability of \$1,000,000 combined single limit, per accident.
- (b) All insurance required to be carried by Tenant hereunder shall (i) be issued by one or more insurance companies reasonably acceptable to Landlord, licensed to do business in the State in which the Premises is located and having an AM Best's rating of A IX or better, and (ii) provide that said insurance shall not be materially changed, canceled or permitted to lapse on less than thirty (30) days' prior written notice to Landlord. In addition, Tenant shall name Ground Lessor, Landlord, Landlord's managing agent, and any mortgagee requested by Landlord, as additional insureds under its commercial general liability, excess and umbrella policies (but only to the extent of the limits required hereunder). On or before the Commencement Date (or the date of any earlier entry or occupancy by Tenant), and

thereafter, within thirty (30) days prior to the expiration of each such policy, Tenant shall endeavor to furnish Landlord with certificates of insurance in the form of ACORD 25 (or other evidence of insurance reasonably acceptable to Landlord), evidencing all required coverages, and that with the exception of workers compensation insurance, such insurance is primary and non-contributory. Upon Tenant's receipt of a request from Landlord, Tenant shall provide Landlord with copies of its applicable declarations page for the policies required hereunder. If Tenant fails to carry such insurance and furnish Landlord with such certificates of insurance or copies of insurance policies (if applicable), Landlord may obtain such insurance on Tenant's behalf and Tenant shall reimburse Landlord upon demand for the cost thereof as Additional Rent. Landlord reserves the right from time to time to require Tenant to obtain higher minimum amounts or different types of insurance if it becomes customary for other landlords of similar buildings in the area to require similar sized tenants in similar industries to carry insurance of such higher minimum amounts or of such different types; provided, Tenant shall not be required to increase the minimum amounts set forth herein by an amount that exceeds the increase in the CPI Index over the applicable period, and shall not be required to make such adjustment more than once every five (5) years during the Term.

(c) The term "Maximum Project Value" shall hereinafter mean and refer to the total actual Project Costs.

IX.2 Indemnities.

- (a) Tenant agrees, as part of the material consideration for this Lease, to indemnify and hold harmless Landlord from all third party claims and associated actions, demands, costs, expenses and liabilities whatsoever (including reasonable attorneys' fees, on account of any such real or claimed damage or liability, and for all liens) arising from personal injury or property damage occurring in, or at any portion of Premises, during the Term of the Lease from the Commencement Date forward or arising out of Tenant's use, occupancy or enjoyment of any portion of the Premises, or any repairs or alterations which Tenant may make upon the Premises, except to the extent caused by the negligence or willful misconduct of Landlord or any of Landlord's Affiliates, employees, agents, contractors or representatives.
- (b) Landlord agrees, as part of the material consideration for this Lease, to indemnify and hold harmless Tenant from all third party claims and associated actions, lawsuits, demands, costs, expenses and liabilities whatsoever (including reasonable attorneys' fees, on account of any such real or claimed damage or liability, and for all liens) arising from any negligent acts, breach of contract, or willful misconduct of Landlord or Landlord's Affiliates except to the extent caused by the negligence or willful misconduct of Tenant or any of Tenant's Affiliates, employees, agents, contractors or representatives.
- IX.3 Waiver of Claims/Subrogation Rights. Notwithstanding anything to the contrary contained herein, Landlord and Tenant each hereby waives all claims that it may have against the other party (and such other party's owners, directors, officers, employees, agents, contractors and representatives) for losses and damages that are actually covered by its property insurance or that would have been covered had it maintained the insurance required under this Lease; provided the foregoing waiver shall not apply if it would have the effect of invalidating, but only to the extent of such effect, any insurance coverage of Landlord or Tenant. Landlord and Tenant shall cause the insurers issuing their property insurance to waive all of their subrogation rights against the other party (and such other party's owners, directors, officers, employees, agents, contractors and representatives), and each party shall supply the other with appropriate evidence confirming that such waiver is in effect. For the purposes of this Section, each party shall be deemed to be insured against losses and damages that are within the deductible of any of its insurance policies. The provisions of this Section shall apply to claims regardless of cause or origin, including, without limitation, claims arising due to negligence.

ARTICLE X FIRE & CASUALTY

- X.1 Restoration. Unless this Lease is terminated pursuant to Section 10.02, if the Premises, are damaged by fire or other casualty after the Commencement Date, Tenant shall be responsible for performing all repairs and replacements (collectively, "Restoration Work") required to fully restore the Premises to the condition existing immediately prior to such fire or casualty in accordance with the terms hereof; provided, (i) Tenant may make any Alterations to the Premises permitted under Section 8.01, and (ii) Tenant may make any Alterations to the Premises that are required by Applicable Laws. Upon receipt of the insurance proceeds from the Premises Property Insurance, Tenant shall commence and diligently prosecute completion of the Restoration Work, which shall be completed in a good and workmanlike manner, using new materials, and in a manner that complies with Applicable Laws. Within forty-five (45) days after the Premises are damaged by fire or other casualty, Tenant shall furnish Landlord with a written statement from a reputable architect or general contractor setting forth such architect's or general contractor's best estimate of the period of time (the "Restoration Period") required to fully restore the Premises. Notwithstanding anything to the contrary set forth herein, Tenant shall have no duty pursuant to this Section to expend for any repair or restoration amounts in excess of insurance proceeds made available for repair or restoration.
- X.2 Termination. If the Premises are damaged by fire or other casualty at any time after the twelfth (12th) anniversary of the Commencement Date and the Restoration Period for such damage is estimated to be more than three hundred sixty-five (365) days after the date of the fire or other casualty, then Tenant may terminate this Lease by giving written notice to Landlord within sixty (60) days after the occurrence of such damage. Tenant shall not have the right to terminate this Lease as a result of damages caused by fire or other casualty at any time on or prior to the twelfth (12th) anniversary of the Commencement Date. If the Premises are damaged by a fire or other casualty and this Lease is terminated as a result thereof, then (i) Landlord shall have the right to require that Tenant demolish the Building and remove any debris resulting therefrom, and (ii) Tenant shall pay Landlord an amount equal to the insurance proceeds received by Tenant as a result of such damage to the Premises, less any demolition costs incurred by Tenant and less unamortized cost of any Alterations paid for by Tenant (calculated by amortizing the cost of such Alterations over their useful life in accordance with Tenant's standard accounting procedures) and less all other expenses incurred by Tenant that are otherwise reimbursable by insurance proceeds.
- X.3 Abatement. Tenant shall not be entitled to any abatement of Rent during any period when the Premises are rendered untenantable or unusable, in whole or in part, as a result of any damage to the Premises caused by fire or other casualty, except the Rent shall abate in proportion to the area of the Premises that is not reasonably usable as a result of such fire or other casualty, to the extent the same was caused by the negligent acts, willful misconduct or breach of this Lease by Landlord or any of its agents, employees, contractor or representatives.

ARTICLE XI EMINENT DOMAIN

XI.1 <u>Termination</u>. In the event of a taking of all or substantially all of the Premises by condemnation, this Lease shall automatically terminate, and all Rent shall cease effective as of the date possession of the same is actually taken. If any portion of the Premises is taken by condemnation such that the Premises shall become impractical for Tenant to use for the Permitted Use, then Tenant may terminate this Lease by giving written notice to Landlord within sixty (60) days after Tenant is notified of such taking, in writing.

- XI.2 Restoration. In the event this Lease is not terminated after a taking of any portion of the Premises, Landlord shall diligently restore the same as close as possible to the condition and functionality prior to such taking and Landlord shall be entitled to use all condemnation awards paid on account of such taking to pay the cost of the restoration work, with any remaining funds being allocated to Landlord and Tenant on a pro rata basis in accordance with the terms of Section 11.03; provided in no event shall Landlord be required to spend more than the amount of such condemnation awards to restore the Premises. In the event this Lease is not terminated as a result of any condemnation, then the Rent shall be equitably abated for the remainder of the Term, and the Rent shall also be equitably abated while Landlord performs any restoration work required under this Section.
- XI.3 Awards. Landlord shall be entitled to receive the entire award paid on account of a taking of all or any portion of the Premises by condemnation, except Tenant shall be entitled to make a separate claim for the taking of Tenant's trade fixtures, personal property, dislocation damages/moving expenses and the unamortized value of any Alterations paid for by Tenant.

ARTICLE XII ASSIGNMENT AND SUBLETTING

XII.1 <u>Assignment & Subletting</u>. Tenant may assign this Lease or sublet all or any portion of the Premises, without obtaining the prior consent of Landlord but upon ten (10) days' prior written notice to Landlord; provided, in the event of any such sublease or assignment of Tenant's right, title and interest in and to this Lease, the Person named as Tenant in this Lease shall remain primarily liable hereunder. Any assignee shall execute and deliver an assignment and assumption agreement whereby such assignee assumes and agrees to perform and observe all of the covenants and agreements of Tenant under this Lease. This Lease shall inure to the benefit of and be binding upon any permitted successor or assign of either party.

ARTICLE XIII LEASEHOLD MORTGAGES

XIII.1 Leasehold Mortgage.

- debt, security deeds, financing statements and other security agreements (collectively, "Leasehold Mortgages") encumbering Tenant's interest in this Lease and the leasehold estate created hereby (collectively, the "Leasehold Estate"), without obtaining Landlord's consent. Tenant shall furnish Landlord with a written notice (a "Leasehold Mortgage Notice") containing the name, address, contact person, telephone number and facsimile number of any Person to whom Tenant grants a Leasehold Mortgage (such a Person being referred to as a "Leasehold Mortgagee"). Within ten (10) days after Tenant's written request, Landlord shall acknowledge, in writing, its receipt of any Leasehold Mortgage Notice that has been delivered to Landlord. Whenever Landlord shall send Tenant any written notice of default related to this Lease, Landlord shall send a duplicate copy of such notice to each Leasehold Mortgagee; provided that Tenant has provided Landlord with the notice address for any such Leasehold Mortgagee.
- (b) Upon a Leasehold Mortgagee's receipt of written notice of a Tenant Default from Landlord (a "Default Notice"), the Leasehold Mortgagee shall have the right, but not the obligation, to cure such Tenant Default on behalf of Tenant. Landlord shall not have the right to terminate this Lease on account of any Tenant Default if a Leasehold Mortgagee cures such Tenant Default within sixty (60) days after the Leasehold Mortgagee receives a Default Notice describing such Tenant Default; provided, however, if a Tenant Default reasonably cannot be cured within such sixty (60) day period, then the Leasehold Mortgagee shall have such additional time to cure the Tenant Default as is reasonably

necessary, but in no event longer than one hundred twenty (120) days after the Leasehold Mortgagee receives a Default Notice, provided Leasehold Mortgagee has commenced such cure within said sixty (60) day period and diligently pursues the same. Landlord agrees to accept a Leasehold Mortgagee's cure of any Tenant Default. If a Leasehold Mortgagee reasonably cannot cure any Tenant Default until it obtains possession of the Premises, then Landlord may not terminate this Lease due to such Tenant Default so long as (i) the Leasehold Mortgagee commences the foreclosure of its lien on the Leasehold Estate within sixty (60) days after the Leasehold Mortgagee receives a Default Notice describing such Tenant Default (provided such 60 day period shall be tolled during any period when an automatic stay is in effect under applicable bankruptcy laws), (ii) the Leasehold Mortgagee completes such foreclosure with reasonable diligence, (iii) the Leasehold Mortgagee pays, upon Landlord's written demand, all delinquent Rent due and owing under this Lease (excluding fines, penalties, late fees and default interest), and (iv) the Leasehold Mortgagee cures such Tenant Default following the completion of such foreclosure with reasonable diligence.

- (c) If this Lease is terminated as a result of Tenant's default or rejection of this Lease pursuant to Section 365(a) of the Bankruptcy Code, 11 U.S.C. §365(a) or any successor statute, then, upon a Leasehold Mortgagee's request made within sixty (60) days after such termination, Landlord shall enter into a new lease (a "New Lease") with the Leasehold Mortgagee upon terms and conditions identical to those of this Lease for what would have been the full remaining term of this Lease had the same not been so terminated, with all remaining extension or renewal rights, so long as the Leasehold Mortgagee pays all of the Rent then due and owing under this Lease. Any New Lease shall have the same priority as this Lease.
- (d) Any sale of the Leasehold Estate in any foreclosure proceedings instituted by a Leasehold Mortgagee (or the assignment or transfer of this Lease and the Leasehold Estate by Tenant in lieu of any such foreclosure) shall be deemed to be a permitted assignment of the Leasehold Estate, and Landlord shall recognize the Person acquiring the Leasehold Estate pursuant to the foregoing as the "Tenant" under this Lease. In addition, any Leasehold Mortgagee who takes title to the Leasehold Estate or enters into a New Lease with Landlord shall have the right to assign the Leasehold Estate or such New Lease or sublet all or a portion of the Premises without obtaining Landlord's consent.
- No Leasehold Mortgagee, simply by virtue of its lien on the Leasehold Estate. shall be deemed to have assumed any of the obligations or liabilities of Tenant under this Lease. A Leasehold Mortgagee (or its assignee or Affiliate) who takes title to the Leasehold Estate or enters into a New Lease shall be responsible for the performance of the Tenant's obligations under this Lease or the New Lease, as applicable, to the extent the same first arise during the period of time, but only during the time period, that it is the tenant under this Lease or the New Lease, and such responsibility shall terminate upon its sale, transfer or assignment of this Lease or the New Lease, as applicable. Except as expressly provided above, the purchaser at any foreclosure sale of the Leasehold Estate shall be deemed to have agreed to perform all of the Tenant's obligations under this Lease first arising from and after the date of such foreclosure sale. Neither a Leasehold Mortgagee who takes title to the Leasehold Estate or enters into a New Lease nor a purchaser of the Leasehold Estate at a foreclosure sale shall be responsible for any losses or damages that Landlord suffers as a result of any default by Tenant under this Lease that exists at the time it takes title to the Leasehold Estate or enters into the New Lease; provided, however, if such Leasehold Mortgagee or purchaser does not pay any Rent that is then due and owing under this Lease (excluding fines, penalties, late fees and default interest) or does not remedy any then outstanding conditions that constitute a Tenant Default, then Landlord may terminate this Lease or the New Lease as provided in Section 14.02.
- (f) If a Leasehold Mortgagee requests, in writing, that Landlord enter into any agreement designed to protect the Leasehold Mortgagee's interest in the Leasehold Estate or memorialize

the terms of this Article XIII, Landlord agrees to enter into such agreement upon terms and conditions reasonably acceptable to Landlord.

ARTICLE XIV DEFAULTS

- XIV.1 <u>Tenant Default</u>. The following shall each be deemed to be a default by Tenant under this Lease (a "<u>Tenant Default</u>"):
- (i) Tenant's failure to pay any Rent when due, unless such failure is cured by Tenant within ten (10) days after it receives written notice from Landlord; provided, however, Landlord shall not be required to provide written notice under this subsection (i) due to Tenant's failure to timely pay Monthly Rent on more than three (3) occasions in any twelve (12) month period; or
- (ii) Tenant's failure to comply with any of the terms of this Lease other than those related to the payment of Rent, unless such failure is cured within thirty (30) days after Tenant receives written notice from Landlord; provided if such failure cannot reasonably be cured within the aforementioned thirty (30) day period, then no Tenant Default shall be deemed to have occurred so long as Tenant commences to cure such failure within thirty (30) days after receiving written notice from Landlord and diligently pursues completion of such cure within a reasonable time thereafter; or
- (iii) (A) the filing by or against Tenant of a petition (voluntarily or involuntarily) seeking to have Tenant declared bankrupt or insolvent, unless the petition is dismissed within ninety (90) days after its filing, (B) the appointment of a receiver or trustee for all or substantially all of Tenant's assets, or (C) the assignment of all or substantially all of Tenant's assets for the benefit of its creditors.
- XIV.2 <u>Remedies</u>. Upon the occurrence of any Tenant Default, Landlord may, in addition to any other remedies expressly provided under this Lease but in lieu of any other remedies provided at law or in equity:
- (i) Enter upon the Premises and do whatever Tenant is obligated to do under the terms of this Lease, and Tenant agrees to reimburse Landlord for all reasonable costs and expenses that Landlord incurs in effecting compliance with Tenant's obligations under this Lease; or
- Without terminating this Lease, enter upon and take possession of the Premises, expel or remove Tenant, and relet the Premises and receive the rent therefor. In the event Landlord elects to exercise the remedy provided under this subsection, Landlord shall be entitled to recover from Tenant (A) any reasonable costs and expenses that Landlord incurs to effect compliance with Tenant's obligations under this Lease through the date the Premises are relet, (B) the reasonable costs Landlord incurs to recover possession of the Premises from Tenant, including, but not limited to, reasonable attorneys' fees, (C) the reasonable brokerage commissions, advertising costs and other similar expenses Landlord incurs to relet the Premises, and (D) an amount equal to the difference between the Monthly Rent and other sums that Tenant is required to pay hereunder during the remainder of the Term (calculated without taking into account any unexercised Renewal Option) and the rent received by Landlord on account of such reletting during said period (or if Landlord takes possession of the Premises for its own benefit, the fair rental value thereof), which amount shall be paid monthly, in arrears. In the event Landlord is successful in reletting the Premises at a rental in excess of that agreed to be paid by Tenant pursuant to the terms of this Lease, the parties agree that Landlord shall be entitled to retain such excess, but the same shall be applied to reduce the amounts Tenant owes Landlord hereunder, including, without limitation, costs and expenses that Landlord incurs to effect compliance with Tenant's obligations under this Lease, the costs Landlord incurs to recover possession of the Premises, the brokerage

commissions, advertising costs and other similar expenses Landlord incurs to relet the Premises, and future rental deficiencies.

(iii) Terminate this Lease upon thirty (30) days' notice to Tenant, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may enter upon and take possession of the Premises and expel or remove Tenant. In the event this Lease is terminated pursuant to this subparagraph, Landlord shall be entitled to collect from Tenant: (A) any unpaid Rent that was due and owing prior such termination, (B) any reasonable costs and expenses that Landlord incurs to effect compliance with Tenant's obligations under this Lease through the date of such termination, (C) the reasonable costs Landlord incurs to recover possession of the Premises from Tenant, including, but not limited to, reasonable attorneys' fees, and (D) any other actual damages that Landlord reasonably incurs as a result of the termination of this Lease, provided such other damages shall not exceed an amount equal to the present value (calculated by discounting the amount to the present at a rate equal to the lesser of twelve percent (12%) per annum or the maximum rate permitted under Applicable Laws (the "Default Rate") of the difference between the Monthly Rent and other sums that Tenant would have been required to pay hereunder during the remainder of the Term (calculated without taking into account any unexercised Extension Option) and fair rental value of the Premises during said period (after taking into account the amount of time reasonably necessary to relet the Premises and the reasonable costs of reletting the Premises, i.e. reasonable brokerage commissions, advertising costs and other similar expenses).

Forbearance by Landlord to enforce one or more of the remedies herein provided upon a Tenant Default shall not be deemed or construed to constitute a waiver of Landlord's right to enforce any such remedies with respect to any subsequent Tenant Default. Landlord shall use reasonable efforts to mitigate the damage arising from any Tenant Default; provided, if Tenant believes Landlord has not mitigated its damages, Tenant shall have the burden of proving the same.

ARTICLE XV LANDLORD'S DEFAULT

XV.1 Landlord Default. If (i) Landlord defaults under or breaches any of its obligations under this Lease, the Ground Lease or Landlord fails to cause the Developer to remedy any defect, deficiency or violation of Applicable Law related to the Premises to the extent it is required to do so under the Development Agreement (a "Construction Defect") and (ii) Landlord does not cure such default or breach or Construction Defect (or cause the same to be cured) within thirty (30) days after Landlord receives written notice thereof from Tenant, then the same shall constitute a "Landlord Default" and Tenant shall have the right (but not the obligation) to attempt to cure such Landlord Default; provided if any such default or breach or Construction Defect cannot reasonably be cured within thirty (30) days and Landlord commences to cure the same within the thirty (30) days after receiving written notice from Tenant, then no Landlord Default shall be deemed to have occurred so long as Landlord diligently and continuously cures such default or breach or Construction Defect within not more than one hundred twenty (120) days unless such cure period is extended by Tenant. Notwithstanding the foregoing, in cases of emergency or where Landlord's failure to perform its obligations under this Lease or where any Construction Defect threatens to result in damage to any portion of the Premises or Tenant's property therein or threatens to cause a material interference with Tenant's business operations in the Premises, then Tenant shall have the right (but not the obligation) to perform such obligations or cure such Construction Defect, without the necessity of giving Landlord advance notice or affording it an opportunity to cure the same. In the event Tenant endeavors to cure any default or breach by Landlord or any Construction Defect pursuant to this Section, Landlord shall reimburse Tenant for the reasonable costs Tenant incurs in connection therewith. Landlord shall pay any amounts that it owes Tenant under this Section 15.01 within thirty (30) days after Tenant's written demand for the same along with

reasonable documentation supporting such expenses; provided if Landlord fails to pay any amounts that Landlord owes Tenant under this Section within such thirty (30) day period, then Tenant may deduct the same from the next installments of Monthly Rent due under this Lease so long as the total amount of such deductions in any calendar year does not exceed fifteen percent (15%) of the Monthly Rent payable during such calendar year. Tenant shall also have all other remedies available at law or in equity on account of any Landlord Default.

XV.2 <u>Limitation of Landlord's Liability</u>. Except as otherwise provided herein, if Landlord shall fail to perform any term, condition, covenant or obligation required to be performed by it under this Lease and if Tenant shall, as a consequence thereof, recover a money judgment against Landlord, Tenant agrees that it shall look solely to Landlord's (i) right, title and interest in and to the Premises, including, without limitation, all rights under the Ground Lease, (ii) the rents and other revenues generated by the Premises, (iii) the proceeds from the sale of the Premises; (iv) insurance proceeds paid on account of any damage to the Premises; and (v) condemnation awards paid on account of any taking of the Premises, for the collection of such judgment; and Tenant further agrees that no other assets of Landlord shall be subject to levy, execution or other process for the satisfaction of Tenant's judgment. The foregoing limitations shall not apply to any claims based on Landlord's failure to comply with the terms of the Development Agreement, regardless of whether such claims are made against Landlord or any guarantor of the Development Agreement.

ARTICLE XVI QUIET ENJOYMENT

XVI.1 <u>Quiet Enjoyment</u>. Subject to the other terms of this Lease, Landlord covenants that Tenant shall peacefully and quietly have, hold and enjoy the Premises throughout the Term, without any hindrance, molestation or ejection whatsoever.

ARTICLE XVII RIGHT OF ENTRY

17.01 Right of Entry. Landlord shall have the right to enter the Premises to: (i) conduct inspections; (ii) perform maintenance, repairs and replacements that are its responsibility under this Lease; (iii) show the Premises to prospective purchasers of the Building and lenders; and (iv) show the Premises to prospective tenants during the last six (6) months of the Term; provided Landlord shall not materially interfere with Tenant's use and enjoyment of the Premises. Except in cases of emergency, Landlord shall (a) give Tenant at least twenty-four (24) hours advance notice before entering upon the Premises, (b) use reasonable efforts to schedule such entry at a time that is reasonably acceptable to Tenant, and (c) be escorted by Tenant in order to protect patient privacy and any confidential health information.

ARTICLE XVIII SURRENDER

XVIII.1 Surrender. Upon the expiration or earlier termination of this Lease: (i) Tenant shall quit and surrender possession of the Premises to Landlord, and (ii) provide Landlord with the keys or combinations for all locks in the Premises. Before surrendering possession of the Premises to Landlord, Tenant shall, at its expense, remove all of its furnishings, trade fixtures, Tenant's Signs and other personal property from the Premises, and Tenant shall promptly repair all material damage to the Premises resulting from the removal of such items. If Tenant fails to remove any of the foregoing items from the Premises by the expiration or termination of this Lease, then Landlord may deem such items abandoned and dispose of the same in any manner Landlord sees fit; provided such removal and disposal does not interfere with other activities or operations being conducted on adjoining properties. Tenant shall

reimburse Landlord, upon demand, for all reasonable costs incurred by Landlord to remove and dispose of such items, including, without limitation, the cost of repairing any material damage to the Premises caused by the removal of such items.

ARTICLE XIX SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT

XIX.1 Subordination. This Lease shall be subject and subordinate to any first in priority mortgage, deed of trust, deed to secure debt, security deed, financing statement or other security interests now or hereafter encumbering Landlord's leasehold interest in the Premises (individually, a "Mortgage" and collectively the "Mortgages"), including, but not limited to, all renewals, modifications, consolidations, replacements, amendments, supplements and extensions thereof; provided, as a condition to such subordination, the holder of the Mortgage (the "Mortgagee") must agree, in writing, not to disturb Tenant's possession of the Premises and the rights and privileges granted to Tenant under this Lease so long as there is no outstanding Tenant Default. Notwithstanding anything herein to the contrary, if any Mortgagee elects, in writing, to have Tenant's interest in this Lease superior to its Mortgage, then by notice to Tenant from such Mortgagee, this Lease shall be deemed superior to such Mortgage, whether this Lease was executed before or after the same. Landlord represents and warrants to Tenant as of the Effective Date that Landlord has not granted or entered into any mortgages, deeds of trust, deeds to secure debt, security deeds, financing statements, security agreements or other liens encumbering the Premises.

XIX.2 Attornment. If Landlord's interest in the Premises is transferred to a Mortgagee or any purchaser at a foreclosure sale (a "Foreclosure Purchaser"), Tenant shall be bound to such Mortgagee or Foreclosure Purchaser under the terms of this Lease and Tenant shall attorn to such Mortgagee or Foreclosure Purchaser, as the landlord hereunder, unless this Lease is terminated by Tenant pursuant to the terms hereof. The foregoing provision shall be self-operative; provided, however, Tenant shall, upon written demand, execute documentation confirming the matters set forth in this Section. Any Mortgagee or Foreclosure Purchaser succeeding to the interest of Landlord in the Premises shall not be (i) bound by any payment of Rent made by Tenant more than one (1) month in advance, (ii) liable due to any act or omission of a prior landlord (including, without limitation, Landlord), (iii) subject to any offset rights or defenses of Tenant arising or related to periods prior to the date the Mortgagee or Foreclosure Purchaser acquires such interest, or (iv) responsible for any security or other deposit not transferred to it.

ARTICLE XX NOTICES

All notices, consents, approvals and other communications (collectively, "Notices") that may be or are required to be given by either Landlord or Tenant under this Lease shall be properly made only if in writing and sent to the address of Landlord or Tenant, as applicable, set forth below, as the same is modified in accordance herewith, by hand delivery, U.S. Certified Mail (Return Receipt Requested) or nationally recognized overnight delivery service.

If to Tenant:

113 Seaboard Lane, STE B201

Franklin, TN 37067

Attn: Vice President, Real Estate & Capital Development

With a copy to: Kindred Healthcare, LLC

680 S. 4th Street Louisville, KY 40202

Attn: Vice President, Real Estate Counsel

With a copy to:	Southwestern Illinois Health Facilities, Inc
	Attn:
If to Landlord:	
	Attn:

Either party may change its address for Notices by giving written notice to the other party in accordance with this provision. Notices shall be deemed received on the date of actual delivery; provided if either Landlord or Tenant refuses to accept the delivery of any Notice, such notice shall be deemed to have been actually delivered on the date of such refusal.

ARTICLE XXI REPRESENTATIONS AND WARRANTIES

XXI.1 Landlord's Representations. Landlord hereby represents and warrants to Tenant, as of the Effective Date, that: (i) Landlord is a Date, that: (i) Landlord is a ______ validly existing under the laws of the ___; (ii) Landlord has all power and authority necessary for Landlord to execute and deliver this Lease and perform all of Landlord's obligations under this Lease; (iii) the execution, delivery and performance of this Lease by Landlord does not conflict with or result in a violation of any judgment, order or decree of any court or arbiter or any contract, agreement or other instrument to which Landlord is a party; (iv) Landlord has not filed or threatened to file any voluntary petition in bankruptcy or sought to reorganize its affairs under the Bankruptcy Code of the United States or any other federal, state or local law related to bankruptcy, insolvency or relief for debtors, Landlord has not been adjudicated as bankrupt or insolvent, or Landlord has not had an involuntary petition filed against it under the Bankruptcy Code of the United States or any other federal, state or local law related to bankruptcy, insolvency or relief for debtors; (v) to Landlord's knowledge, there are no lawsuits, arbitration proceedings or other similar actions pending or threatened against or affecting the Premises; (vi) upon completion of the Improvements in accordance with the terms of the Development Agreement, Landlord will be the owner of the Improvements located thereon, subject to the terms of the Ground Lease, free and clear of all easements, liens, claims, encumbrances and other exceptions to title, except for the Permitted Exceptions and any Mortgage pursuant to the terms and conditions of Article XIX; (vii) to Landlord's knowledge, there are no pending or threatened governmental actions, investigations or proceedings that will adversely affect the Premises (including, but not limited to, condemnation or eminent domain proceedings, plans to modify an adjacent road or proposed assessments); (viii) upon completion of the Improvements in accordance with the terms of the Development Agreement, water, sewer, electricity, gas, broadband and telephone service will be provided to the Premises in compliance with the Development Agreement; (ix) to Landlord's knowledge, no Hazardous Substances have been discharged, disbursed, released, stored, treated, generated, disposed of, incorporated into or allowed to escape on, under or about the Premises; (x) Landlord has not granted any other Person an option to purchase, right of first offer to purchase, right of first refusal to purchase or any other purchase option to purchase Landlord's interest in the Premises, and (xi) Landlord and its Affiliates are not and will not become a person or entity with whom U.S. persons are prohibited from doing business with under Applicable Laws, including, without limitation, the regulations of the Office of Foreign Asset Control ("OFAC") of the Department of Treasury (e.g. OFAC's Specially Designated and Blocked Persons list), Executive Order 13224, and the USA Patriot Act.

XXI.2 Tenant's Representations. Tenant hereby represents and warrants to Landlord, as of the Effective Date, that: (i) Tenant is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware; (ii) Tenant has all power and authority necessary for Tenant to execute and deliver this Lease and perform all of Tenant's obligations under this Lease; (iii) the execution, delivery and performance of this Lease by Tenant does not conflict with or result in a violation of any judgment, order or decree of any court or arbiter or any contract, agreement or other instrument; (iv) Tenant has not filed or threatened to file any voluntary petition in bankruptcy or sought to reorganize its affairs under the Bankruptcy Code of the United States or any other federal, state or local law related to bankruptcy, insolvency or relief for debtors, Tenant has not been adjudicated as bankrupt or insolvent, or Tenant has not had an involuntary petition filed against it under the Bankruptcy Code of the United States or any other federal, state or local law related to bankruptcy, insolvency or relief for debtors; (v) there are no lawsuits, arbitration proceedings or other similar actions pending or, to Tenant's knowledge, threatened against or affecting the Premises; and (vi) Tenant is not and will not become a person or entity with whom U.S. persons are prohibited from doing business with under Applicable Laws, including, without limitation, the regulations of the OFAC of the Department of Treasury (e.g. OFAC's Specially Designated and Blocked Persons list), Executive Order 13224, and the USA Patriot Act.

ARTICLE XXII RIGHT OF FIRST OPPORTUNITY

XXII.1 Right of First Opportunity. Throughout the Term but subject to the rights of Ground Lessor under the Ground Lease, as the same is extended, Tenant shall have a continuing right of first opportunity (the "Right of First Opportunity") in the event Landlord desires to sell, transfer or convey its interest in the Premises (a "Sale Transaction"). Prior to entering into any Sale Transaction, Landlord shall send a written statement (a "Transaction Statement") to Tenant detailing the terms and conditions upon which Landlord is willing to enter into such Sale Transaction. Tenant shall have thirty (30) days after its receipt of a Transaction Statement and notice that Ground Lessor has waived (or has been deemed to waive) its Right of First Opportunity under the Ground Lease to notify Landlord, in writing, if it is interested in purchasing Landlord's interest in the Premises on the terms and conditions set forth in the Transaction Statement. If Tenant timely notifies Landlord that it desires to exercise its Right of First Opportunity, Landlord and Tenant shall endeavor, in good faith and with reasonable diligence, to negotiate and enter into a binding agreement with respect to such Sale Transaction, containing the terms and conditions set forth in said Transaction Statement, as the same may be modified by mutual agreement of Landlord and Tenant (a "Purchase Contract"). Landlord shall not market the Sale Transaction or engage in negotiations, discussions or other communications regarding any Sale Transaction with a person or entity other than Tenant for a period of thirty (30) days after Tenant's exercise of the Right of First Opportunity in connection therewith. The rights granted to Tenant hereunder shall be ongoing and shall not be affected by Tenant's failure to exercise the Right of First Opportunity on one or more occasions.

XXII.2 Decline of Right. If (i) Tenant does not respond in a timely fashion to any Transaction Statement, (ii) Tenant notifies the Landlord that it is not interested in purchasing the Landlord's interest in the Premises upon the terms set forth in any Transaction Statement, or (iii) the parties do not enter into a Purchase Contract within thirty (30) days after the exercise of the Right of First Opportunity, then, for a period of one (1) year thereafter, Landlord may sell its interest in the Premises to a third party so long as (a) the economic terms of the Sale Transaction are not substantially less favorable to Landlord than those set out in the Transaction Statements, and (b) Landlord has complied with the terms of Article XXIII (Tenant's Right of First Refusal); provided, if the amount Landlord will receive from any Sale Transaction is expected to exceed ninety-five percent (95%) of the amount the Landlord would have

received under the terms set forth in the Transaction Statement, then the economic terms of the Sale Transaction shall be deemed to be as favorable to Landlord as those described in the Transaction Statement. Notwithstanding anything to the contrary in this Article XXII, any proposed sale, transfer or conveyance of Landlord's interest in the Premises will be subject to the terms of Article XXIII (Tenant's Right of First Refusal) and regardless of whether Tenant waived its right or failed to exercise its right to purchase Landlord's interest in the Premises under this Article XXII.

XXII.3 Change of Terms. If there is a material change in the terms and conditions of any Sale Transaction, Landlord shall be required to submit a new Transaction Statement to Tenant in accordance with the terms of this Article XXII prior to entering into such Sale Transaction with a third party and Tenant may exercise the Right of First Opportunity, within the time period set forth above, in connection therewith. In addition, if Landlord does not enter into a Sale Transaction detailed in any Transaction Statement within one (1) year after Tenant's receipt of such Transaction Statement, then Landlord must resubmit such Transaction Statement to Tenant in accordance with the terms of this Article XXII prior to entering into such Sale Transaction with a third party and Tenant may exercise the Right of First Opportunity in connection therewith.

XXII.4 <u>Limitations on Terms</u>. No Transaction Statement shall (i) include any property interest other than Landlord's interest in the Premises, including, without limitation, its interest as ground lessee under the Ground Lease, (ii) contain any provisions that are intended to frustrate or defeat the Right of First Opportunity; or (iii) restrict or prevent Tenant from using any portion of the Premises for the purposes permitted under this Lease.

XXII.5 Inapplicability. Tenant's Right of First Opportunity shall not be applicable in the event of either of the following transactions: (i) transfers of ownership interests in Landlord resulting from the death of the holder thereof; (ii) the issuance or transfer of stock, units, shares or other securities by an entity which controls, or owns an ownership interest in Landlord (a "Parent Entity"), whether through public or private offerings, including without limitation, the issuance of or transfer of stock, units, shares, or other securities by Landlord or an Affiliate of Landlord, so long as such Parent Entity owns material assets other than its ownership interests in Landlord; (iii) the transfer of an ownership interest in Landlord pursuant to a merger, reorganization, consolidation, or other similar transaction involving substantially all of the assets of Landlord to an Affiliate of Landlord; or (iv) a transfer of the Premises by Landlord as part of a portfolio transfer of, at minimum, \$100,000,000 in assets owned by Landlord and/or by a Parent Entity; provided, however, in the event that any such transaction described in this Section 22.05 shall directly result in greater than 50% of the voting interests in Landlord being vested in a Disqualified Person (as that term is hereinafter defined), then Tenant's Right of First Opportunity shall be available to Tenant pursuant to Section 22.01.

XXII.6 Ground Lease. Notwithstanding anything herein to the contrary, the parties agree that the Right of First Opportunity set forth herein shall be subject and subordinate to the Right of First Opportunity provided to Ground Lessor under the Ground Lease and Tenant shall have no right to exercise its rights pursuant to this Section unless and until Ground Lessor has waived or has been deemed to have waived its Right of First Opportunity under the Ground Lease.

ARTICLE XXIII RIGHT OF FIRST REFUSAL

XXIII.1 Right of First Refusal.

(a) Throughout the Term but subject to the rights of Ground Lessor under the Ground Lease, Tenant shall have a continuing right of first refusal to acquire the Landlord's interest in the Premises, including, without limitation, its interests as ground lessee under the Ground Lease.

Accordingly, if Landlord desires to enter into any transaction whereby Landlord will transfer its interest in the Premises, (i) Landlord shall provide Tenant with a binding contract setting forth all of the terms and conditions of said transaction (an "Offer"), and (ii) Tenant shall have the right (the "Right of First Refusal") to acquire Landlord's interest in the Premises on the terms of the Offer. Tenant shall have thirty (30) days from its receipt of any Offer and notice that Ground Lessor has waived its Right of First Refusal under the Ground Lease within which to exercise the Right of First Refusal. In the event Tenant does not notify Landlord that Tenant is exercising the Right of First Refusal within thirty (30) days after Tenant's receipt of any Offer, Landlord may proceed with the transfer of its interest in the Premises in strict accordance with the terms of such Offer; provided if there are any changes in such Offer, a new "Offer" will be deemed to have been made and Landlord will not be entitled to transfer its interest in the Premises until Landlord has complied with all of the terms of this Article XXIII with respect to such new Offer. The rights granted to Tenant hereunder shall be ongoing and shall not be affected by Tenant's failure to exercise the Right of First Refusal on one or more occasions.

- (b) No Offer shall (i) provide for any non-cash consideration to be received by Landlord as part of the purchase price for its interest in the Premises, (ii) include any property interest that is not a part of the Premises or Landlord's interest in the Premises under the Ground Lease (e.g. a bulk sale), (iii) contain any provisions that are intended to frustrate or defeat the Right of First Refusal or that only the proposed transferee is reasonably capable of satisfying; (iv) restrict the use of or otherwise encumber the Premises (or any portion thereof); or (v) require any alterations, additions, changes or improvements to the Premises. Any provisions of an Offer that violate the terms of this subsection shall be of no force or effect as between Landlord and Tenant and Tenant need not match such provisions.
- (c) In the event Tenant does not exercise the Right of First Refusal in connection with any Offer, this Lease (including, but not limited to, the rights granted Tenant under this Article XXIII) shall remain in full force and effect and Landlord and its successors and assigns (including, but not limited to, any purchaser of the Premises) shall remain bound hereby. Landlord and Tenant agree that any transfer of Landlord's interest in the Premises shall be made expressly subject to all of the terms, covenants and conditions of this Lease.
- (d) Any transfer of Landlord's interest in the Premises in violation of the terms of this Article XXIII (an "Invalid Sale") shall, at the option of Tenant, be null and void. Tenant shall have the right to purchase Landlord's interest in the Premises upon the terms and conditions of any Invalid Sale. The payment of any Rent to a Person who acquires Landlord's interest in the Premises or Tenant's treatment of such Person as the "Landlord" under this Lease shall not be deemed to be a waiver of Tenant's rights under this Article XXIII.
- (e) Landlord shall not transfer its interest in the Premises and other property in the same transaction (i.e., no Offer shall provide for the sale of the Premises together with other property). In addition, Landlord shall not enter into any transaction under which it will transfer a portion, but not all, of Landlord's interest in the Premises.
- (f) For purposes hereof, if Landlord is an entity (such as, by way of example and not limitation, a corporation, general partnership, limited partnership or limited liability company) the transfer of a majority of the ownership interests (e.g. stock, partnership interests or membership interest) or voting rights in Landlord or any other arrangement that has substantially the same effect as a sale of the Premises shall be deemed to be a transfer of Landlord's interest in the Premises and shall be subject to the terms of this Article XXIII, excluding (i) transfers of ownership interests in Landlord resulting from the death of the holder thereof; (ii) the issuance or transfer of stock, units, shares or other securities by a Parent Entity, whether through public or private offerings, including without limitation, the issuance of or transfer of stock, units, shares, or other securities by Landlord or an Affiliate of Landlord, so long as such Parent

Entity owns material assets other than its ownership interests in Landlord; (iii) the transfer of an ownership interest in Landlord pursuant to a merger, reorganization, consolidation, or other similar transaction involving substantially all of the assets of Landlord to an Affiliate of Landlord; or (iv) a transfer of the Premises by Landlord as part of a portfolio transfer of, at minimum, \$100,000,000 in assets owned by Landlord and/or by a Parent Entity; provided, however, in the event that any such transaction described in this Section 23.01(f) shall directly result in greater than 50% of the voting interests in Landlord being vested in a Disqualified Person (as hereafter defined), then Tenant's Right of First Refusal shall be available to Tenant pursuant to this Article XXIII.

(g) Ground Lease. Notwithstanding anything herein to the contrary, the parties agree that the Right of First Refusal set forth herein shall be subject and subordinate to the Right of First Refusal provided to Ground Lessor under the Ground Lease and Tenant shall have no right to exercise its rights pursuant to this Section unless and until Ground Lessor has waived or has been deemed to have waived its Right of First Refusal under the Ground Lease.

ARTICLE XXIV PURCHASE OPTION

XXIV.1 Grant of Option. Subject to the terms of Ground Lessor under the Ground Lease, Tenant shall have the right and option to purchase the Landlord's interest in the Premises, including, without limitation, all of its interest as ground lessee under the Ground Lease, from Landlord (the "Purchase Option") upon and in accordance with the provisions of this Article XXIV. In the event Tenant desires to exercise the Purchase Option it may do so by giving written notice to Landlord (a "Purchase Option Notice") at least one hundred eighty (180) days prior to the applicable Purchase Option Date. Except as provided herein, the Purchase Option, once exercised, shall be a binding contract for the purchase and sale of the Landlord's interest in the Premises including, without limitation, all of its interest as ground lessee under the Ground Lease, on and subject to the terms and conditions set forth herein.

XXIV.2 Purchase Price. Subject to the prorations and adjustments set forth herein, in the event Tenant elects to exercise the Purchase Option, the purchase price (the "Purchase Price") for the Landlord's interest in the Premises shall be equal to ninety-eight and one-half percent (98.5%) of the fair market value of the Landlord's interest in the Premises determined in accordance with Section 24.03 below (the "Fair Market Value"), which Fair Market Value shall include the unamortized cost of any capital expenditure and the unamortized cost of tenant improvements in the Premises that are paid for by Landlord after Final Completion occurs. At the closing and consummation of the purchase and sale of the Landlord's interest in the Premises (the "Closing"), Tenant shall pay the Purchase Price to Landlord, in immediately available funds.

XXIV.3Fair Market Value. If Tenant funds any Alteration or expansion of the Premises, the value of such alteration or expansion will not be considered when determining Fair Market Value. During the ten (10) Business Day period after the exercise of the Purchase Option, Tenant and Landlord shall endeavor in good faith to agree upon a mutually acceptable Appraiser. An "Appraiser" is an appraiser certified as an MAI appraiser with a nationally recognized firm or a firm recognized in Edwardsville, Illinois metropolitan area, familiar with valuing hospital buildings, and with at least ten (10) years' experience as a commercial real estate appraiser. An "MAI" appraiser means an individual who holds the MAI designation conferred by, and is an independent member of, the American Institute of Real Estate Appraisers (or its successor organization or, in the event there is no successor organization,

the organization and designation most similar). If Tenant and Landlord do reach agreement on one (1) Appraiser, then they shall jointly engage the Appraiser, and each shall pay one-half of the appraisal fee.

- (i) If Tenant and Landlord fail to reach agreement on one (1) Appraiser during such ten (10) Business Day period, then no later than ten (10) Business Days after the lapse of such ten (10) Business Day period, each shall select and engage one (1) Appraiser and notify the other of the Appraiser selected. Each party shall pay the appraisal fee of its Appraiser.
- (ii) The single Appraiser or the two (2) Appraisers, as the case may be, shall determine the Fair Market Value as required herein, and shall furnish each party a written determination of such Fair Market Value within ten (10) Business Days after the Appraiser's appointment. If the parties have agreed upon a single Appraiser, the single Appraiser's appraisal shall be binding on the parties. If each party has selected an Appraiser, and if the determinations of the two (2) Appraisers are within ten percent (10%) of each other, the Fair Market Value binding on the parties shall be the average of the two (2) determinations. In the event that only one (1) party selects an Appraiser and timely notifies the other party of its selection, and such party's Appraiser gives such notice within the ten (10) Business Day period, the determination of Fair Market Value made by that Appraiser shall be deemed to be the Fair Market Value and likewise shall be binding on the parties.
- (iii) If the two (2) Appraisers do not agree within ten percent (10%) on the Fair Market Value within ten (10) days after both Appraisers notify the parties of their respective determination of Fair Market Value, each party will cause the Appraiser selected by it to select by mutual agreement the name of one (1) Appraiser having the qualifications set forth above (the "Third Appraiser"). In the event the Appraiser selected by only one (1) party supplies the name of an Appraiser during such ten (10) day period, the Appraiser named by such Appraiser shall be the "Third Appraiser." In either case, each party shall pay one-half of the appraisal fee of the Third Appraiser.
- (iv) Within ten (10) Business Days from the date of this appointment, the Third Appraiser shall make a determination of Fair Market Value. If the Third Appraiser's appraisal is equal to one (1) of the appraisals of the first two (2) appraisals, the Third Appraiser's appraisal shall be deemed to be the Fair Market Value and shall be binding on the parties. If the Third Appraiser's appraisal is not equal to one (1) of the appraisals of the first two (2) Appraisers, then the average of the two (2) closest appraisals shall be deemed to be the Fair Market Value and shall be binding on the parties.

Tenant shall have the right to terminate and cancel its exercise of the Purchase Option by providing written notice to Landlord (a "Purchase Option Termination Notice") within ten (10) days after its receipt of notice of the determination of the Fair Market Value, in which event this Lease shall remain in full force and effect until the expiration or earlier termination of the Term and Tenant shall reimburse Landlord for Landlord's portion of appraisal expenses related to determination of the Fair Market Value.

XXIV.4<u>Title Insurance</u>. Tenant's obligations to purchase Landlord's interest the Premises is conditioned on Tenant receiving an owner's title policy in the amount of the Purchase Price (the "Owner's Title Policy"). The Owner's Title Policy shall: (i) be based on a title commitment of the Land prepared by a title insurance company of Tenant's choosing, and (ii) insure Tenant's good and valid fee interest in the Premises, subject only to the Permitted Exceptions. In the event Tenant is unable to obtain the Owner's Title Policy or the same does not satisfy the requirements of this <u>Section 24.04</u>, Tenant may, as its sole and exclusive remedy, terminate and cancel its exercise of the Purchase Option within forty five (45) days after the determination of Fair Market Value, in which event this Lease shall remain in full force until the expiration or earlier termination of the Term, as if the Purchase Option had never been exercised, but the Purchase Option shall no longer be of any force or effect and Tenant shall reimburse

Landlord for Landlord's portion of appraisal expenses related to determination of the Fair Market Value. If Tenant fails to terminate the exercise of the Purchase Option within such forty five (45) day period, Tenant's right to terminate the exercise of the Purchase Option shall be deemed waived.

XXIV.5 Closing. The time and date of the Closing and the exact location thereof shall be determined by Tenant and reasonably acceptable to Landlord, provided Tenant shall give Landlord at least ten (10) Business Days advance written notice of the date, time and location of the Closing, and provided further that the Closing shall occur no later than thirty (30) days after the applicable Purchase Option Date. At the Closing, Landlord shall deliver the following items to Tenant, properly executed and notarized: (i) an Assignment and Assumption of the Ground Lease, assigning all of Landlord's right, title and interest in the Ground Lease to Tenant, free of liens and subject only to the Permitted Exceptions (the "Ground Lease Assignment"); (ii) an agreement, in form and substance reasonably acceptable to Landlord and Tenant, terminating this Lease (the "Lease Termination"); (iii) an owner's affidavit, in form and content, sufficient to have the mechanics' and materialmen's exception, rights of parties in possession exception and any other standard exceptions removed from the Owner's Title Policy and the gap insured; and (iv) all other documents, instruments, certificates and affidavits that are necessary to consummate the transaction contemplated by this Article XXIV, including, without limitation, a settlement sheet and an IRS §1445 certificate. At or prior to Closing, Seller shall cause all Monetary Liens affecting the Landlord's interest in the Premises to be released and discharged, except for any Monetary Liens arising or resulting from Tenant's affirmative acts or those only affecting Landlord's interest in the Land that is expressly permitted under the Ground Lease.

XXIV.6Closing Costs and Prorations. At Closing, Tenant shall pay the cost of recording the Ground Lease Assignment and Lease Termination, all transfer taxes assessed as a result of the conveyance of the Landlord's interest in the Premises to Tenant, the Owner's Title Policy and Tenant's legal fees, and Landlord shall pay for Landlord's legal fees. Other costs and expenses of Closing shall be paid by Tenant. Landlord and Tenant acknowledge that Tenant is required to pay the Property Taxes levied or assessed against the Premises. Accordingly, real property taxes and governmental assessments (general and special) will not be prorated between the parties at Closing.

XXIV.7 Ground Lease. Notwithstanding anything herein to the contrary, the parties agree that the Option to Purchase set forth herein shall be subject and subordinate to the Option to Purchase provided to Ground Lessor under the Ground Lease and Tenant's notice shall only be effective to the extent Ground Lessor has not exercised its Option to Purchase within the time periods set forth in the Ground Lease.

ARTICLE XXV

TRANSFER OR ASSIGNMENT OF LANDLORD'S INTEREST

XXV.1 Transfers or Assignment by Landlord. Following the Commencement Date, Landlord shall have the right to assign or transfer, in whole or in part, every feature of its right and obligations hereunder and the Premises, provided it complies with the terms of this Article XXV and the other terms of this Lease. In the event of a sale or conveyance by Landlord of the Premises, the same shall operate to release Landlord from any and all liability under this Lease arising after the date of such sale, transfer, or assignment; provided the assignee assumes, in writing, the obligations and liabilities of Landlord under this Lease for the benefit of Tenant. Tenant's right to quiet possession of the Premises shall not be disturbed so long as Tenant shall pay the Rent and observe and perform all of the provisions of this Lease to be observed and performed by Tenant, unless this Lease is terminated pursuant to specific provisions contained herein. Landlord shall not assign this Lease or sell the Premises to any "Disqualified Person" as described in Section 25.02 or otherwise violate the terms of this Lease.

XXV.2 Disqualified Person.

- (a) The term "Disqualified Person" as used herein shall mean and include: (i) any Person engaged in the ownership, operation, lease, or management of any acute care general hospital, medical/surgical hospital, specialty hospital or other hospital facility, extended care facility, rehabilitation center or facility, emergency center, inpatient surgery center or facility, respiratory therapy center or facility or inhalation therapy center or facility, or physician practice or physician group practice (each a "Competitor Facility"); (ii) any Excluded Person; (iii) any Person that otherwise engages in activities that are directly competitive with Tenant, Kindred Healthcare, LLC, a Delaware limited liability company ("Kindred") or its Affiliates; or (iv) any Person which is an Affiliate of any Person described in clause (i) above; provided, however, Disqualified Person shall not mean Tenant, Kindred, or any of their respective Affiliate(s). Notwithstanding the foregoing, a Disqualified Person shall not include (x) an assignee of this Lease or purchaser of the Premises (a "Transferee"), if such Transferee is only a passive owner of a facility described in clause (i) above, so long as neither such Transferee nor any Affiliate thereof is the operator of any such facility meaning that it merely leases any such facilities owned by it to unaffiliated operators, doctors and/or healthcare systems without the right to receive profits or revenues from the operation or management of healthcare services at such facilities; or (y) a Transferee, notwithstanding the fact that it has an Affiliate that is a Disqualified Person, if neither the business of such Transferee nor its Affiliate involves the operation or management of a Competitor Facility and is otherwise a passive owner as described in clause (x) above; provided, the provision of property management services for a property that is owned or leased by a Competitor Facility will not be deemed to be "management" of a Competitor Facility for purposes hereof.
- (i) Landlord's interest in the Premises be owned by any Disqualified Person, directly or indirectly; or (ii) any of the ownership interests (such as, without limitation, stock membership interest, partnership interests or limited partnership interests), or voting rights in Landlord be held by any Disqualified Person, directly or indirectly. For purposes hereof, a direct or indirect ownership interest in Landlord, Landlord's interest in the Premises or voting rights of Landlord shall mean that such Disqualified Person (A) holds an ownership or voting interest in Landlord, directly or indirectly, (B) holds an ownership or voting interest in any entity that, directly or indirectly, holds an ownership or voting interest in the Premises, directly or indirectly, or (D) holds an ownership or voting interest in any entity that, directly or indirectly, holds an ownership interest in the Premises.
- (c) Tenant acknowledges that Landlord is currently owned, and may in the future be owned, in whole or in part, directly or indirectly, by one or more publicly traded entities (each, whether one or more, now or in the future, and whether a direct or indirect owner of Landlord, a "Publicly Traded Parent"). Notwithstanding anything to the contrary contained in this Lease, the ownership of the stock or other interests in a Publicly Traded Parent by a Disqualified Person shall not be deemed a violation of the provisions of this Lease.

ARTICLE XXVI GUARANTY

XXVI.1 Guaranty. The obligations of Tenant under the Lease shall be guaranteed by Kindred
pursuant to the form of Guaranty Agreement set forth in Exhibit D attached hereto. Kindred will
guarantee the obligations of Tenant on a several basis, and not on a joint basis, with Southwestern Illinois
Health Facilities, Inc., an Illinois not-for-profit corporation d/b/a Anderson Healthcare being responsible
for percent (%) of Tenant's obligations under this Lease, and Kindred being responsible
for percent (%) of Tenant's obligations under this Lease, all as more particularly described
in the form of Guaranty Agreement attached hereto.

ARTICLE XXVII

GROUND LEASE

XXVII.1 Compliance with Ground Lease. Landlord shall not do anything or suffer or permit anything to be done that would result in a default by Landlord under the Ground Lease or an early termination of the Ground Lease. In addition, Landlord shall satisfy all of its obligations and liabilities under the Ground Lease to the extent the same arise or relate to periods outside the Term or are not Tenant's responsibility under this Lease. In the event of a default by the Ground Lessor under the Ground Lease, Landlord shall take all action reasonably necessary to enforce the terms of the Ground Lease against the Ground Lessor. During the Term, Landlord shall not cancel or terminate the Ground Lease, and Landlord shall neither amend nor modify the Ground Lease nor enter into any other agreement with Ground Lessor that would contravene or conflict with Landlord's obligations under this Lease or that would affect Tenant's rights and responsibilities under this Lease.

XXVII.2 Ground Lease Monthly Rent. Commencing on the Commencement Date and continuing throughout the remainder of the Term, Tenant shall be responsible for the payment of the Ground Lease Rent that Landlord owes Ground Lessor under the terms of the Ground Lease, as the same may be reduced or abated pursuant to the terms of the Ground Lease. Tenant shall pay such Ground Lease Rent directly to the Ground Lessor in accordance with the terms of the Ground Lease. If Landlord receives any bills, invoices, or other payment requests from the Ground Lessor related to the Ground Lease Rent or other amounts that Landlord owes Ground Lessor under the Ground Lease, Landlord shall immediately deliver the same to Tenant. Notwithstanding anything to the contrary contained herein, in no event shall Tenant be: (i) required to pay any Ground Lease Rent that is allocable or related to periods outside the Term; or (ii) obligated to pay any amounts that Landlord owes Ground Lessor as a result of any late payment or default by Landlord under the Ground Lease.

XXVII.3 Ground Lease Terms. Except as otherwise expressly provided herein, Tenant shall perform and be bound by all of Landlord's obligations under the Ground Lease to the extent, but only to the extent, such obligations first arise and relate to periods within the Term. In no event shall Tenant be responsible for: (i) curing any default by Landlord existing under the Ground Lease as of the Commencement Date; (ii) repairing, or paying for the cost of repairing, any damage to the Premises to the extent caused by any act, negligence or misconduct of Landlord, excluding ordinary wear and tear; (iii) any indemnification obligation of Landlord under the Ground Lease arising or resulting from an event or matter that does not occur during the Term or from any act, negligence or misconduct of Landlord, the Ground Lessor or any of their agents, employees, contractors or representatives; (iv) liable as a result of any matter or event that does not first occur during the Term, except to the extent any such liability is exasperated by the negligent or intentional actions of Tenant during the Term (in which case Tenant's liability shall not exceed the extent to which its negligent or intentional actions exasperated such matter). If Landlord shall fail to make any payment or perform any act required to be made or performed by Landlord under the Ground Lease, and such default is neither an obligation of Tenant hereunder nor caused by Tenant and is not cured by Landlord by the first to occur of (i) one half of the period specified in the Ground Lease for curing such default, or (ii) five (5) days prior to the expiration of such Ground Lease cure period, then Tenant may (but shall not be obligated to), without waiving or releasing any obligation hereunder, make such payment or perform such act for the account and at the expense of Landlord, and may take any and all such actions as Tenant in its reasonable discretion deems necessary or appropriate to accomplish such cure. If Tenant reasonably incurs any expense in remedying such default, Tenant shall be entitled to recover from Landlord such costs within ten (10) Business Days after delivering written notice to Landlord, which notice shall be accompanied by reasonable evidence or substantiation of the costs to be recovered. Notwithstanding anything contained herein or in the Ground Lease that may appear to be to the contrary, Landlord and Tenant hereby agree that, to the extent that the Ground Lease imposes obligations on the lessee thereunder that conflict with the obligations of Tenant under this Lease, the obligations imposed by such Ground Lease shall supersede the obligations imposed

by this Lease except as specifically provided herein. For the purposes of this provision, obligations "conflict" only when and to the extent that the performance of one obligation prevents or substantially limits the performance of another obligation.

- Ease requires that Landlord obtain the consent of Ground Lessor before undertaking such action, Tenant may contact Ground Lessor directly for such consent and Landlord agrees to cooperate and assist Tenant in connection with obtaining any such consents; provided Landlord shall not be required to incur any out-of-pocket costs in connection therewith without reimbursement from Tenant and such consent shall not impair Landlord's rights under the Ground Lease or modify Landlord's obligations under the Ground Lease. Unless otherwise expressly provided herein, Tenant shall not be required to obtain Landlord's consent for any matter requiring Ground Lessor's consent; provided, however, each such consent obtained directly from Ground Lessor shall specifically provide that the consent granted therein shall inure to the benefit of Landlord and not result in a default by Landlord under the Ground Lease.
- XXVII.5 <u>Bankruptcy</u>. In the event the Ground Lease is rejected by Ground Lessor in a proceeding under the United States Bankruptcy Code or similar statutes relating to insolvency, possession of the Premises by Tenant shall be deemed to be possession of the Premises by Landlord and Tenant may exercise Landlord's right to remain in possession of the Premises and the terms of such possession shall be governed by this Lease.
- XXVII.6 Ground Lease Termination. Either Landlord or Tenant shall have the right to terminate this Lease if the Ground Lease is terminated in accordance with its terms, provided such termination shall not be deemed a waiver of any rights or remedies to which such party may be entitled as a result of a breach of this Lease and provided further, that nothing in this Section shall limit Landlord's obligations under Section 27.01 of this Lease and Landlord shall not take any action that would result in an early termination of the Ground Lease

ARTICLE XXVIII MISCELLANEOUS PROVISIONS

- XXVIII.1 <u>Consents</u>. Unless otherwise expressly stated herein, whenever Landlord's or Tenant's consent is required under this Lease, such consent shall not be unreasonably withheld, qualified or delayed.
- XXVIII.2 <u>Cooperation</u>. Upon Tenant's request, Landlord agrees to cooperate with, assist and join in Tenant's efforts to obtain all governmental permits licenses and approvals that Tenant deems necessary or desirable for Tenant's use and enjoyment of the Premises for any of the Permitted Uses or any other uses approved by Landlord, including, but not limited to, any Alterations undertaken by or on behalf of Tenant in accordance with Section 8.01.
- XXVIII.3 <u>Financial Statements</u>. At any time after the Commencement Date, if requested by Landlord, Tenant shall furnish to Landlord (i) unaudited financial statements prepared for such fiscal year with respect to Tenant, including a balance sheet and operating statement as of the end of such fiscal year, together with related statements of income, partners' capital and cash flows for such fiscal year, and (ii) liquidity projections for the then-current fiscal year. At Tenant's option, the financial statements may be prepared internally by accounting professionals employed by Kindred or a public accounting firm selected by Tenant.
- XXVIII.4 <u>Records</u>. Upon the written request of the Secretary of the U.S. Department of Health and Human Services, the U.S. Comptroller General of the Government Accounting Office, or their authorized representatives, Landlord shall make available this Lease and all books, documents, and

records necessary to certify the nature and extent of Landlord's costs with respect to this Lease and the Premises for a period of four (4) years after performing its duties hereunder. If Landlord carries out any of its duties under this Lease through a subcontract worth \$10,000 or more over a 12-month period, the subcontract will also contain an access clause to permit access by the Secretary, Comptroller General, and their authorized representatives to such subcontractor's books and records.

XXVIII.5 Regulatory Matters.

- (a) Landlord and Tenant enter into this Lease with the intent of conducting their relationship and implementing the agreements contained herein in full compliance with applicable federal, state and local law, including without limitation, the Medicare/Medicaid Anti-Kickback statute (the "Anti-Kickback Law") and Section 1877 of the Social Security Act (the "Stark Law"), as amended. Notwithstanding any unanticipated effect of any of the provisions of this Lease, neither party will intentionally conduct itself under the terms of this Lease in a manner that would constitute a violation of the Anti-Kickback Law or the Stark Law. Without limiting the generality of the foregoing, Landlord and Tenant expressly agree that nothing contained in this Lease shall require either party to refer any patients to the other, or to any affiliate or subsidiary of the other.
- (b) If any legislation, regulation or government policy is passed or adopted, the effect of which would cause either party to be in violation of such laws due to the existence of any provision of this Lease, then Landlord and Tenant agree to negotiate in good faith for a period of ninety (90) days to modify the terms of this Lease to comply with applicable law.
- owner of Landlord is a physician, the parties hereto acknowledge and agree that (a) the Premises leased hereunder do not exceed that which are reasonable and necessary for Tenant's legitimate business purpose and are used exclusively by Tenant during the Term; (b) the rental charges over the Term are set in advance, are consistent with fair market value, and are not determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties; and (c) this arrangement would be commercially reasonable even if no referrals were made between the parties. Nothing in this Lease, whether written or oral, nor any consideration in connection herewith requires the referral of any patient. This Lease is not intended to influence the judgment of Tenant in choosing the medical facility appropriate for the proper treatment of patients. Tenant shall not receive any compensation or remuneration in exchange for referrals. The parties hereto support a patient's right to select the medical facility of his or her choice. The parties specifically do not intend to violate the federal (or any state's versions of the) Stark Law and Anti-Kickback Statute and intend to meet the requirements of the Lease Exception set forth at 42 CFR 411.357(a), and to the extent possible, of the Lease Safe Harbor set forth at 42 CFR 1001.952(b).
- (d) To the extent applicable, and to the extent Landlord or any owner of Landlord is a physician, nothing in this Lease shall be construed to require Landlord to refer patients to Tenant or to require Tenant to refer patients to Landlord.
- (e) Landlord certifies that, as of the Effective Date of this Lease, no member of his or her immediate family (or if Landlord is a corporate entity, then no principal of Landlord has a member of his or her immediate family that) has entered into a financial relationship, including an employment relationship, with Tenant or an Affiliate of Tenant related to the provision of designated health services as defined in Section 1877 of the Social Security Act or that, if such relationship exists, it has been disclosed to and approved by Tenant. Landlord agrees to give Tenant five (5) business days written notice in the event such a relationship is created during the Term of this Lease. For purposes of this paragraph, "immediate family" is defined to mean spouse; natural or adoptive parent, child or sibling; stepparent,

stepchild, stepbrother, stepsister; father-in-law, mother-in-law, daughter-in-law, son-in-law, brother-in-law, sister-in-law; grandparent, grandchild and spouse of a grandparent or grandchild.

- (f) Landlord hereby represents and warrants that Landlord is not, and at no time has been, excluded from participation in any federally funded health care program, including Medicare and Medicaid. Landlord hereby agrees to notify Tenant immediately of any threatened, proposed, or actual exclusion of Landlord from any federally funded health care program, including Medicare and Medicaid. In the event that Landlord is excluded from participation in any federally funded health care program during the Term, or if at any time after the Effective Date of this Lease it is determined that Landlord is in breach of this Section, Tenant shall, as of the effective date of such exclusion or breach, have the rights and remedies set forth in Section 28.05(h) of this Lease. Landlord shall indemnify and hold harmless Tenant against all actions, claims, demands, and liabilities and against all loss, damage, costs, and expenses, including reasonable attorneys' fees, due to the exclusion of Landlord from a federally funded health care program, including Medicare or Medicaid or out of an actual or alleged injury to a person or to property as a result of the negligent, intentional act or omission, or criminal or fraudulent act or Landlord or any of Landlord's employees, subcontractors, or agents in connection with Landlord's obligations under this Lease.
- (g) Notwithstanding anything to the contrary contained in the Lease, in the event the performance by either party hereto of any term, covenant, condition, or provision of this Lease jeopardizes the licensure of Tenant or an Affiliate of Tenant, its participation in or the payment or reimbursement from, Medicare, Medicaid program, Blue Cross, or other reimbursement or payment programs, or its full accreditation by the Joint Commission, as applicable, or any other state or nationally recognized accreditation organization, or the tax-exempt status of Tenant or an Affiliate of Tenant, any of its property or financing (or the interest income thereon, as applicable), or will prevent or prohibit any physician, or any other health care professionals or their patients from utilizing Tenant or any of its services, or if for any other reason said performance should be in violation of any statute, ordinance, or be otherwise deemed illegal, or be deemed unethical by any recognized body, agency, or association in the medical or hospital fields, Tenant shall have the rights and remedies set forth in Section 28.05(h) of this Lease.
- (h) Rights and Remedies. Upon the occurrence of any of the events referenced in Section 28.05(f) or (g) of this Lease, Tenant shall give Landlord written notice of the matter at issue, and Tenant and Landlord agree to promptly engage in good faith negotiations to resolve the matter through an amendment to this Lease. If the parties are unable to resolve the matter through an amendment to this Lease within thirty (30) days after Tenant's written notice to Landlord thereof, and the parties do not otherwise agree upon a course of action to resolve the matter within the same thirty (30) day period, then the parties agree to submit the matter to binding arbitration with the American Health Lawyers Association ("AHLA") for resolution pursuant to the AHLA Rules of Procedure for Arbitration at a mutually agreeable location, and judgment on any award rendered by such arbitrators may be entered in any court having jurisdiction thereof. Tenant and Landlord agree that a matter submitted to arbitration will be arbitrated before a panel of three (3) arbitrators, appointed in accordance with the AHLA Rules of Procedure for Arbitration.
- XXVIII.6 Estoppel Certificates. Within fifteen (15) Business Days after its receipt of a written request from the other party, Landlord or Tenant, as applicable, shall execute and deliver to the other party or its designee a written statement certifying to the extent true and ascertainable (i) that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease as modified is in full force and effect and identifying the modifications), (ii) that, to its actual knowledge, neither Landlord nor Tenant is in default under this Lease and no circumstance exists which with the giving of notice, the passage of time, or both, would constitute such a default (or, if either party is in

default or a circumstance exists which with the giving notice, the passage of time, or both, would constitute such a default, then the nature of such default or circumstance shall be set forth in detail), (iii) that there are no actions, whether voluntary or otherwise, pending against it under the bankruptcy laws of the United States or any state thereof, and (iv) any other facts related to the status of this Lease or the condition of the Premises, but only to the extent of the certifying party's actual knowledge thereof.

XXVIII.7 Offset. If Landlord fails to pay Tenant any amounts that Landlord owes Tenant under this Lease, Tenant may deduct such amounts with interest thereon (the "Rental Offsets") from the Rent and retain the same; provided, however, the total Rental Offsets in any calendar year shall not exceed fifteen percent (15%) of the total Monthly Rent during such calendar year and the Rental Offsets in any month shall not exceed fifteen percent (15%) on the Monthly Rent payable during such month.

XXVIII.8 Force Majeure. In the event Landlord or Tenant is delayed in performing any of its obligations under this Lease due to an Event of Force Majeure, then the period of time that Landlord or Tenant, as applicable, has to perform the obligation shall be extended by the period of such delay; provided, however, the provisions of this Section shall not operate to (i) excuse, extend or abate Tenant's obligation to pay any Rent, (ii) excuse Landlord's or Tenant's inability to perform its obligations hereunder because of inadequate finances, or (iii) excuse Landlord's failure to fulfill its obligations under the Development Agreement and deliver exclusive possession of the Premises to Tenant.

XXVIII.9 <u>Landlord's Liens</u>. Landlord hereby waives any and all liens, whether statutory, constitutional, possessory or otherwise, that Landlord may, now or hereafter, have with respect to any of Tenant's property, including, but not limited to, trade fixtures, furnishings, accounts receivable and equipment.

XXVIII.10 Holdover. If Tenant retains possession of the Premises after the expiration or earlier termination of this Lease, Tenant shall be a tenant at sufferance at one hundred fifty percent (150%) of the Monthly Rent for the Premises in effect upon the date of such expiration or earlier termination, and otherwise upon the terms, covenants and conditions herein specified, so far as applicable. Acceptance by Landlord of rent after such expiration or earlier termination shall not result in a renewal of this Lease, nor shall such acceptance create a month-to-month tenancy. In the event a month-to-month tenancy is created by operation of law, either party shall have the right to terminate such month-to-month tenancy upon thirty (30) days' prior written notice to the other, whether or not said notice is given on the rent paying date. This Section 28.10 shall in no way constitute a consent by Landlord to any holding over by Tenant upon the expiration or earlier termination of this Lease, nor limit Landlord's remedies in such event. In no event shall Tenant be liability for consequential damages in connection with a holdover.

XXVIII.11 <u>Brokers.</u> Landlord and Tenant each (i) represents and warrants to the other that it has not dealt with any real estate broker, finder or listing agent in connection with this Lease, and (ii) agrees to indemnify, defend and hold harmless the other from and against any claim for a commission, fee or other compensation made by a broker, finder or listing agent with whom it has dealt (or allegedly dealt). The provisions of this Section shall survive the expiration or termination of this Lease.

XXVIII.12 <u>Successors and Assigns</u>. This Lease shall be binding on Landlord, Tenant and their respective successors and assigns.

XXVIII.13 <u>Relationship</u>. The relationship of Landlord and Tenant is solely that of independent third parties engaged in an arm's length transaction. Nothing contained in this Lease shall be deemed or constructed as creating a partnership, joint venture, agency or other similar relationship between Landlord and Tenant.

- XXVIII.14 <u>Severability</u>. If any provision of this Lease is found by a court of competent jurisdiction to be illegal, invalid or unenforceable, the remainder of this Lease will not be affected, and in lieu of each provision that is found to be illegal, invalid or unenforceable, a provision will be added as a part of this Lease that is as similar to the illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.
- XXVIII.15 Entire Agreement. This Lease constitutes the entire agreement between the parties with respect to the Premises, and all prior negotiations and understandings shall be deemed incorporated herein. This Lease may only be amended or modified by a written instrument signed by both Landlord and Tenant.
- XXVIII.16 No Waiver. No waiver by Landlord or Tenant of any provision or breach of this Lease shall be deemed to have been made unless the same is in writing, and no waiver of any provision or breach of this Lease shall be deemed a waiver of any other provisions or breach. Landlord's or Tenant's consent to or approval of any act shall not be deemed to render unnecessary the obtaining of Landlord's or Tenant's consent to or approval of any subsequent act.
- XXVIII.17 <u>Submission</u>. The submission of this Lease does not constitute an offer, and this document shall become effective and binding only upon the execution and delivery hereof by both Landlord and Tenant. Furthermore, copies of this Lease that have not been executed and delivered by both Landlord and Tenant shall not serve as a memorandum or other writing evidencing an agreement between the parties. It is hereby disclosed that only the officer of Tenant listed in the signature block of this Lease has the authority to cause Tenant to enter into binding leases.
- XXVIII.18 Memorandum of Lease. Upon either party's written request, Landlord and Tenant shall promptly execute and record a memorandum of this Lease in the form attached as Exhibit E; provided the cost of recording such memorandum shall be borne by the requesting party. This Lease shall not be recorded in its entirety unless Landlord and Tenant agree otherwise, in writing.
- XXVIII.19 Attorney Fees. In the event of any lawsuit between the parties arising from or relating to this Lease, the prevailing party in such lawsuit shall be entitled to recover its reasonable costs, expenses and attorneys' fees from the non-prevailing party therein, including but not limited to, court costs, professional fees and other litigation expenses through all appellate levels and in bankruptcy court. This Section shall survive the expiration or termination of this Lease.
- XXVIII.20 <u>Exhibits</u>. Landlord and Tenant acknowledge and agree that all exhibits referenced in this Lease are attached hereto and incorporated herein by reference.
- XXVIII.21 <u>Governing Law, Venue and Jurisdiction</u>. This Lease shall be governed by the laws of the State of Illinois. Landlord and Tenant stipulate and agree that any lawsuit or other legal action arising from or relating to this Lease (or any agreement formed pursuant to the terms hereof) shall only be commenced, and such jurisdiction and venue shall only be valid, in state court of the county where the Land is located.
- XXVIII.22 WAIVER OF TRIAL BY JURY. EACH OF LANDLORD AND TENANT ACKNOWLEDGES THAT IT HAS HAD THE ADVICE OF COUNSEL OF ITS CHOICE WITH RESPECT TO ITS RIGHTS TO TRIAL BY JURY UNDER THE CONSTITUTION OF THE UNITED STATES AND THE STATE OF ILLINOIS. EACH OF LANDLORD AND TENANT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER THIS LEASE (OR ANY AGREEMENT FORMED PURSUANT TO THE TERMS HEREOF) OR (ii) IN ANY MANNER CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF LANDLORD AND TENANT WITH

RESPECT TO THIS LEASE (OR ANY AGREEMENT FORMED PURSUANT TO THE TERMS HEREOF) OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREINAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; EACH OF LANDLORD AND TENANT HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY A COURT TRIAL WITHOUT A JURY, AND THAT EITHER PARTY MAY FILE A COPY OF THIS SECTION WITH ANY COURT AS CONCLUSIVE EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

XXVIII.23 Confidentiality. The parties hereto shall hold in confidence the information contained in this Lease and each of them hereby acknowledges and agrees that all information related to this Lease, not otherwise known to the public, is confidential and proprietary and is not to be disclosed to third persons without the prior written consent of each of the parties except: (a) to the extent necessary to comply with Applicable Law or the valid order of any governmental agency or any court of competent jurisdiction; (b) as part of its normal reporting or review procedure, to its auditors, and to its attorneys; (c) to the extent necessary to obtain appropriate insurance, to its insurance agent; or (d) as necessary to enforce its rights and perform its agreements and obligations under this Lease. Landlord shall treat all non-public information obtained as part of this engagement as confidential and shall not, without written authorization from Tenant, release or share such information with any third party, except as may be required by Applicable Law. Landlord agrees that, prior to reporting any actual or perceived violation of law to any governmental entity, even if required by law to do so, Landlord will first discuss any potential legal or compliance matter with Tenant's legal counsel and, unless otherwise required by Applicable Law, provide Tenant with an opportunity to investigate and appropriately report any compliance matter brought to Tenant's attention by Landlord. The provisions of this Section shall survive the termination or expiration of this Lease.

XXVIII.24 <u>Development Agreement</u>. If Landlord defaults under the terms of the Development Agreement, then Landlord shall also be deemed to have breached this Lease. In addition to any other remedies available under the Development Agreement, this Lease, at law or in equity, either party shall have the right to terminate this Lease if the Development Agreement is terminated pursuant to the terms thereof.

[REMAINDER OF PAGE INTENTIONALLY BLANK; SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Lease as of the Effective Date.

LANDLORD:			
	 	-	
Ву:	 		
Name:			
Title:			
TENANT:			
			
Ву:	 		
Name:	 S.		
Title:			

EXHIBIT A

DESCRIPTION OF LAND

EXHIBIT B

PERMITTED EXCEPTIONS

[To be updated using the most current title commitment and ALTA survey]

EXHIBIT C

COMMENCEMENT DATE AGREEMENT

	, 20
Re: Lease Agreement	(the "Landlord"), and (the
meanings assigned t	ized terms used herein but not defined shall be given the
Ladies and Gentlemen:	
Landlord and Tenant agree a	s follows:
pursuant to the Lease; provided no remedies under the Lease or the between Landlord and Tenant, dated therein. To Tenant's actual kno improvements required by the terms	nises. Tenant has accepted possession of the Premises of thing herein shall be deemed to limit Tenant's rights or Development Agreement (the "Development Agreement") as a result of any defects or deficiencies wledge, without additional investigation or inquiry, any of the Lease and the Development Agreement to be made by the part of the punchlist and other items described on Exhibit A
2. Commencement Da	nte. The Commencement Date of the Lease is,
3. Expiration Date. T full calendar month of the Term, whi	The Term is scheduled to expire on the last day of the 180th ch date is
4. <u>Initial Monthly Rer</u>	nt. The initial Monthly Rent is \$
6. <u>Contact Person</u> . Te	enant's contact person in the Premises is:
Attention:	
Telephone: Telecopy:	
7. Ratification. Tenar under the Lease.	nt and Landlord hereby ratify and confirm its obligations

8. <u>Binding Effect; Governing Law.</u> Except as modified hereby, the Lease shall remain in full effect and this letter shall be binding upon Landlord and Tenant and their respective

successors and assigns. If any inconsistency exists or arises between the terms of this letter and the terms of the Lease, the terms of this letter shall prevail. This letter shall be governed by the laws of the state in which the Premises are located.

Please indicate your agreement to the above matters by signing this letter in the space indicated below and returning an executed original to us.

	Sincerely,	
	7 	
	By:	
ā.	Name:	- 32-
	Title:	
Acknowledged and Agreed To:		
By:		
Name:		
Title:		

EXHIBIT D

GUARANTY

EXHIBIT E

MEMORANDUM OF LEASE

Ground Lease

Anderson Real Estate, LLC Lease of Land to Developer

GROUND LEASE AGREEMENT

THIS GROUND LEASE AGREEMENT ("Agreement") is effect	tive as of the	day	of of
, 2019 (the "Effective Date"), by and between ANDE	RSON REAL	L ESTA	ΓE,
LLC, an Illinois limited liability company ("Lessor"), having its principa	al office at		
, and, a	("Lessee"),	having	its
principal office at		_	

RECITALS

WHEREAS, Lessor is owner of the real property situated in the Maryville, Madison County, Illinois described on Exhibit A attached hereto and incorporated by reference herein (the "Site");

WHEREAS, Lessee is in the business of developing, owning, managing and leasing medical properties, including, but not limited to, inpatient rehabilitation hospitals;

WHEREAS, Lessee desires to lease the Site, together with all improvements thereon, the rights of ingress and egress, air rights, and the use of or rights to appurtenances thereto (collectively, the "Leased Premises"), from Lessor for the purpose of constructing the inpatient rehabilitation hospital facility described on Exhibit B attached hereto and incorporated by reference herein (the "Hospital"); and

WHEREAS, the Hospital will, upon completion by Lessee, be occupied and used pursuant to the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the premises hereof and the mutual covenants and conditions hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Lease of Premises. Lessor does hereby grant, demise, and lease unto Lessee the Leased Premises on an "as is" basis, subject to the permitted encumbrances described on Exhibit C attached hereto and incorporated by reference herein (the "Permitted Encumbrances"), pursuant to the terms and conditions hereinafter set forth in this Agreement. Except as otherwise expressly set forth in this Agreement, Lessor shall not be obligated to provide any services to the Hospital or make any improvements to the Site and shall have no obligation to pay for any costs required to make the Hospital or any other improvements constructed by Lessee accessible to water, sewer, electricity or other utilities. At all times during the Term, title to any and all improvements at any time hereafter constructed or erected on or within the Site, including, without limitation, the Hospital, by or through Lessee shall remain in Lessee. Upon expiration of the Term, by passage of time or otherwise (subject to the rights of any Leasehold Mortgagee), any improvements, including, without limitation, the Hospital, existing on or within the Leased Premises shall become the property of Lessor, without payment by Lessor or any other consideration by Lessor; and

Lessee shall thereupon execute and deliver documents or instruments reasonably requested by Lessor to effect such conveyance. Lessee warrants and agrees that upon the expiration of the Term, the Leased Premises shall be free and clear of (i) any monetary lien or encumbrance other than the lien for real property taxes not yet due and payable, and (ii) exceptions to title other than the Permitted Exceptions and those exceptions to title hereafter approved in writing by Lessor.

2. Term. The term of this Agreement shall be for a period of fifty (50) years commencing upon the Effective Date and ending at 11:59 p.m. on the day before the fiftieth anniversary of the Effective Date (the "Original Lease Term"), unless otherwise extended or sooner terminated pursuant to the terms and provisions of the Agreement. Lessee shall have four (4) options to extend the Original Lease Term each for an additional ten (10) years (each, an "Option Period"). Any of such options shall be exercised by Lessee giving Lessor written notice thereof at least six (6) months prior to the date on which such Option Period will commence; PROVIDED, that at the expiration of the Original Lease Term, or the previous Option Period, this Agreement is then in full force and effect and no material default then exists of which Lessee has received notice and has not been cured within the applicable cure period. The Original Lease Term and the Option Periods, if any, shall be collectively referred to as the "Term".

3. Rent and Additional Impositions.

- Periodic Adjustment of Base Rent. At the end of each ten (10) year period during 3.2. the Term (the "Adjustment Date"), Lessor and Lessee shall adjust Base Rent amount then in effect to the then Fair Market Rental Rate using the following process. At least six (6) months prior to the Adjustment Date, Lessor shall notify Lessee of its good faith determination of the Fair Market Rental Rate. Lessee shall have the right to object to Lessor's determination of the Fair Market Rental Rate by notice given to Lessor within fifteen (15) days after receipt of Lessor's determination. If Lessee objects to Lessor's determination of the Fair Market Rental Rate, and if the parties are unable to resolve the dispute within fifteen (15) days after Lessor's receipt of Lessee's objection notice, then the Fair Market Rental Rate shall be determined pursuant to the provisions set forth hereafter. Within fifteen (15) business days after the expiration of the fifteen (15) day dispute resolution period, Lessor and Lessee shall each appoint an independent MAI appraiser with a nationally recognized firm with at least ten (10) years' experience establishing rental rates for ground leases associated with a hospital or health care facility (each, an "Appraiser"). An "MAI" appraiser means an individual who holds the

MAI designation conferred by, and is an independent member of, the American Institute of Real Estate Appraisers (or its successor organization or, in the event there is no successor organization, the organization and designation most similar). In the event either party fails to so appoint an Appraiser on or before the day specified in the preceding sentence, the person appointed as the Appraiser may appoint an Appraiser to represent the party having failed to appoint an Appraiser within ten (10) days after the expiration of such period. The two Appraisers appointed in either manner shall then proceed to appraise the Leased Premises and jointly determine the Fair Market Rental Rate. In the event of their inability to reach a determination of the Fair Market Rental Rate within fifteen (15) days after their appointment, the two Appraisers shall select a third Appraiser. The third Appraiser shall appraise the Leased Premises within fifteen (15) days after his or her appointment to determine the Fair Market Rental Rate. In such event, the third Appraiser shall select the Fair Market Rental Rate determination of the first two Appraisers that is closest to his/her determination. Lessor and Lessee agree to be bound by the determination of the Fair Market Rental Rate of the Leased Premises by the Appraisers. Each party shall be responsible for the fees and disbursements of its Appraiser and attorneys, and the parties shall share equally the fees and disbursements of the third Appraiser. Further, determination of the Fair Market Rental Rate shall also involve an evaluation and adjustment, if necessary, of the rental rate escalator to ensure that it remains commercially reasonable. On the date that the Fair Market Rental Rate has been established, Lessor and Lessee will execute an amendment to this Agreement to memorialize the new Base Rent amount.

3.3. Additional Rent. It is intended by Lessor and Lessee that the amounts paid by Lessee to Lessor pursuant to this Agreement will allow Lessor to realize net rental income equal to the amounts set forth in Section 3.1 or Section 3.2 hereof, and therefore, in additional to the lease payments specified in Section 3.1 or Section 3.2 above, Lessee shall reimburse Lessor for all Taxes (as hereinafter defined) and Impositions (as hereinafter defined) related to the Site except to the extent any such Taxes and/or Impositions are paid directly by Lessee to any such third party. Lessee shall make all necessary arrangements with the applicable taxing authorities to have invoices for Impositions sent directly to Lessee and, if necessary, Lessor shall, at the request of Lessee and at no cost to Lessor, reasonably cooperate in making such arrangements. In the event that Lessor shall receive after the Effective Date any invoices for Impositions, Lessor shall promptly forward the same to Lessee. If Taxes or Impositions are paid by Lessor, Lessor shall invoice Lessee within thirty (30) days of determination of the amount of the Impositions, and Lessee shall pay such amount to Lessor within thirty (30) days of receipt of the invoice from Lessor, provided Lessee is in agreement with the invoiced amounts.

- 3.3.1. Lessee acknowledges that as of the Effective Date the Site may be a part of the same tax parcel as other property of Lessor or an Affiliate of Lessor and that, prior to this Agreement, such property may have been exempt from, in whole or in part, Taxes. Lessor and Lessee agree that in order to most accurately allocate Taxes between the Site and the Property and other land and improvements within the Site that are in the same tax parcel as the Leased Premises as of the Effective Date, multiple new accounts should be created with the taxing authority. Lessee shall use commercially reasonable efforts to obtain from the taxing authority separate tax accounts, and Lessor agrees to reasonably cooperate with Lessee with respect thereto. Lessee further agrees to re-plat the Site, at Lessee's sole expense, should replatting of the land be required by any government authority. Before any such re-plat, or any revision to such proposed re-plat, may be submitted to any governmental authority, Lessee must submit such re-plat to Lessor for Lessor's prior written approval, which shall not be unreasonably withheld, conditioned or delayed.
- 3.3.2. Lessee must pay before delinquency, in the manner set forth in this Agreement, all Taxes and Impositions that at any time during the Term are assessed, levied, imposed upon or become due and payable with respect to the Leased Premises or any part thereof or the Property. Except as otherwise provided below in this Section 3.3, in the event that separate tax parcel(s) are not obtained for the Site and the Property to be constructed on the Site pursuant to this Agreement, Lessor and Lessee shall cooperate with each other to ensure the timely payment of the Taxes and the allocation of the tax bills related thereto between Lessor and Lessee such that Lessee pays (or reimburses Lessor for) the Taxes attributable to the Site and the Property and the remainder of each such tax bill attributable to property owned by Lessor other than the Site and the Property is timely paid (either directly or by reimbursement of Lessee) by Lessor. If Lessor is not (or would not be) subject to payment of real estate taxes either at the beginning or end of the Term (but for this Agreement) on the Site and/or the Property, Lessee shall pay all such taxes imposed in the fiscal tax year which includes the Effective Date or the date of expiration or earlier termination of the Term, as applicable. Except as otherwise provided above, all Taxes and Impositions payable during the first and last years of the Term will be prorated between Lessor and Lessee based on the actual number of days in such years so that Lessor shall pay that proportion of such Taxes and Impositions which are part of such calendar year included in the period of time prior to the Term or after the termination of this Agreement bears to such calendar year and Lessee shall pay the remainder thereof. In no event shall Lessee ever be obligated to pay any Taxes with respect to any facilities not located on the Site (except with respect to the Leased Premises and the Property).

- 3.3.3. If the Site and the Property are taxed as a separate tax parcel, Lessee may contest the amount or validity of any Taxes by appropriate legal proceedings, diligently pursued provided that: (i) Lessee makes all such contested payments (which may be made by Lessee under protest if Lessee so desires) or bond over such payments (if permitted by law) before they become delinquent; (ii) neither the Site nor the Property nor any part thereof nor any interest therein is placed in any danger of being sold, forfeited, lost or interfered with by virtue of any such contest; (iii) Lessee has furnished such security, if any, as may be required in the said contest proceedings; and (iv) all expenses (including, without limitation, any fees, penalty or interest) which are assessed or incurred in connection with or as a result of any such proceedings are paid by Lessee. Any such contest as to the validity or amount of any Tax, or assessed valuation on which such Tax was computed or based, whether before or after payment, may be made by Lessee in the name of Lessee, or, if required by law, in the name of Lessor or both Lessor and Lessee, and Lessor agrees that it will, at Lessee's expense, cooperate with Lessee in any such contest to such extent as Lessee may reasonably request, it being understood, however, that Lessor shall not be subject to any liability for the payment of any costs or expenses in connection with any proceeding brought by Lessee, and Lessee shall indemnify, defend and save Lessor harmless from any such costs or expenses. If the Site and the Property are not taxed as a separate tax parcel, then Lessee shall not have the right to contest or review the amount or validity of any such Taxes, but Lessor shall, upon Lessee's request (and subject to Lessor's consent, which will not be unreasonably withheld) pursue any contest or review of the amount of any Tax on the Site and Property, at Lessee's expense. If the Site and the Property are not taxed as a separate tax parcel and during the Term Lessor contests the amount or validity of any taxes which include the Taxes by appropriate legal proceedings and the Taxes with respect to the Site or the Property are reduced as a result thereof, Lessee must reimburse Lessor within thirty (30) days after demand for Lessee's pro rata share of the expenses incurred by Lessor in connection with any such contest proceeding.
- 3.3.4. Nothing herein shall prohibit Lessee from passing through to a Tenant the Taxes and Impositions herein described. Notwithstanding anything to the contrary in this Section 3, so long as Lessor leases and operates the Hospital pursuant to the Master Lease, Lessee shall not be required to pay Base Rent, Taxes or Impositions so long as Lessor pays same as required by the Master Lease.

- 3.3.5. Notwithstanding the foregoing, nothing contained in this Agreement shall require Lessee to pay any franchise, estate, inheritance, succession, or transfer tax of Lessor, or any tax on net income, excess profits or net revenue of Lessor.
- 4. Place and Method of Payment. The Base Rent, or any additional sums which may be due and payable to Lessor under the terms and provisions of this Agreement, shall be payable by Lessee in cash or other readily available funds at ______, Maryville, IL 62062, or such other location as Lessor shall designate in writing to Lessee at least thirty (30) days in advance.
- 5. **Proof of Payment**. The burden of proof of payment of the rent, or any additional sums which may be due and payable to Lessor under the terms and provisions of this Agreement, in the case of a dispute or controversy shall at all times be upon Lessee.

6. Alterations.

- 6.1. Lessee Alterations. At any time during the Term, and subject to Section 6.2 below, Lessee may construct the Hospital and make alterations to any portion of the Hospital and the Site at Lessee's sole cost and expense, provided that the alterations are constructed expeditiously with good materials in a good and workmanlike manner and in accordance with all requirements imposed by law. All alterations made in accordance with this Section shall become part of the Hospital and shall remain the property of Lessee during the Term of this Agreement. Lessee shall submit to Lessor a copy of the working drawings and specifications with respect to any alterations or additions affecting the exterior portions of the Hospital not less than seven (7) days prior to the commencement of construction thereof.
- 6.2. <u>Liens</u>. Lessee will not create or permit to be created or to remain, and will promptly discharge, at its sole cost and expense, any lien, encumbrance or charge upon the Leased Premises, any part thereof, which arises out of the use or occupancy of the Leased Premises or the Property by Lessee or by reason of any labor or materials furnished or claimed to have been furnished to Lessee or by reason of the construction of the Hospital, or by reason of any construction, addition, alteration or repair of any part of the Property. If any such lien is filed against the Leased Premises, Lessee shall, within thirty (30) days after Lessee's receives notice of the filing thereof cause such lien to be released or discharged by payment or bonding.

7. Use of Premises.

- 7.1. Permitted Uses. Subject to Section 7.1.1, Lessee shall have the right to use the Leased Premises for the development of the Hospital which will be used and occupied as an inpatient rehabilitation hospital and the provision of medical services and activities related thereto, including, without limitation, (A) diagnostic and treatment services, tests and procedures by physicians and other health care professionals, (B) medical imaging, including, without limitation, the operation of CT scanners, MRIs, X-Rays and other imaging equipment, (C) the operation of a medical clinic, (D) laboratory, (E) the provision of occupational therapy, physical therapy, speech therapy, respiratory therapy and wellness services, (F) food service, (G) retail sales, including, without limitation, the sale of durable medical products and other health care related products, (H) pharmacy; and (I) general office uses.
 - 7.1.1. In the event that no portion of the Hospital is leased by Lessor or an Affiliate of Lessor, then Lessee shall be entitled to use the Leased Premises and the Hospital for any lawful purpose; provided, however, in no event shall the Leased Premises or the Hospital be used for the following purposes: (i) the commercial sale or distribution of alcoholic beverages (except as an ancillary or complementary use); (ii) a sexually oriented or adult entertainment business, club, or establishment; or (iii) for the selling, marketing, leasing, advertising, displaying, exhibiting or distributing of pornographic materials, products, or media, sexually oriented materials, products, or media, or materials, products or media involving or depicting nudity or sexual, obscene or lewd acts; provided however, in no event does this prohibit the distribution or displaying of medical or pharmaceutical resources, literature or products.
- 7.2. Signage. So long as Lessor or its Affiliate is leasing the Hospital, no signs containing any trademark, service mark, trade name, logo or graphic design owned by or associated with any hospital, health care system, health care provider which is competitive with (i) Lessor, or any of its Affiliates, or any Affiliates of (ii) Kindred Healthcare Operating, LLC, a Delaware limited liability company ("Kindred") or any of its Affiliates, or (iii) Southwestern Illinois Health Facilities, Inc., an Illinois not-for-profit corporation d/b/a Anderson Healthcare ("Anderson Healthcare") or its Affiliates shall be put, placed or otherwise displayed in or on the Site or any improvements to the Site without the prior written approval of Lessor, which approval may be withheld in Lessor's sole discretion. All signs and lettering shall conform in all respects to the sign and/or lettering standards established by Lessor. Notwithstanding anything to the contrary contained herein, Lessee shall have the right to install any directional or safety signage that Lessee deems necessary in its sole discretion without the consent of Lessor.
- 8. Lessor's Financing. Lessor shall have the right to encumber its interest in the Leased Premises and the Hospital by one or more mortgages, deeds of trust, assignment of rents and leases, security agreements or otherwise (a "Lessor Mortgage"); provided, however,

any such Lessor Mortgage shall be subject and subordinate to all of the rights and interests of Lessee under this Agreement and to the rights of any Leasehold Mortgagee under this Agreement.

9. Lessee's Financing.

- 9.1. Requirements. Lessee shall have the right during the Term to subject the Hospital and its leasehold interest in the Leased Premises to one or more mortgages, deeds of trust, assignments of lease, security agreements or other methods of financing or refinancing (a "Leasehold Mortgage"), for the purpose of securing a first mortgage loan from an institutional lender ("Leasehold Mortgagee") to finance or refinance the costs and expenses of constructing or owning the Hospital or any renovations thereof and the acquisition of any fixtures, equipment or other property of Lessee used at the Property; provided that the following requirements are satisfied:
 - 9.1.1. The loan secured by such Leasehold Mortgage shall be made by a commercial or savings bank, trust company, savings and loan institution or an insurance company a credit union, real estate investment trust, an investment bank, an opportunity fund or investment partnership controlled by an entity that otherwise constitutes a permitted lender under this Section 9.1.1 authorized to do business in the State of Illinois and shall be non-participating, except with another institution of the character herein set forth;
 - 9.1.2. No Leasehold Mortgage may secure any indebtedness unrelated to the Property or serve as cross-collateral for any loan made to Lessee that is secured by real property other than the Property; and
 - 9.1.3. The aggregate principal amount of all loans outstanding at any one time that are secured by one or more Leasehold Mortgages shall not exceed ninety percent (90%) of the fair market value of the Property. If the parties cannot agree on the fair market value of the foregoing, then the fair market value of the Property shall be determined by Appraisers in accordance with the following provisions:
 - 9.1.3.1. Each party shall designate in writing an Appraiser, and shall notify the other party of the Appraiser so selected. Within thirty (30) days after their appointment, the two Appraisers so selected shall determine the fair market value of the Property. If the two Appraisers cannot agree on the determination by that date, then they shall select a third, independent Appraiser who is similarly qualified and has not been engaged by either the Lessor or Lessee in the prior five years, within fifteen (15) days and the third Appraiser shall choose the fair market value determination of the Appraiser closest to such third Appraiser's independent determination of the fair

market value. The parties shall use commercially reasonable efforts to cause the board of Appraisers to render a prompt written decision as to the fair market value of the Property by not later than thirty (30) days after selection of the third Appraiser. Lessee shall bear the cost of all Appraisers.

- 9.1.3.2. The Appraisers shall notify each party of its determination in writing. Both Lessor and Lessee shall be bound by the determination of the Appraisers in accordance with the provisions of this Section 9.1.3 and the determination shall be enforceable against each party.
- 9.2. No Assignment. The execution and delivery of any such Leasehold Mortgage shall not be deemed to constitute an assignment or transfer of this Agreement nor shall the holder of any Leasehold Mortgage be deemed (prior to a foreclosure judgment and the taking of possession as hereinafter provided) an assignee or transferee of this Agreement so as to require such holder to assume the performance of any of the terms, covenants or conditions on the part of Lessee to be performed hereunder.
- 9.3. Notice to Lessor. Lessee shall promptly (i) notify Lessor in writing of the name and address of any Leasehold Mortgagee and (ii) deliver to Lessor a true, accurate and complete copy of the Leasehold Mortgage.
- 9.4. Notice to Leasehold Mortgagee. If Lessee shall be in default under this Agreement, the applicable grace period for cure by Lessee shall have expired, prior to any exercise of Lessor's remedies hereunder, Lessor shall send to Leasehold Mortgagee at its address as provided in writing to Lessor by Lessee a copy of written notice of default; provided, however, the failure to give such notice shall not subject Lessor to any liability to Leasehold Mortgagee, Lessee or any other person or entity, but such notice shall not be effective against the Leasehold Mortgagee unless and until written notice shall have been given to such Leasehold Mortgagee and such Leasehold Mortgagee is afforded the opportunity to cure the default in accordance with this Section 9.4. Leasehold Mortgagee shall have thirty (30) days after delivery of the written notice from Lessor within which to cure or remove the default, and if the default cannot with diligence be cured within the 30-day period, then Leasehold Mortgagee shall have a reasonable time thereafter to effect such cure, provided that Leasehold Mortgagee promptly commences to cure the same and thereafter pursues the curing of the default with diligence. Notwithstanding any other provision of this Agreement, Lessor shall not terminate this Agreement due to Lessee's default unless Lessor shall have first given a copy of the written notice of default to Leasehold Mortgagee and unless Leasehold Mortgagee shall have failed to cure or remove, or cause to be cured or removed, the default, within the time required by this Section 9.4.

- 9.5. Acceptance of Cure. Lessor will accept performance by Leasehold Mortgagee of any covenant, agreement or obligation of Lessee contained in this Agreement with the same effect as though performed by Lessee.
- 9.6. New Lease. If this Agreement is terminated for any reason, including, but not limited to any termination following Leasehold Mortgagee's failure to cure a default as permitted in Section 9.4, or in the event of the rejection or disaffirmance of this Agreement pursuant to bankruptcy laws or other laws affecting creditors' rights, Lessor will enter into a new lease of the Leased Premises with Leasehold Mortgagee, or any party designated by the Leasehold Mortgagee, within thirty (30) days after the request of Leasehold Mortgagee referred to below. The new lease shall be effective as of the date of termination, rejection or disaffirmance of this Agreement and shall be upon the same terms and provisions contained in this Agreement (including the amount of the Base Rent and other sums due from Lessee hereunder). In order to obtain a new lease, Leasehold Mortgagee must make a written request to Lessor for the new lease within thirty (30) days after Leasehold Mortgagee is notified (by written notice) of the effective date of termination, rejection or disaffirmance of this Agreement, as the case may be, and the written request must be accompanied by a copy of the new lease, duly executed and acknowledged by Leasehold Mortgagee or the party designated by Leasehold Mortgagee as tenant. In addition, Leasehold Mortgagee must cure all defaults under this Agreement that can be cured by the payment of money and pay to Lessor all Base Rent and other sums that would have been due and payable by Lessee under this Agreement but for the rejection, disaffirmance or termination. If Leasehold Mortgagee, or the party so designated by the Leasehold Mortgagee, shall have entered into a new lease with Lessor pursuant to this Section 9.6, then any default under this Agreement that cannot be cured by the payment of money shall be deemed cured. Any new lease made pursuant to this Section 9.6 shall be senior and superior to any other encumbrances on the Property except for Permitted Encumbrances. Leasehold Mortgagee's rights under this Section 9.6 are in addition to, and not limited by, Leasehold Mortgagee's right to cure under Section 9.4. The provisions of this Section 9.6 are a separate and independent contract made by Lessor and Leasehold Mortgagee. From the effective date of termination, rejection or disaffirmance of this Agreement to the date of execution and delivery of such new lease or the expiration of the period during which Leasehold Mortgagee may make a request, Leasehold Mortgagee may, upon payment of the Base Rent and any other sums as may be due from Lessee, use and enjoy the leasehold estate created by this Agreement in accordance with the terms of this Agreement.
- 9.7. <u>Delay for Foreclosure</u>. If the Lessor has given Leasehold Mortgagee notice of Lessee's default under <u>Section 9.4</u> and Leasehold Mortgagee desires to cure Lessee's default but is unable to do so while Lessee is in possession of the Property, or if Lessor has elected to terminate this Agreement and Leasehold

Mortgagee desires to obtain a new lease pursuant to Section 9.6 but has not yet acquired Lessee's leasehold interest in this Agreement, then Leasehold Mortgagee shall have the right to postpone the specified date for effecting a cure of this Agreement or obtaining a new lease for a period reasonably sufficient to enable Leasehold Mortgagee or its designee to acquire Lessee's interest in this Agreement by foreclosure of its Leasehold Mortgage or otherwise, as long as Leasehold Mortgagee pays Lessor the Base Rent and any other sums due under this Agreement during the postponement. Leasehold Mortgagee shall exercise the right to extend the cure period or the date for obtaining a new lease by giving Lessor notice prior to the last date that Leasehold Mortgagee would otherwise be entitled to elect to cure or obtain a new lease and by tendering to Lessor any Base Rent and other charges or other sums then in default.

- 9.8. No Surrender. If any Leasehold Mortgage is in effect, Lessor will not accept a voluntary surrender or cancellation of this Agreement. If any Leasehold Mortgage is in effect, this Agreement shall not be modified or amended without the prior written consent of Leasehold Mortgagee, which may not be unreasonably withheld, conditioned or delayed.
- 9.9. Nonliability for Covenants. The provisions of this Section 9 are for the benefit of Leasehold Mortgagee and may be relied upon and shall be enforceable by Leasehold Mortgagee. Neither Leasehold Mortgagee nor any other holder or owner of the indebtedness secured by the Leasehold Mortgage or otherwise shall be liable upon the covenants, agreements or obligations of Lessee contained in this Agreement, unless and until Leasehold Mortgagee or that holder or owner acquires the interest of Lessee and no performance by or on behalf of a Leasehold Mortgagee of Lessee's obligations hereunder shall cause such Leasehold Mortgagee to be deemed to be a "mortgagee in possession" unless and until such Leasehold Mortgagee acquires the interest of Lessee.

9.10. Certain Conditions; Rights of Lessor.

9.10.1. Lessee shall use best efforts to obtain from Leasehold Mortgagee a written agreement with Lessor in recordable form as follows: (i) that the Leasehold Mortgagee will give Lessor notice of any default by Lessee under such Leasehold Mortgage for which the applicable grace period for cure by Lessee shall have expired, and that Lessor will have the option, but not the obligation, to exercise either of the following rights within thirty (30) days after receipt of such notice: (A) Lessor may cure said default within such 30-day period if it shall so choose, unless such default is of such a nature that it cannot be completely cured within such 30-day period, in which event Lessor shall have such longer period as shall be reasonably necessary to cure such default if Lessor shall so choose, provided Lessor commences such cure with such 30day period and

thereafter diligently prosecutes such cure to completion, or (B) Lessor may purchase the outstanding loan secured by the Leasehold Mortgage and all related documents by giving the Leasehold Mortgagee written notice of its intent to do so within such 30-day period; (ii) the purchase price for the loan shall be the total of (A) the outstanding principal balance of the loan as accelerated, (B) all accrued but unpaid interest, (C) all costs incurred by Leasehold Mortgagee in connection with any of its attempts to collect the loan and enforce its remedies, including reasonable attorneys' fees and other costs in connection with preparation for foreclosure, and (D) all other amounts due and owing under the loan documents; (iii) Lessor will be responsible for the payment of all fees and costs of the Leasehold Mortgagee in connection with Lessor's acquisition of the loan; and (iv) the transfer of the loan to Lessor will be without recourse to Lessor.

- 9.10.2. Lessee hereby consents to any cure by Lessor of any default by Lessee under a Leasehold Mortgage. Lessor, however, shall have no obligation to cure any default under a Leasehold Mortgage. Lessee shall reimburse Lessor for all payments, costs and expenses made, paid or incurred, together with interest thereon (which payments costs, expenses and interest shall be considered additional rent hereunder), by Lessor in connection with the cure of any such default, including without limitation, reasonable attorneys' fees, immediately upon receipt of Lessor's written demand for reimbursement.
- 9.11. No Subordination of Fee. Nothing contained in this Agreement shall be construed as a subordination of Lessor's fee interest in the Site or its reversionary interest in the Hospital to any Leasehold Mortgage. Upon the expiration or termination of this Agreement, except as specifically otherwise provided in this Section 9, any Leasehold Mortgage of Lessee's interest in the Property shall be null and void. Lessor shall not be liable for the payment of the sum secured by any Leasehold Mortgage, nor for any expenses in connection with the same, and Lessor shall not be required to take any affirmative action of any kind whatsoever with respect to such Leasehold Mortgage except as otherwise provided in this Section 9. Notwithstanding the foregoing, upon Lessee's written request to Lessor, Lessor agrees that it will promptly execute and deliver to Lessee, a commercially reasonable form of recognition and attornment agreement for the benefit of Leasehold Mortgagee.
- 9.12. There shall be no merger of this Agreement or of the leasehold estate hereby created with the fee estate in the Leased Premises or any part thereof by reason of the fact that the same person may acquire or hold, directly or indirectly, this Agreement or the leasehold estate hereby created or any interest in this

Agreement or in such leasehold estate as well as the fee estate in the Leased Premises or any interest in such fee estate.

10. Casualty and Condemnation.

10.1. Casualty.

- 10.1.1. If all or any portion of the Hospital shall be destroyed or damaged by fire or other casualty during the Term, no rent shall abate during such period, whether the Property is tenantable or not, and Lessee, at its option, shall either promptly and diligently rebuild or repair the Hospital to substantially its former condition or demolish and remove any remaining portion of the Hospital from the Site and do such other work as is necessary to render the Property in a safe, clean and paved and/or landscaped condition.
- 10.1.2. If in the event of any damage or destruction of the Hospital, Lessee either (i) fails within two (2) years (subject to Unavoidable Delays and such date shall be extended (not to exceed three (3) years) to the extent Lessee has commenced such work and is diligently pursuing completion of same) after such damage or destruction to (A) rebuild and/or repair the Hospital to substantially its former condition, or (B) demolish and remove the remaining portion of the Hospital in accordance with the requirements set forth in Section 10.1.1 above, or (ii) fails within six (6) months (subject to Unavoidable Delays and such date shall be extended (not to exceed nine (9) months) to the extent Lessee is diligently pursuing and preparing for commencement of such work) after settlement of insurance claims to commence to rebuild and/or repair the Hospital or to demolish and remove the remaining portion of the Hospital, then in any such event, Lessor shall have the right and option to complete such restoration or demolition, at Lessee's expense, by delivering written notice to Lessee.
- 10.1.3. If in the event of any damage or destruction of the Hospital, Lessee elects to demolish and remove the remaining portion of the Hospital from the Site and not rebuild the Hospital, then following the demolition and removal from the Site of the Hospital and the completion of such other work as necessary to render the Property in a safe, clean and paved and/or landscaped condition, so long as Leasehold Mortgagee is paid in full, either Lessor or Lessee may terminate this Agreement by delivering written notice thereof to the other.
- 10.1.4. Upon any termination of this Agreement pursuant to this <u>Section 10.1</u>, regardless of the amount of insurance proceeds available and/or remaining, Lessee shall satisfy and cause to be released any mortgages

(including any Leasehold Mortgage), liens or other encumbrances placed or suffered to be placed on the Property by Lessee. Furthermore, upon any termination of this Agreement pursuant to Section 10.1.2 above, Lessee shall pay to Lessor the amount by which the insurance proceeds, as reduced by any sums paid therefrom to any Leasehold Mortgagee, are insufficient to pay the lesser of (i) the cost of restoring the Hospital to a complete architectural unit or (ii) the cost of demolishing and removing the Hospital from the Site and doing such other work as necessary to render the Site in a safe, clean and paved and/or landscaped condition. Lessee's obligations and Lessor's rights under this Section 10.1.4 shall survive the expiration or termination of the term of this Agreement. Base Rent and all other charges under this Agreement shall be prorated as of the date of any termination pursuant to this Section 10.1.

10.2. Condemnation.

- 10.2.1. Unless this Agreement is terminated pursuant to Section 10.2.2 below, if a portion of the Property shall be taken by condemnation or other eminent domain proceedings pursuant to any law, general or special, by an authority ("Condemning Authority") having the power of eminent domain, or is sold to a Condemning Authority under threat of the exercise of that power, this Agreement shall continue and there shall be no abatement of the Base Rent.
- 10.2.2. If a portion of the Property is so taken or sold, and that portion in Lessee's reasonable judgment is material to Lessee's use and occupancy of the Property, or if all of the Property is so taken or sold, Lessee may terminate this Agreement by giving written notice to Lessor. This Agreement shall then terminate on the day following the vesting of title in the Condemning Authority, except as provided below and except with respect to obligations and liabilities of Lessor and Lessee under this Agreement that have arisen on or before the date of termination. In the event that Lessee does not exercise its option to terminate this Agreement as provided in this subsection, or in the event that a part of the Property shall be taken under circumstances under which Lessee will have no such option, Lessee shall have the sole responsibility for restoring the Hospital to a complete architectural unit or demolishing and removing the Hospital from the Site and doing such other work as necessary to render the Property in a safe. clean and paved and/or landscaped condition. If Lessee elects to demolish and remove the Hospital from the Site and not rebuild the Hospital, then following the demolition and removal from the Site of the Hospital and the completion of such other work as necessary to render the Property in a safe, clean and paved and/or landscaped condition, either Lessor or Lessee may terminate this Agreement by delivering written notice thereof to the

other. Upon termination of this Agreement pursuant to any provision of this Section 10.2.2, Lessee shall satisfy and cause to be released any mortgages (including any Leasehold Mortgage), liens or other encumbrances placed or suffered to be placed on the Property by Lessee. Base Rent and all other charges under this Agreement shall be prorated as of the date of any termination pursuant to this Section 10.2.

- 10.2.3. Any award or compensation paid on account of any taking or sale described in this Section 10.2 shall be divided between Lessor and Lessee as follows: first to Lessee for the value of Lessee's interest in the Property taken; and the balance to Lessor; provided, however, to the extent such award or compensation is required to be paid to a Leasehold Mortgagee pursuant to a Leasehold Mortgage, Lessee's share of such award or compensation shall be paid to such Leasehold Mortgagee; provided, however, if the amount so paid to such Leasehold Mortgagee is insufficient to satisfy Lessee's obligations under the Leasehold Mortgage, then the portion of such award or compensation payable to Lessor shall be paid to Leasehold Mortgagee up to the amount of such remaining obligation. Neither Lessee nor any such Leasehold Mortgagee shall have any right or interest in any such award or compensation on account of any taking or sale described in this Section 10.2 with respect to any Property not located on the Site.
- 11. **No Waste**. Lessee covenants and agrees not to commit, allow or permit any person to commit any physical waste of any nature on the Leased Premises.

12. Insurance.

- 12.1. General liability. Lessee shall and hereby agrees and covenants to obtain and maintain at its sole cost and expense insurance naming Lessor as an additional insured party which protects Lessor and Lessee against claims, suits, judgments or awards of monetary damages for personal injury or property damage under a policy or policies of general liability insurance with minimum limits of \$3,000,000 per occurrence and \$6,000,000 in the aggregate, for bodily injury and property damages. The coverage limits required herein may be satisfied by any combination of primary and excess or umbrella policies.
- 12.2. <u>Fire and Extended Coverage Insurance</u>. Lessee, at its sole cost and expense, shall procure and keep in effect at all times during the Term, fire and extended coverage insurance in an amount not less than the full replacement value of the Hospital and the property of Lessee located on the Leased Premises (exclusive of foundations, footings, excavations and improvements and alterations performed by or for Tenants).

- 12.3. General Insurance Requirements. All insurance provided for by Lessee in this Agreement shall be obtained and maintained through insurance carriers licensed or authorized to do business in the State of Illinois having a Best's rating of not less than A-VIII, or an equivalent rating in the event that the Best's rating system ceases to be commonly used as an industry standard. Lessee shall provide Lessor with at least thirty (30) days' prior notice of any notice of cancellation or termination received by Lessee except for non-payment of premium. Lessee shall furnish to Lessor an insurance certificate renewing, continuing or obtaining new insurance coverage for the policy in the appropriate amount within thirty (30) days of the expiration of any policy of insurance which Lessee is obligated to obtain and maintain in accordance with the terms and provisions of this Agreement.
- 12.4. Mutual Waiver of Subrogation. Lessor and Lessee on behalf of themselves and all others claiming under them, including any insurer, waive all claims and rights of recovery against each other, including all rights of subrogation, for loss or damage to their respective property (including, but not limited to, the Property and all personal property and fixtures located thereon or therein) arising from fire, smoke damage, windstorm, hail, vandalism, theft, malicious mischief and any of the other perils normally insured against in an "all risk" of physical loss insurance policy, regardless of whether insurance against those perils is in effect with respect to such party's property and regardless of the negligence of either party. To the extent of any conflict between the preceding sentence and any other provision of this Agreement the provision of the preceding sentence shall control. Lessor and Lessee shall each secure with respect to each property insurance policy maintained by it which is applicable to the Property, or any fixtures or personal property located thereon or therein, an appropriate policy provision or endorsement by which each insurance company waives subrogation against the other party. If either party so requests, the other party shall deliver satisfactory evidence of such waiver of subrogation by the other party's insurer(s).
- 12.5. Occupancy by Lessor. Notwithstanding anything to the contrary in this Section 12, so long as Lessor or an Affiliate of Lessor leases and operates the Hospital, Lessee shall not be required to maintain the insurance required by Section 12 so long as Lessor or affiliate of Lessor maintains the coverage required by the Master Lease.

13. Default or Breach.

13.1. <u>Lessee's Default</u>. Any of the following occurrences or acts shall constitute an event of default ("Event of Default") by Lessee under this Agreement: (a) Lessee fails to pay when due Base Rent, additional rent or any other amount to be paid under this Agreement by Lessee, and the failure continues for ten (10) days after written notice from Lessor; (b) Lessee fails to perform or observe any other covenant or condition to be performed or complied with by Lessee under this

Agreement, and the failure continues for thirty (30) days after written notice by Lessor to Lessee, or, if the default complained of is of such a nature that it cannot reasonably be completely cured or remedied within such 30-day period, Lessee fails to commence to cure the default during the 30-day period, or does not thereafter diligently prosecute such remedy or cure to completion; (c) Lessee shall file a petition in bankruptcy or for reorganization or for an arrangement pursuant to any federal or state bankruptcy law or any similar federal or state law, or shall be adjudicated a bankrupt or shall make an assignment for the benefit of creditors or shall admit in writing its inability to pay its debts generally as they become due, or if a petition or answer proposing the adjudication of Lessee as a bankrupt or its reorganization pursuant to any federal or state bankruptcy law or any similar federal or state law shall be filed in any court and Lessee shall consent to or acquiesce in the filing thereof or such petition or answer shall not be discharged or denied within ninety (90) days after the occurrence of any of the foregoing; or (d) a receiver, trustee or liquidator of Lessee or of all or substantially all of the assets of Lessee or of the Leased Premises or Lessee's leasehold interest therein or the Hospital shall be appointed in any proceeding brought by Lessee, or if any such receiver, trustee or liquidator shall be appointed, not be discharged within ninety (90) days after such appointment, or if Lessee shall consent to or acquiesce in such appointment. Notwithstanding the foregoing, so long as Lessor is the lessee of the Hospital, no default by Lessee under this Agreement that arises out of the actions, omissions, or breach of Master Lease by Lessor (including without limitation the failure to pay amounts applicable to Base Rent hereunder) shall be deemed an Event of Default hereunder.

Remedies. If an Event of Default shall have happened, Lessor shall be entitled to all 13.2. rights and remedies available at law or in equity and Lessor shall be entitled to recover and collect from Lessee all actual damages that may be available under the laws of the state in which the Site is located, including but not limited to reasonable attorney's fees. Furthermore, Lessor shall have the right to terminate the leasehold estate of Lessee under this Agreement by delivering written notice of such termination to Lessee, provided that Lessor shall have given Lessee prior written notice of at least sixty (60) days of the existence of the Event of Default which constitute Lessee's breach of a material covenant or condition of this Agreement and Lessee shall have failed to cure such default to the reasonable satisfaction of Lessor within such sixty (60) notice period. Notwithstanding the foregoing to the contrary, if Lessee commences actions directly related to curing such a default within the sixty (60) day notice period and diligently pursues the correction of such default until it is remedied, then this Agreement shall not be subject to early termination by Lessor. If Lessee has failed to cure such Event of Default prior to the expiration of such sixty (60) day period as it may be extended, then the rights and privileges of Lessee under this Agreement and Lessee's leasehold estate in the Leased Premises shall expire and terminate on the date set forth in such notice as fully and completely and with the same effect as if such date were the date herein fixed for the expiration of

the term of this Agreement, and all rights of Lessee hereunder shall expire and terminate, but Lessee shall remain liable for the payment of Base Rent and other sums and amounts payable herein which shall have accrued or otherwise become due and payable prior to the date of termination. No expiration or termination of Lessee's leasehold estate in the Leased Premises, by operation of law or otherwise, shall relieve Lessee of its liabilities and obligations hereunder which shall have arisen prior to such termination, all of which shall survive such expiration or termination.

- 13.3. Lessor's Default. Lessor shall be deemed to be in default under this Agreement if Lessor fails to perform or observe any covenant or condition to be performed or complied with by Lessor under this Agreement, and the failure continues for thirty (30) days after written notice by Lessee to Lessor, or, if the default complained of is of such a nature that it cannot reasonably be completely cured or remedied within such 30-day period, Lessor fails to commence to cure the default during the 30-day period, or does not thereafter diligently prosecute such remedy or cure to completion. In the event of any such default by Lessor under this Agreement, Lessee shall be entitled to all rights and remedies available at law or in equity.
- 13.4. Remedies Not Exclusive. No right or remedy conferred upon or reserved to Lessor or Lessee in this Agreement or otherwise available at law or in equity is intended to be exclusive of any other right or remedy. Each and every right and remedy shall be cumulative and in addition to any other right or remedy given under this Agreement or existing at law or in equity.

14. Indemnity.

- 14.1. <u>Indemnity by Lessee</u>. Lessee shall and hereby agrees and covenants to indemnify and hold harmless Lessor and its officers, directors, partners, members, shareholders, employees and agents from any and all claims, demands, costs, expenses, liability or damages of any nature which may result, directly or indirectly, as a result of Lessee's leasehold interest in the Leased Premises except to the extent such claims, demands, costs, expenses, liability or damages are directly related to the negligent acts or omissions of Lessor.
- 14.2. <u>Indemnity by Lessor</u>. Lessor shall indemnify and hold harmless Lessee and its officers, directors, partners, members, shareholders, employees and agents from any and all claims, demands, costs, expenses, liability or damages of any nature which may result, directly or indirectly arising from (i) any breach by Lessor of this Agreement, or (ii) any willful misconduct or negligent act or omission of Lessor or its agents or contractors.

15. Waiver of Default or Breach. Lessee acknowledges and understands that Lessor's waiver of a default or breach of any of the covenants and obligations required to be performed by Lessee under the terms and provisions of this Agreement shall not be construed to be a waiver of any succeeding breach of the same or any other covenants or obligation.

16. Assignment and Subletting.

Transfer Restrictions. Except to the extent otherwise expressly permitted in this Section 16 and Section 9, Lessee shall not, either voluntarily or by operation of law. directly or indirectly, sell, assign, transfer, convey or encumber this Agreement or any interest in this Agreement, in whole or in part, or any right, title or interest in or to the Leased Premises and/or the Hospital, or sublet all or any portion of the Property, or sell, contract to sell, lease or sublease all or any portion of the Hospital. in each instance, without Lessor's prior written consent, which consent may not be unreasonably withheld, conditioned or delayed. For purposes of this Agreement, any change in control of Lessee by merger, consolidation, stock transfers, transfers of partnership interests, transfers of membership interests or other means of transferring control of Lessee or its business shall be deemed to be an assignment of this Agreement and a sale of the Hospital; provided, however, (A) a transfer of ownership interests in, or control of, Lessee to any Affiliate of Lessee, (B) a sale of corporate shares of capital stock in Lessee or its direct or indirect owners of Lessee. (C) an assignment of the entire leasehold estate (but not any partial assignment or partial transfer) to an entity which acquires all or substantially all of the stock or assets of Lessee or any direct or indirect owners of Lessee, (D) an assignment (including by operation of law) of the entire leasehold estate (but not any partial assignment or partial Transfer) to an entity which is the resulting entity of a merger or consolidation of Lessee or direct or indirect owners of Lessee during the Term, or (E) an assignment (including by operation of law) of the entire leasehold estate (but not any partial assignment or partial Transfer) to an entity which is subleasing back to Lessee or its Affiliate the entire Leased Premises pursuant to a "sale/leaseback" transaction, shall each be deemed a permitted assignment and shall not require Lessor's consent under this Agreement. Any assignment, sublease, lease, contract to sell, sale or other conveyance or transaction in violation of the foregoing shall be void. The consent by Lessor to any assignment, transfer, conveyance, encumbrance. subletting, letting or other transaction shall not be construed as relieving Lessee from obtaining the express prior written consent of Lessor to any further assignment, transfer, conveyance, encumbrance, subletting, letting or other transaction described above or as releasing Lessee from any liability or obligation hereunder, whether or not then accrued or thereafter arising. In the event of any such assignment, sale, contract or other transfer of Lessee's interest in this Agreement to which Lessor has consented or which is otherwise permitted pursuant to the terms of this Agreement (other than a lease of tenant space in the Hospital), the direct assignee or transferee of Lessee's interest in this Agreement shall assume in writing all of Lessee's obligations under this Agreement and shall be bound to comply with all the terms

and provisions of this Agreement. Upon the completion of any permitted assignment, transfer, or conveyance of the entirety of Lessee's interest under this Agreement, Lessee shall be released of all liabilities and obligations under this Agreement arising or accruing after the effective date of such assignment, transfer or conveyance. In the event of any lease of tenant space in the Hospital, such lease shall be subject and subordinate to this Agreement and Lessee shall remain liable for the performance of all of its covenants and agreements under this Agreement.

- 16.2. Acceptable Transferee. Except as provided in the next sentence, Lessor hereby agrees that it would be unreasonable for Lessor to withhold its consent to, and agrees that it will consent to any occupancy arrangement, assignment, sublease, lease, sale or other conveyance (including by virtue of a change in control of Lessee) to a transferee who will (i) use and occupy the Leased Premises or the applicable portion thereof in compliance with the provisions of Section 7 of this Agreement; and (ii) is an Acceptable Transferee. However, so long as Lessor or an Affiliate of Lessor continues to occupy the Building, in no event, shall Lessor be deemed to have unreasonably withheld its consent to a proposed lease, sublease, sale, assignment or other transfer as described in the first sentence of Section 16.1 where the proposed assignee, sublessee or transferee is a Precluded Transferee.
- 16.3. Tenant Leases. Notwithstanding anything to the contrary set forth above, Lessor's consent shall not be necessary with respect to the leasing of the Hospital or any space within the Hospital to Lessor, its Affiliates, or other Tenants who (i) will use and occupy the portion of the Hospital leased in compliance with the provisions of Section 7 of this Agreement, and (ii) so long as Lessor or an Affiliate of Lessor continues to occupy at least 90% of the Building, are not Precluded Transferees. Further, notwithstanding anything to the contrary set forth in this Agreement, any proposed transfer of Lessee's interest in this Agreement shall be subject to the purchase rights of the lessee or tenant in the Master Lease.
- 16.4. <u>Leasehold Mortgage</u>. Notwithstanding anything to the contrary set forth above, Lessor's consent shall not be necessary with respect to any Leasehold Mortgage that complies with the provisions of <u>Section 9.1</u> hereof or with respect to any acquisition of Lessee's interest in the Leased Premises under this Agreement or in the Hospital upon foreclosure by a Leasehold Mortgagee or by a transfer in lieu of foreclosure; provided, however, that no such Leasehold Mortgage, assignment, transfer or other conveyance to or by the Leasehold Mortgagee shall be to a Precluded Transferee.
- 17. Maintenance of Improvements on the Leased Premises. Lessee shall maintain and operate the Hospital in a manner equivalent to other first class hospital buildings in the Edwardsville, Illinois metropolitan area. All necessary repairs or improvements to the Leased Premises shall be the sole responsibility of Lessee.

- 18. **Zoning or Environmental Laws**. Lessee shall and hereby covenants and agrees to abide by and conform to all applicable covenants and conditions contained in the Permitted Encumbrances, and any and all laws, regulations or ordinances of any governmental or quasi-governmental authority applicable to the Leased Premises.
- 19. Utilities. Lessor agrees to join in with Lessee in connection with any easements and otherwise reasonably cooperate, at Lessor's sole cost, with all actions that may be reasonably necessary for Lessee to obtain and maintain the drainage, storm and sanitary sewers required for the use of the Leased Premises as a site for the Hospital. Lessee shall be responsible for providing all utility services and any costs associated therewith in establishing and providing such utilities serving the Leased Premises, all of which shall be in Lessee's name and Lessee shall promptly pay all charges accruing during the term of this Agreement for water, electricity, gas, power, heating, telephone, sanitary service, and all other utilities and services.

20. Notices.

- Notice to Lessor. Any notices to Lessor from Lessee permitted or required to be given under the terms and provisions of this Agreement shall be in written form and shall be given by either (a) mailing the notice by certified or registered United States mail, return receipt required, postage prepaid, addressed to Lessor, at _______, Maryville, IL _____, or at such address or addresses as Lessor may from time to time specify by a notice given in the manner provided for in this paragraph or (b) actual personal delivery by Lessee or Lessee's agent or representative to the person or entity to receive the original written notice as stated hereinabove or Lessor's heirs, personal representatives, successors or assigns.
 Notice to Lessee. Any notices to Lessee from Lessor permitted or required to be
- 20.3. <u>Deemed Receipt.</u> Any notice shall be sufficiently given at the time when (a) if by certified or registered United States mail, return receipt requested, postage prepaid, when deposited in the United States mail, or (b) if by actual personal delivery,

when actually handed or tendered to the latter of the person or authorized agent or entity or person to receive the original notice and the person or authorized agent of the entity to receive the copy of the notice as stated herein above.

- 21. **Definitions**. The following words, terms, clauses or phrases, as the case may be, shall have the following stated meaning in this Agreement:
 - 21.1. "Acceptable Transferee" shall mean a Person that: (i) has, or has an Affiliate with, tangible net worth of \$25,000,000 or greater and (ii) either (A) has, or has an Affiliate with, at least five (5) years' experience in the ownership and management of inpatient rehabilitation hospitals; or (B) will engage a Qualified Property Manager. For purposes hereof, "tangible net worth" is defined as the excess of the value of tangible assets (i.e. assets excluding those which are intangible such as goodwill, patents and trademarks) over liabilities.
 - 21.2. "Affiliate" shall mean any Person which directly or indirectly controls or is controlled by or is under common control with a Person. For purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used herein, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership of voting securities, partnership interests or other equity interests.
 - 21.3. "CPI" shall mean "Consumer Price Index for all Urban Consumers" published by the Bureau of Labor Statistics of the United States Department of Labor, U.S. City Average, All Items (1982-84 = 100). If the Consumer Price Index ceases to be published and there is no successor thereto, such other index as Lessor and Lessee shall agree upon (or, if they are unable to agree, as determined in accordance with Section 9.1.3), as appropriately adjusted, shall be substituted for the Consumer Price Index.
 - 21.4. "Fair Market Rental Rate" shall mean the annual fair market rental value (quoted on an absolute net basis) for the Leased Premises, as vacant, unimproved land encumbered by this Lease, with the Permitted Exceptions and any other instruments affecting title to the Site that have been approved by Lessor.
 - 21.5. "First Lease Year" shall mean the period commencing on the Effective Date and ending twelve (12) months later, or if the Effective Date is not the first day of the calendar month, the period commencing on the Effective Date and ending twelve (12) months from the last day of the month in which the Effective Date occurs

- 21.6. "Impositions" shall mean all charges or burdens of every kind and nature incurred in the use, occupancy, ownership, operation or possession of the Leased Premises and/or the Property, without particularizing any known name, and whether any of the foregoing is general or special, ordinary or extraordinary, or foreseen or unforeseen.
- 21.7. "Lease Year" shall mean the First Lease Year and each successive twelve (12) month period thereafter during the Term.
- 21.8. "Master Lease" means that Lease Agreement by and between Lessee and dated ______, 2019, where Lessee agrees to lease the Property, along with all of the space in the Hospital, to Lessor.
- 21.9. "Person" shall mean any natural person, firm, entity, corporation, association, partnership or any other group or association of any nature.
- "Precluded Transferee" shall mean and include: (1) any Person which is 21.10. engaged in the ownership, operation or management of any acute care general hospital, medical/surgical hospital, specialty hospital or other hospital facility, extended care facility, rehabilitation center or facility, emergency center, outpatient or inpatient surgery center or facility, outpatient or inpatient birthing center or facility, physical therapy center or facility, respiratory therapy center or facility or inhalation therapy center or facility (each a "Competitor Facility"); and (2) any Person which is an Affiliate of any Person described in clause (1) above; provided, however, Precluded Transferee shall not mean Lessor, an Affiliate of Lessor, Kindred, or an Affiliate of Kindred or Anderson Healthcare or an Affiliate of Anderson Healthcare. Notwithstanding the foregoing, a Precluded Transferee shall not include (x) an assignee of this Agreement or purchaser of the Hospital (a "Transferee"), if such Transferee is only a passive owner of a facility described in clause (1) above, so long as neither such Transferee nor any Affiliate thereof is the operator of any such facility and merely leases any such facilities owned by it to unaffiliated operators, doctors and/or healthcare systems without the right to receive profits or revenues from the operation or management of healthcare services at such facilities; or (y) a Transferee, notwithstanding the fact that it has an Affiliate that is a Precluded Transferee, if neither the business of such Transferee nor its Affiliate involves the operation or management of a Competitor Facility and is otherwise a passive owner as described in clause (x) above; provided, the provision of property management services for a property that is owned or leased by a Competitor Facility will not be deemed to be "management" of a Competitor Facility for purposes hereof.
- 21.11. "Property" shall mean and include the Hospital and all improvements located on the Leased Premises, together with all improvements made on the Leased Premises thereafter.

- 21.12. "Qualified Property Manager" shall mean a nationally reputable and experienced professional management organization which manages, together with its Affiliates, at least four (4) hospitals or long-term care facilities with a combined square footage of at least 200,000 square feet. For purposes hereof, _______, together with its Affiliates, shall be considered a Qualified Property Manager.
- 21.13. "Taxes" shall mean all taxes, assessments and governmental charges, whether federal, state, county or municipal, and whether they be by taxing districts or authorities presently taxing the Leased Premises and the improvements, or by others, subsequently created or otherwise and any other taxes, association dues and assessments attributable to the Leased Premises, the Property or their operation, or Lessee's interest in the Leased Premises or rents generated or charged under this Agreement, whether any of the foregoing is general or special, ordinary or extraordinary, or foreseen or unforeseen. "Taxes" does not include, federal and state income taxes, franchise taxes, inheritance, estate, gift, corporation, net profits or any similar tax for which Lessor becomes liable and/or which may be imposed upon or assessed against Lessor.
- 21.14. "Tenant" shall mean ______ or any subsequent tenant of Lessee from time to time that is operating the Hospital.
- 21.15. "Unavoidable Delay" shall mean and include any delay caused by reason of fire, casualty, strikes, lock-outs, labor troubles, inability to procure materials or supplies, failure of power, governmental authority, governmental action or inaction, riots, insurrection, war, weather or the act, failure to act, or default of the other party, or other reason beyond the subject party's control.
- 22. Records. Upon the written request of the Secretary of the U.S. Department of Health and Human Services, the U.S. Comptroller General of the Government Accounting Office, or their authorized representatives, Lessee shall make available this Lease and all books, documents, and records necessary to certify the nature and extent of Lessee's costs with respect to this Lease and the Leased Premises for a period of four (4) years after performing its duties hereunder. If Lessee carries out any of its duties under this Lease through a subcontract worth \$10,000 or more over a 12-month period, the subcontract will also contain an access clause to permit access by the Secretary, Comptroller General, and their authorized representatives to such subcontractor's books and records.

23. Regulatory Matters.

23.1. Lessor and Lessee enter into this Lease with the intent of conducting their relationship and implementing the agreements contained herein in full compliance with applicable federal, state and local law, including without limitation, the

Medicare/Medicaid Anti-Kickback statute (the "Anti-Kickback Law") and Section 1877 of the Social Security Act (the "Stark Law"), as amended. Notwithstanding any unanticipated effect of any of the provisions of this Lease, neither party will intentionally conduct itself under the terms of this Lease in a manner that would constitute a violation of the Anti-Kickback Law or the Stark Law. Without limiting the generality of the foregoing, Lessor and Lessee expressly agree that nothing contained in this Lease shall require either party to refer any patients to the other, or to any affiliate or subsidiary of the other.

- 23.2. If any legislation, regulation or government policy is passed or adopted, the effect of which would cause either party to be in violation of such laws due to the existence of any provision of this Lease, then Lessor and Lessee agree to negotiate in good faith for a period of ninety (90) days to modify the terms of this Lease to comply with applicable law.
- 23.3. To the extent the following is applicable, and to the extent Lessee or any owner of Lessee is a physician, the parties hereto acknowledge and agree that (a) the Leased Premises leased hereunder do not exceed that which are reasonable and necessary for Lessee's legitimate business purpose and are used exclusively by Lessee during the Term; (b) except for the period of time when Lessor or an Affiliate of Lessor is also leasing the Leased Premises under the Master Lease, the rental amount charged under this Lease shall be consistent with fair market value, and are not determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties; and (c) except for the period of time when Lessor or an Affiliate of Lessor is also leasing the Leased Premises under the Master Lease, this arrangement would be commercially reasonable even if no referrals were made between the parties. Nothing in this Lease, whether written or oral, nor any consideration in connection herewith requires the referral of any patient. This Lease is not intended to influence the judgment of Lessor in choosing the medical facility appropriate for the proper treatment of patients. Lessee shall not receive any compensation or remuneration in exchange for referrals. The parties hereto support a patient's right to select the medical facility of his or her choice.
- 23.4. To the extent applicable, and to the extent Lessee or any owner of Lessee is a physician, nothing in this Lease shall be construed to require Lessor to refer patients to Lessee or to require Lessee to refer patients to Lessor.
- 23.5. Lessee certifies that, as of the Effective Date of this Lease, no member of his or her immediate family (or if Lessee is a corporate entity, then no principal of Lessee) has entered into a financial relationship, including an employment relationship, with Lessor or an Affiliate of Lessor related to the provision of designated health services as defined in Section 1877 of the Social Security Act or that, if such relationship exists, it has been disclosed to and approved by Lessor.

Lessee agrees to give Lessor five (5) business days written notice in the event such a relationship is created during the Term of this Lease. For purposes of this paragraph, "immediate family" is defined to mean spouse; natural or adoptive parent, child or sibling; stepparent, stepchild, stepbrother, stepsister; father-in-law, mother-in-law, daughter-in-law, son-in-law, brother-in-law, sister-in-law; grandparent, grandchild and spouse of a grandparent or grandchild.

- 23.6. Lessee hereby represents and warrants that Lessee is not, and at no time has been, excluded from participation in any federally funded health care program, including Medicare and Medicaid. Lessee hereby agrees to notify Lessor immediately of any threatened, proposed, or actual exclusion of Lessee from any federally funded health care program, including Medicare and Medicaid. In the event that Lessee is excluded from participation in any federally funded health care program during the Term, or if at any time after the Effective Date of this Lease it is determined that Lessee is in breach of this Section, Lessor shall, as of the effective date of such exclusion or breach, have the rights and remedies set forth in Section 23.8 of this Lease. Lessee shall indemnify and hold harmless Lessor against all actions, claims, demands, and liabilities and against all loss, damage, costs, and expenses, including reasonable attorneys' fees, due to the exclusion of Lessee from a federally funded health care program, including Medicare or Medicaid or out of an actual or alleged injury to a person or to property as a result of the negligent, intentional act or omission, or criminal or fraudulent act or Lessee or any of Lessee's employees, subcontractors, or agents in connection with Lessee's obligations under this Lease.
- 23.7. Notwithstanding anything to the contrary contained in the Lease, in the event the performance by either party hereto of any term, covenant, condition, or provision of this Lease jeopardizes the licensure of Lessor or an Affiliate of Lessor, its participation in or the payment or reimbursement from, Medicare, Medicaid program, Blue Cross, or other reimbursement or payment programs, or its full accreditation by the Joint Commission, as applicable, or any other state or nationally recognized accreditation organization, or the tax-exempt status of Lessor or an Affiliate of Lessor, any of its property or financing (or the interest income thereon, as applicable), or will prevent or prohibit any physician, or any other health care professionals or their patients from utilizing Lessor or any of its services, or if for any other reason said performance should be in violation of any statute, ordinance, or be otherwise deemed illegal, or be deemed unethical by any recognized body, agency, or association in the medical or hospital fields, Lessor shall have the rights and remedies set forth in Section 23.8 of this Lease.
- 23.8. Upon the occurrence of any of the events referenced in Section 23.6 or Section 23.7 of this Lease, Lessor shall give Lessee written notice of the matter at issue, and Lessor and Lessee agree to promptly engage in good faith negotiations to resolve the matter through an amendment to this Lease. If the parties are unable to

resolve the matter through an amendment to this Lease within thirty (30) days after Lessor's written notice to Lessee thereof, and the parties do not otherwise agree upon a course of action to resolve the matter within the same thirty (30) day period, then the parties agree to submit the matter to binding arbitration with the American Health Lawyers Association ("AHLA") for resolution pursuant to the AHLA Rules of Procedure for Arbitration at a mutually agreeable location, and judgment on any award rendered by such arbitrators may be entered in any court having jurisdiction thereof. Lessor and Lessee agree that a matter submitted to arbitration will be arbitrated before a panel of three (3) arbitrators, appointed in accordance with the AHLA Rules of Procedure for Arbitration.

- 24. **Burdens and Benefits**. The burdens and benefits created and existing by the terms and provisions of this Agreement shall be binding upon and inure to the benefit of the respective heirs, personal representatives, successors and assigns of the respective parties to this Agreement.
- 25. Captions, Recitals and Gender. The captions for each paragraph of this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or intent of the terms and provisions of this Agreement. The recitals set forth prior to the numbered paragraphs of this Agreement are an integral part of the terms and provisions of this Agreement. Whenever nouns or pronouns are used in this Agreement, the nouns or pronouns shall be construed according to their proper gender and number according to the context of this Agreement.
- Severability. In the event any term or provision of this Agreement, or the application of any term and provision of this Agreement to any person or circumstance shall, to an extent, be invalid or unenforceable, the remainder of the terms and provisions of this Agreement, or the application of such remaining terms and provisions to persons or circumstances other than those to which it is held invalid or unenforceable, shall not thereby be effective and the remaining terms and provisions of this Agreement shall be valid and enforceable to the fullest extent permitted by applicable law.
- 27. Entire Agreement. This Agreement, and any other writings or agreements executed simultaneously to the execution of this Agreement, contain all of the terms, provisions, conditions and agreements made by and between the parties to this Agreement and there are no oral or written representations, statements or warranties of any nature claimed to have been made by any party which are not set forth in this Agreement or any agreement executed simultaneously with the execution of this Agreement.
- 28. Governing Law. The terms and provisions of this Agreement shall be governed by, construed with, and interpreted in accordance with the laws of the State of Illinois without reference to the principles of conflict of laws.

- 29. **Memorandum of Agreement**. Lessor and Lessee agree and covenant that a short form memorandum of this Agreement shall be prepared for recording and publication in the public records of Madison County, Illinois. The short form memorandum of this Agreement shall, among other things, set forth the exact beginning and ending dates of the Term, but no reference in the short form memorandum lease shall be made to the rents to be paid by Lessee to Lessor.
- 30. **Preparation of Agreement**. The terms and provisions of this Agreement have been prepared jointly by the parties to this Agreement and no term or provision in this Agreement should be construed adversely against either party on the basis that this document was prepared only by one party to this Agreement.
- 31. Force Majeure. In the event that Lessor or Lessee shall be delayed, hindered in, or prevented from the performance of any act required hereunder by reason of Unavoidable Delay, excepting acts consisting solely of the payment of money, then performance of such act shall be excused for the period of the Unavoidable Delay and the period of the performance of any such act shall be extended for a period equivalent to the period of the Unavoidable Delay.
- 32. Quiet Enjoyment. So long as Lessee pays the rental amounts required hereunder and performs all of its obligations under this Agreement, Lessee shall have the peaceful and quiet enjoyment of the Leased Premises during the Term, without hindrance from Lessor or anyone claiming by, under or through Lessor, subject however, to all of the covenants, warranties and agreements under this Agreement.
- 33. Duty of Lessee to Furnish Information. Within ten (10) business days after written request from Lessor, Lessee agrees that it will, at reasonable times and in a reasonable manner, at the request of Lessor allow Lessor or its agents and representatives to examine, inspect or copy any and all leases relating to the Hospital, assignments, deeds of trust, mortgages, or other instruments or information which Lessor should reasonably have a right to know in order to confirm and to enforce its rights under this Agreement.
- 34. Duty of Lessor to Furnish Statements and Letters of Estoppel. Within ten (10) business days after written request from Lessee, Lessor agrees that it will, at reasonable times and in a reasonable manner, disclose to any party at interest the status of the leasehold between the parties, that is to say, if any sublessee, assignee, mortgagee, transferee or any other party having a proper and lawful interest in dealing with Lessee calls upon Lessee or Lessor to have furnished to it the status of the leasehold such information will be provided. This requires of Lessor to disclose (a) that the leasehold is or is not in full force and effect; (b) that the rental payments are current or otherwise; (c) the precise amount of rent and (d) any and all other information or disclosure which a party dealing with Lessee should reasonably have a right to know and to have confirmed.

Confidentiality. The parties hereto shall hold in confidence the information contained in 35. this Agreement and each of them hereby acknowledges and agrees that all information related to this Agreement, not otherwise known to the public, is confidential and proprietary and is not to be disclosed to third persons without the prior written consent of each of the parties except: (a) to the extent necessary to comply with Applicable Laws or the valid order of any governmental agency or any court of competent jurisdiction; (b) as part of its normal reporting or review procedure, to its auditors, financial advisors, and to its attorneys; (c) to the extent necessary to obtain appropriate insurance, to its insurance agent; (d) to employees, representatives, partners, agents and professionals involved in the negotiation of this Agreement; (e) to any prospective or current lender or purchaser, provided that any of the foregoing parties agree to be bound by the same requirement of confidentiality that applies hereunder; or (f) as necessary to enforce its rights and perform its agreements and obligations under this Agreement. Lessee shall treat all non-public information obtained as part of this engagement as confidential and shall not, without written authorization from Lessor, release or share such information with any third party, except as may be required by Applicable Laws. Lessee agrees that, prior to reporting any actual or perceived violation of law to any governmental entity, even if required by law to do so, Lessee will first discuss any potential legal or compliance matter with Lessor's Corporate Responsibility Officer and Lessor's Legal Counsel and, unless otherwise required by Applicable Laws, provide Lessor with an opportunity to investigate and appropriately report any compliance matter brought to Lessor's attention by Lessee. The provisions of this Section shall survive the termination or expiration of this Agreement.

36. RIGHT OF FIRST OPPORTUNITY

Right of First Opportunity. Throughout the term of this Lease (including any 36.1. Option Periods), as the same is extended, Lessor shall have a continuing right of first opportunity (the "Right of First Opportunity") in the event Lessee desires to sell, transfer or convey its interest in the Leased Premises (a "Sale Transaction"). Prior to entering into any Sale Transaction, Lessee shall send a written statement (a "Transaction Statement") to Lessor detailing the terms and conditions upon which Lessee is willing to enter into such Sale Transaction. Lessor shall have (____) days after its receipt of a Transaction Statement to notify Lessee, in writing, if it is interested in purchasing Lessee's interest in the Leased Premises pursuant to this Lease on the terms and conditions set forth in the Transaction Statement. If Lessor timely notifies Lessee that it desires to exercise its Right of First Opportunity, Lessee and Lessor shall endeavor, in good faith and with reasonable diligence, to negotiate and enter into a binding agreement with respect to such Sale Transaction, containing the terms and conditions set forth in said Transaction Statement, as the same may be modified by mutual agreement of Lessee and Lessor (a "Purchase Contract"). Lessee shall not market the Sale Transaction or engage in negotiations, discussions or other communications regarding any Sale Transaction with a person or entity other than Lessor for a period of days after Lessor's exercise of the Right of First Opportunity in connection

therewith. The rights granted to Lessor hereunder shall be ongoing and shall not be affected by Lessor's failure to exercise the Right of First Opportunity on one or more occasions.

- 36.2. Decline of Right. If (i) Lessor does not respond in a timely fashion to any Transaction Statement, (ii) Lessor notifies the Lessee that it is not interested in purchasing the Lessee's interest in the Leased Premises upon the terms set forth in any Transaction Statement, or (iii) the parties do not enter into a Purchase Contract () days after the exercise of the Right of First Opportunity, then, for a period of () year thereafter, Lessee may sell its interest in the Leased Premises to a third party so long as (a) the economic terms of the Sale Transaction [are not substantially less favorable to Lessee than those set out in the Transaction Statements], and (b) Lessee has complied with the terms of Section 37 (Tenant's Right of First Refusal); [provided, if the amount Lessee will receive from any Sale Transaction is expected to exceed ninety-five percent (95%) of the amount the Lessee would have received under the terms set forth in the Transaction Statement, then the economic terms of the Sale Transaction shall be deemed to be as favorable to Lessee as those described in the Transaction Statement]. Notwithstanding anything to the contrary in this Section, any proposed sale, transfer or conveyance of Lessee's interest in the Leased Premises will be subject to the terms of Section 37 (Tenant's Right of First Refusal) and regardless of whether Lessor waived its right or failed to exercise its right to purchase Lessee's interest in the Leased Premises under this Section.
- 36.3. Change of Terms. If there is a material change in the terms and conditions of any Sale Transaction, Lessee shall be required to submit a new Transaction Statement to Lessor in accordance with the terms of this Section prior to entering into such Sale Transaction with a third party and Lessor may exercise the Right of First Opportunity, within the time period set forth above, in connection therewith. In addition, if Lessee does not enter into a Sale Transaction detailed in any Transaction Statement within ___ (___) year after Lessor's receipt of such Transaction Statement, then Lessee must resubmit such Transaction Statement to Lessor in accordance with the terms of this Section prior to entering into such Sale Transaction with a third party and Lessor may exercise the Right of First Opportunity in connection therewith.
- 36.4. <u>Limitations on Terms</u>. No Transaction Statement shall (i) include any property interest other than Lessee's interest in the Leased Premises, including, without limitation, its interest as ground lessee under the **Facility Lease**, or (ii) contain any provisions that are intended to frustrate or defeat the Right of First Opportunity; [or (iii) restrict or prevent Tenant from using any portion of the Premises for the purposes permitted under this Lease.]

36.5. [Inapplicability. Tenant's Right of First Opportunity shall not be applicable in the event of either of the following transactions: (i) transfers of ownership interests in Lessee resulting from the death of the holder thereof; (ii) the issuance or transfer of stock, units, shares or other securities by an entity which controls, or owns an ownership interest in Lessee (a "Parent Entity"), whether through public or private offerings, including without limitation, the issuance of or transfer of stock, units, shares, or other securities by Lessee or an [Affiliate] of Lessee, so long as such Parent Entity owns material assets other than its ownership interests in Lessee; (iii) the transfer of an ownership interest in Lessee pursuant to a merger, reorganization, consolidation, or other similar transaction involving substantially all of the assets of Lessee to an [Affiliate] of Lessee; or (iv) a transfer of the Leased Premises by Lessee as part of a portfolio transfer of, at minimum, [\$100,000,000] in assets owned by Lessee and/or by a Parent Entity; provided, however, in the event that any such transaction described in this Section 22.05 shall directly result in greater than [50%] of the voting interests in Lessee being vested in a [Disqualified Person] (as that term is hereinafter defined), then Tenant's Right of First Opportunity shall be available to Tenant pursuant to Section

37. RIGHT OF FIRST REFUSAL

- 37.1. Throughout the term of this Lease including any Option Periods, Lessor shall have a continuing right of first refusal to acquire the Lessee's interest in the Leased Premises, including, without limitation, its interests as ground lessee under this Lease and as landlord under the Facility Lease. Accordingly, if Lessee desires to enter into any transaction whereby Lessee will transfer its interest in the Leased Premises, (i) Lessee shall provide Lessor with a binding contract setting forth all of the terms and conditions of said transaction (an "Offer"), and (ii) Lessor shall have the right (the "Right of First Refusal") to acquire Lessee's interest in the Leased Premises on the terms of the Offer. Lessor shall have () days from its receipt of any Offer within which to exercise the Right of First Refusal. In the event Lessor does not notify Lessee that Lessor is exercising the Right of First Refusal () days after Lessor's receipt of any Offer, Lessee may proceed with the transfer of its interest in the Premises in strict accordance with the terms of such Offer; provided if there are any changes in such Offer, a new "Offer" will be deemed to have been made and Lessee will not be entitled to transfer its interest in the Premises until Lessee has complied with all of the terms of this Section with respect to such new Offer. The rights granted to Lessor hereunder shall be ongoing and shall not be affected by Lessor's failure to exercise the Right of First Refusal on one or more occasions.
- 37.2. No Offer shall (i) provide for any non-cash consideration to be received by Lessee as part of the purchase price for its interest in the Leased Premises, (ii) include any property interest that is not a part of the Premises or Lessee's interest in the Leased Premises under this Lease or the Facility Lease (e.g. a bulk sale), (iii) contain any

provisions that are intended to frustrate or defeat the Right of First Refusal or that only the proposed transferee is reasonably capable of satisfying; [(iv) restrict the use of or otherwise encumber the Leased Premises (or any portion thereof)]; or (v) require any alterations, additions, changes or improvements to the Leased Premises. Any provisions of an Offer that violate the terms of this subsection shall be of no force or effect as between Lessee and Lessor and Lessor need not match such provisions.

- 37.3. In the event Lessor does not exercise the Right of First Refusal in connection with any Offer, this Lease (including, but not limited to, the rights granted Lessor under this Section) shall remain in full force and effect and Lessee and its successors and assigns (including, but not limited to, any purchaser of the Leased Premises) shall remain bound hereby. Lessee and Lessor agree that any transfer of Lessee's interest in the Leased Premises shall be made expressly subject to all of the terms, covenants and conditions of this Lease.
- 37.4. Any transfer of Lessee's interest in the Leased Premises in violation of the terms of this Section (an "Invalid Sale") shall, at the option of Lessor, be null and void. Lessor shall have the right to purchase Lessee's interest in the Leased Premises upon the terms and conditions of any Invalid Sale. The payment of any [Rent] to a [Person] who acquires Lessee's interest in the Leased Premises or Lessor's treatment of such Person as the "Lessee" under this Lease shall not be deemed to be a waiver of Lessor's rights under this Section.
- 37.5. Lessee shall not transfer its interest in the Leased Premises and other property in the same transaction (i.e., no Offer shall provide for the sale of the Premises together with other property). In addition, Lessee shall not enter into any transaction under which it will transfer a portion, but not all, of Lessee's interest in the Leased Premises.
- 37.6. [For purposes hereof, if Lessee is an entity (such as, by way of example and not limitation, a corporation, general partnership, limited partnership or limited liability company) the transfer of a majority of the ownership interests (e.g. stock, partnership interests or membership interest) or voting rights in Lessee or any other arrangement that has substantially the same effect as a sale of the Leased Premises shall be deemed to be a transfer of Lessee's interest in the Leased Premises and shall be subject to the terms of this Section, excluding (i) transfers of ownership interests in Lessee resulting from the death of the holder thereof; (ii) the issuance or transfer of stock, units, shares or other securities by a Parent Entity, whether through public or private offerings, including without limitation, the issuance of or transfer of stock, units, shares, or other securities by Lessee or an Affiliate of Lessee, so long as such Parent Entity owns material assets other than its ownership interests in Lessee; (iii) the transfer of an ownership interest in Lessee pursuant to a merger, reorganization, consolidation, or other similar transaction involving substantially all of the assets of

Lessee to an [Affiliate] of Lessee; or (iv) a transfer of the Leased Premises by Lessee as part of a portfolio transfer of, at minimum, [\$100,000,000] in assets owned by Lessee and/or by a Parent Entity; provided, however, in the event that any such transaction described in this Section 37 shall directly result in greater than [50%] of the voting interests in Lessee being vested in a [Disqualified Person] (as hereafter defined), then Lessor's Right of First Refusal shall be available to Lessor pursuant to this Section.]

38. OPTIONS TO PURCHASE

- 38.1. Option to Purchase. Lessor shall have the right and option to purchase the Lessee's interest in the Leased Premises, including, without limitation, all of its interest as ground lessee under the this Lease and as landlord under the Facility Lease, from Lessee (the "Purchase Option") upon and in accordance with the provisions of this Section 38. In the event Lessor desires to exercise the Purchase Option it may do so by giving written notice to Lessee (a "Purchase Option Notice") at least _____ (_____) days prior to the applicable Purchase Option Date [Purchase Option Date to include end of 7th Lease Year, 15th Lease Year, Option Period and at any time in the event the Facility Lease is terminated]. Except as provided herein, the Purchase Option, once exercised, shall be a binding contract for the purchase and sale of the Lessee's interest in the Leased Premises including, without limitation, all of its interest as ground lessee under this Lease or as landlord under the Facility Lease, on and subject to the terms and conditions set forth herein.
- 38.2. Purchase Price. Subject to the prorations and adjustments set forth herein, in the event Lessor elects to exercise the Purchase Option, the purchase price (the "Purchase Price") for the Lessee's interest in the Leased Premises shall be ninety-eight and one-half percent (98.5%) of the fair market value of the Lessee's interest in the Leased Premises determined in accordance with Section 24.03 below (the "Fair Market Value"), which fair market value shall include the unamortized cost of any capital expenditure and the unamortized cost of tenant improvements in the Leased Premises that are paid for by Lessee and not reimbursed by the tenant under the Facility Lease after Final Completion occurs At the closing and consummation of the purchase and sale of the Lessee's interest in the Leased Premises (the "Closing"), Lessor shall pay the Purchase Price to Lessee, in immediately available funds.
- 38.3. Fair Market Value. If Lessor funds any Alteration or expansion of the Leased Premises, the value of such alteration or expansion will not be considered when determining Fair Market Value. During the ten (10) Business Day period after the exercise of the Purchase Option, Lessor and Lessee shall endeavor in good faith to agree upon a mutually acceptable Appraiser. An "Appraiser" is an appraiser certified as an MAI appraiser with a nationally recognized firm or a firm recognized in Edwardsville, Illinois metropolitan area, familiar with valuing hospital buildings, and with at least ten (10) years' experience as a commercial real estate appraiser. An "MAI" appraiser means an individual who holds the MAI designation conferred by,

and is an independent member of, the American Institute of Real Estate Appraisers (or its successor organization or, in the event there is no successor organization, the organization and designation most similar). If Lessor and Lessee do reach agreement on one (1) Appraiser, then they shall jointly engage the Appraiser, and each shall pay one-half of the appraisal fee.

- 38.3.1. If Lessor and Lessee fail to reach agreement on one (1) Appraiser during such ten (10) Business Day period, then no later than ten (10) Business Days after the lapse of such ten (10) Business Day period, each shall select and engage one (1) Appraiser and notify the other of the Appraiser selected. Each party shall pay the appraisal fee of its Appraiser.
- 38.3.2. The single Appraiser or the two (2) Appraisers, as the case may be, shall determine the Fair Market Value as required herein, and shall furnish each party a written determination of such Fair Market Value within ten (10) Business Days after the Appraiser's appointment. If the parties have agreed upon a single Appraiser, the single Appraiser's appraisal shall be binding on the parties. If each party has selected an Appraiser, and if the determinations of the two (2) Appraisers are within ten percent (10%) of each other, the Fair Market Value binding on the parties shall be the average of the two (2) determinations. In the event that only one (1) party selects an Appraiser and timely notifies the other party of its selection, and such party's Appraiser gives such notice within the ten (10) Business Day period, the determination of Fair Market Value made by that Appraiser shall be deemed to be the Fair Market Value and likewise shall be binding on the parties.
- 38.3.3. If the two (2) Appraisers do not agree within ten percent (10%) on the Fair Market Value within ten (10) days after both Appraisers notify the parties of their respective determination of Fair Market Value, each party will cause the Appraiser selected by it to select by mutual agreement the name of one (1) Appraiser having the qualifications set forth above (the "Third Appraiser"). In the event the Appraiser selected by only one (1) party supplies the name of an Appraiser during such ten (10) day period, the Appraiser named by such Appraiser shall be the "Third Appraiser." In either case, each party shall pay one-half of the appraisal fee of the Third Appraiser.
- 38.3.4. Within ten (10) Business Days from the date of this appointment, the Third Appraiser shall make a determination of Fair Market Value. If the Third Appraiser's appraisal is equal to one (1) of the appraisals of the first two (2) appraisals, the Third Appraiser's appraisal shall be deemed to be the Fair Market Value and shall be binding on the parties. If the Third Appraiser's appraisal is not equal to one (1) of the appraisals of the first two (2) Appraisers, then the average of the two (2) closest appraisals shall be deemed to be the Fair Market Value and shall be binding on the parties.

- 38.4. Lessor shall have the right to terminate and cancel its exercise of the Purchase Option by providing written notice to Lessee (a "Purchase Option Termination Notice") within ten (10) days after its receipt of notice of the determination of the Fair Market Value, in which event this Lease shall remain in full force and effect until the expiration or earlier termination of the Term and Lessor shall reimburse Lessee for Lessee's portion of appraisal expenses related to determination of the Fair Market Value.
- 38.5. <u>Title Insurance</u>. Lessor's obligations to purchase Lessee's interest the Premises may be, at Lessor's option, conditioned on Lessor receiving an owner's title policy in the amount of the Purchase Price (the "Owner's Title Policy") [Leasehold Policy to be optional in Lessor's Discretion]. The Owner's Title Policy shall: (i) be based on a title commitment of the Land prepared by a title insurance company of Lessor's choosing, and (ii) insure Lessor's good and valid fee interest in the Leased Premises, subject only to the Permitted Exceptions. In the event Lessor is unable to obtain the Owner's Title Policy or the same does not satisfy the requirements of this Section, Lessor may, as its sole and exclusive remedy, terminate and cancel its exercise of the Purchase Option within forty five (45) days after the determination of Fair Market Value, in which event this Lease shall remain in full force until the expiration or earlier termination of the Term, as if the Purchase Option had never been exercised, but the Purchase Option shall no longer be of any force or effect and Lessor shall reimburse Lessee for Lessee's portion of appraisal expenses related to determination of the Fair Market Value. If Lessor fails to terminate the exercise of the Purchase Option within such forty five (45) day period, Lessor's right to terminate the exercise of the Purchase Option shall be deemed waived.
- 38.6. Closing. The time and date of the Closing and the exact location thereof shall be determined by Lessor and reasonably acceptable to Lessee, provided Lessor shall give Lessee at least ten (10) Business Days advance written notice of the date, time and location of the Closing, and provided further that the Closing shall occur no later days after the applicable Purchase Option Date. At the Closing, Lessee shall deliver the following items to Lessor, properly executed and notarized: [(i) an Assignment and Assumption of the Ground Lease, assigning all of Lessee's right, title and interest in the Ground Lease to Lessor, free of liens and subject only to the Permitted Exceptions (the "Ground Lease Assignment"); (ii) an agreement, in form and substance reasonably acceptable to Lessee and Lessor, terminating this Lease (the "Lease Termination"); (iii) an owner's affidavit, in form and content, sufficient to have the mechanics' and materialmen's exception, rights of parties in possession exception and any other standard exceptions removed from the Owner's Title Policy and the gap insured; and (iv) all other documents, instruments, certificates and affidavits that are necessary to consummate the transaction contemplated by this Section, including, without limitation, a settlement sheet and an IRS §1445 certificate.] At or prior to Closing, Seller shall cause all [Monetary Liens] affecting the Lessee's interest in the Leased Premises to be released and

discharged, except for any [Monetary Liens] arising or resulting from Lessor's affirmative acts or those only affecting Lessee's interest in the Land that is expressly permitted under the Ground Lease.

38.7. [Closing Costs and Prorations. At Closing, Lessor shall pay the cost of recording the [Ground Lease Assignment and Lease Termination], all transfer taxes assessed as a result of the conveyance of the Lessee's interest in the Leased Premises to Lessor, the [Owner's Title Policy] and Lessor's legal fees, and Lessee shall pay for Lessee's legal fees. Other costs and expenses of Closing shall be paid by Lessor. Lessee and Lessor acknowledge that Lessor is required to pay the [Property Taxes] levied or assessed against the Leased Premises. Accordingly, real property taxes and governmental assessments (general and special) will not be prorated between the parties at Closing.]

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have signed and executed this Agreement or caused this Agreement to be executed by and through its proper and duly authorized representatives as of the date first written above.

	LESSOR:
	ANDERSON REAL ESTATE, LLC
5	By: Name: Title:
STATE OF	
said county, personally appearedby me duly sworn did say that the person is	, 2019, before me, a Notary Public, in and for, to me personally known, who being of said
said	and that said instrument was signed on behalf of the by authority of its and the said of said instrument to be the voluntary act and deed of
said by it voluntar	ily executed.
Notary Public Print Name:	
(Seal, if any)	

				LESSEE:		
				By:		
				Name:		
				Title:		
	_					
STATE O	F)			
COUNTY	OF)			
On	this	day of		, 2019, befor	e me, a Notary	Public, in and for
said count	y, personally	v appeared		, to r	ne personally k	cnown, who being
by me duly	y sworn did s	say that the pers	son is _		of said	
, ar	1			and that said instru	ment was signe	ed on behalf of the
said				by authority of	f its	and the said
	acknow	vledged the exe	cution	of said instrument to	be the voluntar	ry act and deed of
said		by it vo	oluntar	ily executed.		
Notary Pul	blic	· ·				
(Seal, if an	y)					
		es:				
-	•					

EXHIBIT A

DESCRIPTION OF SITE

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EXHIBIT B

DESCRIPTION OF HOSPITAL

An approximately bed inpatient rehabilitation	ation hospital as mor	e particularly described in the	ose
plans and specifications prepared by	dated	2019, as project numl	ber
, and last revised on, 2019	·		

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EXHIBIT C

PERMITTED ENCUMBRANCES

[To be updated based on the most current title commitment and ALTA survey.]

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1120.130 Financial Viability

Financial viability ratios have been calculated for Southwestern Illinois Health Facilities, d/b/a Anderson Hospital.

As documented on the next three pages, Anderson Hospital is in compliance with all of the financial viability ratios except for the Current Ratio. Anderson Hospital does not meet the CON standard for hospitals and hospital systems for the Current Ratio for any of the four most recent historic years or for the projected first full year at target utilization, 2023.

The only reason for this ratio being below 2.0 is that Anderson Hospital takes an aggressive approach to moving operating cash to long-term investments. All of Anderson Hospital's long-term investments are unrestricted and can be converted to cash within 7-10 days. As a result, the Current Ratio can be increased to exceed the CON standard within that brief time period.

As is apparent by review of the audited financial statements, Anderson Hospital's long-term investments are of sufficient size to meet the hospital's debt obligations and to insure that the applicant will not default. Consequently, there is no reason to provide a variance to the financial viability ratios, as described in 77 III. Adm. Code 1120.130(c) or to secure a financial viability waiver, as described in 77 III. Adm. Code 1120.130(a).

Southwestern illinois Health Facilities, Inc d/b/a Anderson Hospital Financial Ratios based on Anderson Healthcare Audited Financial Statements

1.	Current Ratio	•	Current Assets Current Liabilities		
	FY 2015		\$36,190,670 \$22,780,054	=	1.59
	FY 2016		\$46,714,016	=	1.60
	FY 2017		\$29,122,985 \$49,444,007	=	1.67
	FY 2018		\$29,606,648 \$52,424,660	=	1.48
	FY 2023		\$35,374,245 \$67,000,000		1.49
			\$45,000,000		1.49
2.	Net Margin %	=	Net Income Net Operating Revenue	x100	
	FY 2015		\$11,074,296 \$151,032,150	=	7.33%
	FY 2016		\$31,674,253 \$159,854,979	=	19.81%
	FY 2017		\$20,743,265	=	11.34%
	FY 2018		\$182,878,815 \$1.375,774	=	0.71%
	FY 2018		\$182,878,815 \$1,375,774 \$194,817,302 \$20,000,000		0.71% 8.00%

Southwestern illinois Health Facilities, Inc d/b/a Anderson Hospital Financial Ratios based on Anderson Healthcare Audited Financial Statements

3.	LTD to Total Capitalization	:	Long Term Debt		
			Long Term Debt + Net Assets		
	FY 2015	\$37,984,069	\$37,984,069	=	24.43%
		\$37,984,069+\$117,508,502=	\$155,492,571		
	FY 2016	\$43,035,347	\$43,035,348	=	22.36%
		\$43,035,348+\$149,458,312=	\$192,493,660		
	FY 2017	\$40,266,543	\$40,266,544	_	19.12%
		\$40,266,544+\$170,378,430=	\$210,644,974		13.1270
	FY 2018	\$39,673,875	\$39,673,876	_	18.77%
		\$39,673,876+\$171,639,747=	\$211,313,623	_	10.///
	FY 2023	\$50,000,000	¢ro oon oon		40 220/
	11 2023	\$50,000,000+\$210,000,000=	\$50,000,000 \$260,000,000	=	19.23%
4.	Projected Debt Service Coverage Ratio	1	Net Income + Depr + Interest + Amort		
4.	Projected Debt Service Coverage Ratio	:	Net Income + Depr + Interest + Amort Principle + Interent for MADS Year		
4.	Projected Debt Service Coverage Ratio	\$11,074,296+\$6,846,232+\$2,155,667=	Principle + Interent for MADS Year	=	4.36
4.	,			=	4.36
4.	,	\$11,074,296+\$6,846,232+\$2,155,667= \$2,548,708+\$2,058,822=	Principle + Interent for MADS Year \$20,076,195 \$4,607,530		
4.	FY 2015	\$11,074,296+\$6,846,232+\$2,155,667=	Principle + Interent for MADS Year \$20,076,195		4.36 9.75
4.	FY 2015	\$11,074,296+\$6,846,232+\$2,155,667= \$2,548,708+\$2,058,822= \$31,674,253+\$7,750,305+\$1,714,658= \$2,283,240+\$1,935,719=	\$20,076,195 \$4,607,530 \$41,139,216 \$4,218,959	=	9.75
4.	FY 2015 FY 2016	\$11,074,296+\$6,846,232+\$2,155,667= \$2,548,708+\$2,058,822= \$31,674,253+\$7,750,305+\$1,714,658=	\$20,076,195 \$41,139,216	=	
4.	FY 2015 FY 2016 FY 2017	\$11,074,296+\$6,846,232+\$2,155,667= \$2,548,708+\$2,058,822= \$31,674,253+\$7,750,305+\$1,714,658= \$2,283,240+\$1,935,719= \$20,743,265+\$9,041,873+\$1,483,220= \$3,166,008+\$1,524,746=	\$20,076,195 \$4,607,530 \$41,139,216 \$4,218,959 \$31,268,358 \$4,690,754	=	9.75 6.67
4.	FY 2015 FY 2016	\$11,074,296+\$6,846,232+\$2,155,667= \$2,548,708+\$2,058,822= \$31,674,253+\$7,750,305+\$1,714,658= \$2,283,240+\$1,935,719= \$20,743,265+\$9,041,873+\$1,483,220=	\$20,076,195 \$4,607,530 \$41,139,216 \$4,218,959 \$31,268,358	=	9.75
4.	FY 2015 FY 2016 FY 2017	\$11,074,296+\$6,846,232+\$2,155,667= \$2,548,708+\$2,058,822= \$31,674,253+\$7,750,305+\$1,714,658= \$2,283,240+\$1,935,719= \$20,743,265+\$9,041,873+\$1,483,220= \$3,166,008+\$1,524,746= \$1,375,774+\$8,699,736+\$1,504,990=	\$20,076,195 \$4,607,530 \$41,139,216 \$4,218,959 \$31,268,358 \$4,690,754	=	9.75 6.67

Southwestern illinois Health Facilities, Inc d/b/a Anderson Hospital Financial Ratios based on Anderson Healthcare Audited Financial Statements

5.	Days Cash on Hand	±	Cash + Investments + Board Designated		
		-	Operating Expense /365		
	FY 2015	\$5,315,793+\$1,112,077+\$64,584,373=	\$71,012,243	= 184	4.55
		\$140,443,066/365=	\$384,776		
	FY 2016	\$5,212,055+\$2,459,288+\$67,480,544=_	\$75,151,887	= 174	1.85
		\$156,876,546/365=	\$429,799		
	FY 2017	\$8,801,519+\$3,067,780+\$82,671,046=	\$94,540,345	= 198	3.40
		\$173,923,889/365=	\$476,504		
	FY 2018	\$8,697,937+\$5,805,853+\$76,664,719=	\$91,168,509	= 176	i.20
		\$188,860,619/365=	\$517,426		
	FY 2023	\$120,000,000	\$120,000,000	= 200	.00
		\$219,000,000/365=	\$600,000		
6.	Cushion Ratio	=	Cash + Investments + Board Designated		
6.	Cushion Ratio	-	Cash + Investments + Board Designated Principle + Interent for MADS Year		
6.	Cushion Ratio FY 2015	= \$5,315,793+\$1,112,077+\$64,584,373=		= 15	.41
6.		-	Principle + Interent for MADS Year	= 15	.41
6.		\$5,315,793+\$1,112,077+\$64,584,373=	\$71,012,243 \$4,607,530		5.41 5.81
6.	FY 2015	\$5,315,793+\$1,112,077+\$64,584,373= \$2,548,708+\$2,058,822=	Principle + Interent for MADS Year \$71,012,243		
6.	FY 2015	\$5,315,793+\$1,112,077+\$64,584,373= \$2,548,708+\$2,058,822= \$5,212,055+\$2,459,288+\$67,480,544=	Principle + Interent for MADS Year \$71,012,243 \$4,607,530 \$75,151,887	= 17	
6.	FY 2015 FY 2016	\$5,315,793+\$1,112,077+\$64,584,373= \$2,548,708+\$2,058,822= \$5,212,055+\$2,459,288+\$67,480,544= \$2,283,240+\$1,935,719=	\$71,012,243 \$4,607,530 \$75,151,887 \$4,218,959	= 17	.81
6.	FY 2015 FY 2016	\$5,315,793+\$1,112,077+\$64,584,373= \$2,548,708+\$2,058,822= \$5,212,055+\$2,459,288+\$67,480,544= \$2,283,240+\$1,935,719= \$8,801,519+\$3,067,780+\$82,671,046=	\$71,012,243 \$71,012,243 \$4,607,530 \$75,151,887 \$4,218,959 \$94,540,345	= 17.	.81
6.	FY 2015 FY 2016 FY 2017	\$5,315,793+\$1,112,077+\$64,584,373= \$2,548,708+\$2,058,822= \$5,212,055+\$2,459,288+\$67,480,544= \$2,283,240+\$1,935,719= \$8,801,519+\$3,067,780+\$82,671,046= \$3,166,008+\$1,524,746=	\$71,012,243 \$71,012,243 \$4,607,530 \$75,151,887 \$4,218,959 \$94,540,345 \$4,690,754	= 17.	.81
6.	FY 2015 FY 2016 FY 2017	\$5,315,793+\$1,112,077+\$64,584,373= \$2,548,708+\$2,058,822= \$5,212,055+\$2,459,288+\$67,480,544= \$2,283,240+\$1,935,719= \$8,801,519+\$3,067,780+\$82,671,046= \$3,166,008+\$1,524,746= \$8,697,937+\$5,805,853+\$76,664,719=	\$71,012,243 \$4,607,530 \$75,151,887 \$4,218,959 \$94,540,345 \$4,690,754 \$91,168,509 \$4,690,754	= 17.	.15

Please note that Kindred Healthcare, LLC was formed as a result of a transformative transaction that closed on July 2, 2018. This transaction impacted the presentation of Kindred's 2018 financial statements and the relevance of the 2016 and 2017 financial statements for Kindred Healthcare Inc. which are included in the following requested financial ratios.

Prior to July 2, 2018, Kindred Healthcare Inc. was a publicly traded healthcare company (NYSE: KND) that operated long-term acute care (LTAC) hospitals, inpatient rehabilitation facilities (IRF), contract rehabilitation services, as well as home health, hospice, and community care services. On July 2, 2018, TPG Capital (TPG), Welsh, Carson, Anderson & Stowe (WCAS), and Humana completed their take-private acquisition of Kindred Healthcare Inc. and split Kindred's business into two companies. Kindred's LTAC, IRF and contract rehabilitation services business (collectively, Kindred Healthcare, LLC) were separated from Kindred's home health, hospice, and community care businesses (collectively, Kindred at Home). Kindred Healthcare, LLC is now operated as a separate specialty hospital company and privately owned by TPG and WCAS. Kindred at Home is operated as a standalone company not affiliated with Kindred Healthcare, LLC.

Due to the transformative nature of the July 2, 2018 transaction, Kindred Healthcare Inc.'s 2016 and 2017 publicly available financial statements have limited relevance to the prospects of the go-forward company. The 2016 and 2017 financial statements include the operations of both Kindred and Kindred at Home and do not reflect the significant changes to the company's capital structure that resulted from the transaction.

Kindred Healthcare, LLC's 2018 audited financial statements are presented on a carve-out basis and have been split into two components to reflect the performance of the company before and after the July 2, 2018 transaction. The Predecessor Company financials represent the performance of the company on a carve-out basis before the July 2, 2018 transaction (January 1, 2018 – July 1, 2018). The financial results for this period include the company's go-forward operations, but reflect elements of the capital structure of the company that changed substantially as a result of the transaction, including higher amounts of debt to support the larger organization. The Successor Company financials represent the performance of the company following the July 2, 2018 transaction (July 2, 2018 – December 31, 2018) but include significant one-time impacts of the transaction including the new capitalization of the company and a revaluation of all assets and liabilities on the balance sheet.

In order to provide a more representative view of Kindred's financial position, we have provided the Kindred Healthcare, LLC Lender Report from December 31, 2019. This report includes adjustments to Kindred's financial statements to remove one-time impacts from the July 2, 2018 transaction. The normalized financials are included in the pages titled "Reconciliation of GAAP Results to Non-GAAP Measures." Items removed from the financial statements include restructuring charges, closed facilities, and interest paid on pre-transaction debt. Note that these financial statements provide a more favorable view of Kindred Healthcare, LLC's financial position and better represent the financial health of the company.

Further note that the presented financial ratios do not appropriately capture Kindred's liquidity. As part of the capitalization of Kindred Healthcare, LLC, completed on July 2, 2018, the company's capital structure includes a \$450million asset-backed revolver (ABL) and a \$410million term loan. We believe these facilities as well as the ongoing cash flows of the company provide ample liquidity for operations.

ILLINOIS CERTIFICATE OF NEED FINANCIAL VIABILITY RATIOS KINDRED HEALTHCARE, LLC (\$\(\xi\) in thousands)

1.	Current Ratio	0 =	Current As					
			Current Lia	abilities				
	FY2016:	\$1,803,753 \$1,005,728	_ =	1.79				
		71,005,720						
	FY2017:	\$1,409,539	_ =	1.52				
		\$926,319						
	FY2018:	\$908,298	=	1.35				
		\$673,761	-					
	FY2023:	\$1,002,298	=	1.39				
		\$720,761	-					
2.	Net Margin F	Parcantaga =	Net Incom		x 100			
۷.	ivet iviaigii i	reiceillage =		ting Reveni				
			net opera	ting nevern				
	FY2016:	(\$664,230)	X 100 =	-10.56%				
		\$6,292,529	•					
	FY2017:	(\$698,352)	X 100 =	-11.57%				
		\$6,034,123						
	FY2018:	(\$90,574)	X 100 =	-2.73%				
		\$3,320,006	•					
	FY2023:	\$70,086	X 100 =	1.70%				
		\$4,124,068	•					
3.	Long-Term D	ebt to Total Capit	alization Ra	tio =	Long-Term Debi	<u>t </u>	x 100	
					(Long-Term Deb	t + Net Ass	sets)	
	EV004.6	40.045.050			40.0400			
	FY2016:	\$3,215,062 \$3,215,062 + \$1	041 531	_ X 100 =	\$3,215,062	X 100 =	75.53	
		35,215,002 + 31	U41,521		\$4,230,363			
	FY2017:	\$3,146,972		X 100 =	\$3,146,972	X 100 =	90.05	
		\$3,146,972 + \$347,762	- // 100	\$3,494,734	200	30.03		
			·					
	FY2018:	\$455,760		X 100 =	\$455,760	X 100 =	55.90	
		\$455,760 + \$35	9,488		\$815,248			
	51/2022	AF.40.455			A= 40 4==			
	FY2023:	\$548,475	2 400	_ X 100 =	\$548,475	X 100 =	50.00	A440-b
	\$548,475 + \$		5,488		\$1,096,963			Attachment 35

4. Projected Debt Service Coverage Ratio = Net Income + Depreciation & Amortization + Interest
Principal Payments + Interest Expense for the Year of
Maximum Debt Service after Project Completion

FY2016:
$$\frac{(\$664,230) + \$131,819 + \$234,612}{\$14,631 + \$219,345} = \frac{(\$297,799)}{\$233,976} = (1.27)$$
FY2017:
$$\frac{(\$698,352) + \$104,805 + \$241,411}{\$15,079 + \$224,222} = \frac{(\$352,136)}{\$239,301} = (1.47)$$
FY2018:
$$\frac{(\$90,574) + \$73,491 + \$146,577}{\$8,643 + \$136,430} = \frac{\$129,494}{\$145,073} = 0.89$$
FY2023:
$$\frac{\$70,086 + \$76,923 + \$49,342}{\$4,100 + \$45,513} = \frac{\$196,351}{\$49,613} = 3.96$$

5. Days Cash on Hand Ratio = Cash + Investments + Board Designated Funds
(Operating Expense + Depreciation Expense) / 365 Days

FY2016:
$$\frac{\$137,061 + \$108,966 + \$0}{\$5,935,822 / 365} = \frac{\$246,027}{\$16,263} = 15$$

FY2017: $\frac{\$160,254 + \$22,546 + \$0}{\$5,730,513 / 365} = \frac{\$182,800}{\$15,700} = 12$

FY2018: $\frac{\$84,213 + \$6,951 + \$0}{\$3,207,082 / 365} = \frac{\$91,164}{\$8,787} = 10$

FY2023: $\frac{\$85,000 + \$6,000 + \$0}{\$3,816,670 / 365} = \frac{\$91,000}{\$10,457} = 9$

6. Cushion Ratio = Cash + Investments + Board Designated Funds
Principal Payments + Interest Expense for the Year of
Maximum Debt Service after Project Completion

FY2016:
$$\frac{\$137,061 + \$108,966 + \$0}{\$14,631 + \$219,345} = \frac{\$246,027}{\$233,976} = 1.05$$
FY2017:
$$\frac{\$160,254 + \$22,546 + \$0}{\$15,079 + \$224,222} = \frac{\$182,800}{\$239,301} = 0.76$$
FY2018:
$$\frac{\$84,213 + \$6,951 + \$0}{\$8,643 + \$136,430} = \frac{\$91,164}{\$145,073} = 0.63$$
FY2023:
$$\frac{\$85,000 + \$6,000 + \$0}{\$4,100 + \$45,513} = \frac{\$91,000}{\$49,613} = 1.83$$

PROJECT COSTS AND SOURCES OF FUNDS

The state of the s	Clinical	Non-Clinical	Total
Use of Funds			
Preplanning Costs	\$125,303	\$99,698	\$225,000
Site Survey and Soil Investigation	\$19,492		
Site Preparation	\$515,133		
Off-Site Work	\$0	\$0	
New Construction contracts	\$9,815,110	\$7,809,890	\$17,625,000
Modernization Contracts	\$0	\$0	
Contingencies	\$874,176	\$809,824	
Architectural/Engineering Fees	\$484,503	\$385,497	
Consulting and Other Fees	\$647,212	\$514,957	
Movable or Other Equipment (not in construction			30(54%)
contracts)	\$832,566	\$662,435	\$1,495,000
Bond Issuance Expense (project related)	\$0	\$0	\$0
Net Interest Expense During Construction			
(project related)	\$594,003	\$472,622	\$1,066,625
Fair Market Value of Leased Space or Equipment	\$0	\$0	\$0
Other Costs to be Capitalized	\$505,387	\$402,113	\$907,500
Acquisition of Building or Other Property			U_0
(excluding land)	\$0		\$0
Total Uses of Funds	14,412,883	11,582,411	\$25,995,294
Source of Funds			<u> </u>
Cash and Securities	\$1,337,952.25	\$1,064,548	\$2,402,500
Pledges			MESS XII
Gifts and Bequests			
Cond Issues (project related)			
Mortgages			e
Leases (fair market value)	\$13,074,931	\$10,517,863.12	\$23,592,794
Governmental Appropriations			
Grants			-
Other Funds and Sources			ij
Total Sources of Funds	14,412,883	11,582,411	\$25,995,294

Project Costs and Sources of Funds Line Item Itemization

Line 1. Preplanning Costs - \$225,000

This amount includes up-front building permit and impact fees, feasibility studies, and analysis of alternative legal and joint venture structures.

Line 2. Site Survey and Soil Investigation - \$35,000

Soil testing and geotechnical work.

Line 3. Site preparation - \$925,000

Site work including erosion control measures, clearing and grubbing, grading work, storm, sewer, and fire utility infrastructure installation, asphalt paving, drainage, and landscaping.

Line 5. New Construction Contracts - \$17,625,000

All construction work will be done by a developer to be selected. Total construction cost is \$17,625,000, of which \$9,815,110 is clinical. Costs include core and shell, interior buildout, fixed equipment, all finishes, and contractor's overhead.

Line 7. Contingencies - \$1,684,000

Contingencies cover allowance for unforeseen circumstances. Clinical contingency is \$874,176. Clinical cost per sq ft (construction plus contingency) is \$388.79.

Line 8. Architectural / Engineering Fees - \$870,000

This work includes preliminary design, schematic design, design development, construction document services, bidding and negotiation, and construction administration.

Line 9. Consulting and other fees - \$1,162,169

These include legal fees, developer fees, Certificate of Need, environmental and other.

Line 10. Movable or other equipment (not in construction contracts) - \$1,495,000

This line item includes all equipment, furniture and furnishings for the clinical and support space. These include: patient lifts, patient beds, Stretchers, treatment carts, overbed tables, refrigerator and ice machines, automatic medication dispensing unit, kitchen equipment, exerciser, mat platforms, parallel bars, staircase, treadmill, treatment table, treatment equipment, weights and storage rack, wheelchairs, lockers, and the like.

Itemization of selected equipment above \$10,000 per unit and between \$5,000 and \$10,000 per unit is as follows:

a. Items Over \$10,000 - Subtotal \$586,000

- i. Ekso Bionic Suit 1 @ \$140,000
- ii. TriWG Parallel Bars 2 @ (\$15,000ea) \$30,000
- iii. Defribrillator for Crash Carts 2 @ (\$12,000ea) \$24,000
- iv. GE EKG MAC5500 1 @ \$13,000
- v. Technobody IsoFree 1 @ \$13,000
- vi. InMotion Arm Interactive Therapy System 1 @ \$100,000
- vii. Senaptec Sensory Station 1 @ \$18,000

- viii. Stryker Bari10A Beds 2 @ (\$18,000ea) \$36,000
- ix. LiteGait Balance Control Stander and Gait Keeper Treadmill Package 1 @ \$12,000
- x. Omnicell 1 @ \$200,000

b. Items Over \$5,000 - Subtotal \$321,860

- i. Stryker S3 Beds 20 @ (\$6,225ea) \$124,500
- ii. Stryker Spirit Select Beds 12 @ (\$6,780ea) \$81,360
- iii. Spirit Medical Rehab Treadmill 1 @ \$6,000
- iv. Food Tronix Cash Register 1 @ \$5,000
- v. Tollos Lifts 11 @ (\$7,500ea) \$82,500
- vi. Verathon Bladder Scanner 1 @ \$6,500
- vii. Pharmacy Hood 1 @ \$8,000
- viii. Smart Car 1 @ \$8,000
- c. Items under \$5,000 Subtotal \$587,140

Total Equipment Costs - \$1,495,000

Line 12. Net interest expense during construction (project related) - \$1,066,625

This line item constitutes interest on the loan taken out by the developer. Interest payments are passed through to Anderson Rehabilitation Hospital and incorporated in rent payments to the developer.

Line 14. Other costs to be capitalized - \$907,500

IT - \$720,000 Artwork - \$17,100 Signage - \$18,800 Other items - \$151,600

Line 16. Cash and Securities - \$2,402,500

Kindred will pay this amount to cover equipment, IT, artwork, signage, and other capitalized costs

Line 21. Leases (fair market value) - \$23,592,794

Anderson Rehabilitation Hospital will make payments to the developer upon completion of the project based on the terms of the lease. The lease is structured to reimburse the developer for the total project costs, exclusive of equipment.

The lease covers preplanning costs, site survey and soil investigation, construction & contingencies, site preparation, net interest expense during construction, and A/E and consulting services.

C. Reasonableness of Project and Related Costs

COST AND SQUARE FOOT BY DEPARTMENT

· ·	Α	В	С	D	Е	F	G	Н
Department	Cost / Sq Ft * DGSF		F	DGSF		Const \$	Mod \$	
	New	Mod	New	Circ %	Mod	Circ %	(A × C)	(B x E)
REVIEWABLE	new .							
Patient Rooms/Rehabilitation	\$389.25		20,889				\$8,131,043	
Pharmacy	\$385.65		514				\$198,224	
Physical Therapy/Occupational Therapy	\$387.46		6,091				\$2,360,019	
Total clinical services	\$388.79		27,494				\$10,689,286	
NON-REVIEWABLE								
Administration/Case Mng	\$385.12		3,480	·		T T	\$1,340,218	
Dayrooms	\$386.45		2,136				\$825,457	
Dining/Dietary	\$405.63		3,484				\$1,413,215	
Lobby/Public Circulation	\$406.79		5,461	·			\$2,221,480	
Mechanical	\$386.43		2,111			1	\$815,760	
Storage	\$381.59		1,396				\$532,700	
Clean/Soiled Supply	\$383.54		894				\$342,885	
Other Support	\$386.45		1,923				\$743,143	
Staff Lounge/Lockers	\$387.96		992				\$384,856	
Total non-clinical areas	\$394.01		21,877				\$8,619,714	
TOTAL PROJECT	\$391.10		49,371				\$19,309,000	

Entries in cells are approtioned construction and contingency costs.

Anderson IRF CON Operating Costs

D. Project Operating Costs

Project Direct Operating Expenses – 2 years after project completion

}	Project
	FY 2023
Total Operating Costs	\$14,056,569
Equivalent Patient Days	10,600
Direct Cost per Equivalent Patient Day	\$1,333

E. Total Effect of the Project on Capital Costs

Projected Capital Costs – two years after project completion

	mprement
	Project
	FY 2023
Equivalent Patient Days	10,600
Total Project Cost	\$2,402,500
Useful Life	7 Years
Total Annual Depreciation	\$343,214
Depreciation Cost per Equivalent Patient Day	\$33

NOTE- the Total Project Cost presented here reflects only the portion of project costs that are capitalized and will be depreciated by Anderson Rehabilitation Hospital. The remaining \$23,592,794 of Project Costs represent the fair market value of the facility lease. Because the facility is leased, Anderson Rehabilitation Hospital will not depreciate it on its books.

Safety Net Impact Statement

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.

Health safety net services have been defined as services provided to patients who are low-income and otherwise vulnerable, including those uninsured and covered by Medicaid. (Agency for Healthcare Research and Quality, Public Health Services, U.S. Department of Health and Human Services, "The Safety Net Monitoring Initiative," AHRG Pub. No 03-P011, August, 2003.)

The project is for the establishment of an inpatient hospital for Comprehensive Physical Rehabilitation. This service is currently provided at Anderson Hospital in Maryville, and is being relocated and expanded to the hospital's property in Edwardsville, a distance of approximately 5 miles from the hospital in Maryville.

Anderson Hospital provides several services that are considered safety net services. These especially include emergency medical care and obstetrics. These services do not cover their costs, and are subsidized by inpatient care, including medical, surgical and Comprehensive Physical Rehabilitation, as well as diagnostic services. Revenues generated by the hospital's medical, surgical, rehabilitation, and diagnostic services are used to subsidize emergency and obstetrics care in the communities served by Anderson Hospital. The proposed relocation and expansion of Comprehensive Physical Rehabilitation will enhance Anderson Hospital's ability to subsidize and strengthen its safety net services.

Anderson Rehabilitation Hospital will be an important asset to the communities served, and will have a similar payor mix to Anderson Hospital:

Medicare: 51.9% consisting of 34.2% Medicare plus

17.8% Medicare Managed Care

Medicaid: 13.5% consisting of 2.2% Medicaid plus

11.3% Medicaid Managed Care

Commercial: 32.1%

Self Pay: 2.5%

TOTAL: 100.0%

In addition, the rehabilitation hospital will provide a similar amount of charity care as the current rehabilitation unit at Anderson Hospital provides.

As reported in Anderson's recent permit application for development of an ASTC in Edwardsville (Project # 18-031, approved by HFSRB in December, 2018), there are residents of the GSA who are low income and otherwise vulnerable, and residing in Medically Underserved Areas. Medically Underserved Areas are designated by the federal government (Health Resources and Services Administration of the U. S. Department of Health and Human Services) based on the Index of Medical Underservice. Designated Medically Underserved Areas (MUAs) are eligible for certification and funding under federal programs such as Community Health Center (CHC) grant funds, Federally Qualified Health Centers (FQHCs), and

Rural Health Clinics (https://bhw.hrsa.gov/shortage-designation/muap) (Health Resources and Services Administration, U.S. Department of Health and Human Services).

A number of census tracts in the GSA in both Madison County and St Clair County have been designated as being MUAs. In Madison County, these census tracts are in or near Venice and Granite City. In St Clair County, they are in or near East St. Louis, Fairview Heights, and Belleville.

Furthermore, the Anderson Rehabilitation Hospital will provide services to patients hospitalized at Community Memorial Hospital in Staunton who need post-acute care rehabilitation. Community Memorial Hospital is a critical access hospital, whose sole member is Southwestern Illinois Health Facilities, Inc, d/b/a Anderson Hospital.

In addition to providing important safety net services in the community, Anderson Hospital provides an array of services that are reported in Anderson Hospital's 2018 Community Benefits and Social Accountability Plan, submitted to the Illinois Attorney General's office. It documents that in 2018, Anderson Hospital provided over \$21,500,000 in community benefits. These include:

- financial assistance to members of the community
- additional resources for patients and community members
- facilitating quarterly drives for identified needs, such as clothing, food, personal items, toys, etc.
- exploring resources for increasing heart healthy foods in local pantries
- providing community health services beyond patient care activities
- providing health screenings
- providing support groups and educational events and materials
- providing 32,502 hours of student education, including education in clinical settings

2. The project's impact on the ability of another provider or healthcare system to cross-subsidize safety net services, if reasonable known to the applicant.

Other than Anderson Hospital's existing 20 bed unit, there are no hospitals within the 17 mile GSA that provide Comprehensive Physical Rehabilitation services. As a result, the proposed project will have no impact on another hospital's ability to provide safety net services in this area.

The only other facility in HSA 11 providing rehabilitation services is HSHS St Elizabeth Hospital in O'Fallon. It lies outside of the 17 mile radius. The existing unit at Anderson Hospital serves a minimum volume of patients from the area near HSHS St Elizabeth's Hospital, and the relocation of Anderson's unit approximately 5 miles to the north is a move adding more distance from the service at HSHS St Elizabeth in O'Fallon. The additional patients to receive care at the larger Anderson Rehabilitation Hospital are primarily those residents of Madison County, and zip codes extending up toward Effingham and Vandalia. As a result, there should be no impact on the rehabilitation program and safety net services at HSHS St Elizabeth's Hospital.

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.

This Certificate of Need permit application addresses the establishment of a rehabilitation hospital in Edwardsville. The establishment involves the relocation of the existing 20 bed unit at Anderson Hospital in Maryville, and the closure of that unit. State regulations address this project as the discontinuation of the unit in Maryville, and establishment of the new hospital in Edwardsville. A companion Application

for Exemption will be prepared and submitted to discontinue the existing unit in Maryville. Issues related to the discontinuation will be addressed in that application.

However, it is safe to say that the discontinuation of the service in Maryville will not result in any gap in safety net service, since Southwestern Illinois Health Facilities, Inc d/b/a Anderson Hospital is involved in and directing both projects, and services relocated by a distance of 5 miles will not have any negative result due to the discontinuation at Anderson Hospital in Maryville.

4. Additional information on Safety Net Services.

A. For the three fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by the 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 the appropriate methodology specified by the Board.

B. For the three fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.

See the attached tables for Anderson Hospital and Kindred Healthcare.

ANDERSON HOSPITAL SAFETY NET IMPACT STATEMENT

	2016		2017	Γ	2018
Charity Care (# of Patients)				Т	
Inpatients	173		152		132
Outpatients	4,404		3,976		2,724
Total Patients	4,577		4,128		2,856
Cost of Charity Care (Costs)	 	-			
Inpatients	\$ 349,124	\$	460,036	\$	421,064
Outpatients	\$ 901,536	\$	1,353,923	\$	1,333,742
Total Patients	\$ 1,250,660	\$	1,813,959	\$	1,754,806
Medicaid (# of Patients)	 				
Inpatients	1,720		1,584		951
Outpatients	29,930		30,241		30,270
Total Patients	31,650		31,825		31,221
Medicaid (Revenue)	 				
Inpatients	\$ 10,137,631	\$	8,190,571	\$	6,715,144
Outpatients	\$ 8,485,891	\$	10,887,987	\$	13,951,709
Total Patients	\$ 18,623,522	\$	19,078,558	\$	20,666,853

Kindred Healthcare Facilities in Illinois

CHARITY CARE

	<u> </u>		CHARLLY CA	w	-		
Charity (#	of patients)		2015		2016	Г	2017
	Inpatient		1	Г	5	Г	0
	Outpatient		0		0	Г	0
Total		Т	1		5	Г	0
Charity (c	ost in dollars)		<u>. </u>			Г	
	Inpatient	\$	140,418.96	\$	195,419.00	\$	882,162.00
	Outpatient		0		0		0
	total	\$	140,418.96	\$	195,419.00	\$	882,162.00
			MEDICAL)		_	
Medicaid ((# of patients)		2015		2016		2017
<u> </u>	Inpatient		1,046		1,393		1,336
	Outpatient		0		0		0
Total			1,046	Г	1,393		1,336
Medicaid (revenue)						
	Inpatient	\$ 4	14,763,546.00	\$	51,580,013.00	\$	40,943,936.00
	Outpatient		0		0		0
Total		\$ 4	4,763,546.00	\$	51,580,013.00	\$	40,943,936.00

X. Charity Care Information

CHARITY CARE - ANDERSON HOSPITAL			· · ·
	2016	2017	2018
Net Patient Revenue	\$131,792,713	\$145,275,015	\$152,525,154
Amount of Charity Care (charges)	\$4,706,056	\$7,464,131	\$7,321,983
Cost of Charity Care	\$1,250,660	\$1,813,959	\$1,754,806

Kindred Healthcare Facilities in Illinois

Charity Care

	 	_		
	 2015		2016	2017
Net Patient Revenue	\$ 157,087,389	\$	153,092,797	\$ 148,458,897
Amount of Charity Care (charges)	\$ 396,658	\$	513,921	\$ 3,084,482
Cost of Charity Care	\$ 140,419	\$	195,419	\$ 882,162

Appendix A

Physician Letters of Commitment to Refer Patients (received as of May 30, 2019)

Physician / PA Name	Patients Committed
Physician / PA Ivanie	to refer
	to relei
Physicians or others on Anders	on Hospital staff
Sandhya Grandhi, MD	8
Shannon Hopen, MD	10
Deborah Bross, MD	8
Stanley Sidwell, MD	12
	2
Gary Steinmann, PA	
Christopher Farrar, MD	3
Sonda Johnson, NP	3
Connie Marten, NP	3
Tori Sutton, NP	5
Christopher Farrar, MD	21
Rachel Cadmus, PA-C	2
Rachel Hutchens (Cadmus)	1
Kevin Garner, MD	7
David Ladin, MD	13
Mohammed Ashraf, MD	17
Paulo Bicahlo, MD	11
Peter Anderson, MD	3
Paul Scherer, MD	2
Brett Grebing, MD	6
Daniel Johnson, MD	1
Richard Wikiera, DO	1
Syed Ali, MD	2
Riaz Naseer, MD	4
Zohair Karmally, MD	4
Deepak Koul, MD	1
Robert Craig McKee	1
Kyle Shepperson, MD	2
Joshua Poos, MD	1
Physicians not on Anderson Sto	off
Panka Kaul, MD	1
Behfar Dianati	3
Helal Ekramuddin, MD	1
Jennifer Leonard, MD	1

Bryan Steele, MD	2
Karna Sherwood, MD	2
Sonya Schlepper, MD	2
Mark Hoofnagle, MD	1
Melissa Stewart, MD	1
Evan Schwartz, MD	1



May 23, 2019

Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in Hospitalist Medicine. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 8 patients for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for these patients. I referred 10 patients in 2017 for inpatient rehabilitation.

I estimate that I will refer 8 patients to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

Sandhya Grandhi, MD

Hospitalist Office 6800 State Route 162 Maryville, IL 62062 618-391-5944 OFFICIAL SEAL
JUDITH I PURCELL
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:07/10/21

Physician Name: Sandhya Grandhi, MD

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62062	2
62208	1
62060	1
62234	1
62294	1
62034	1
62088	1
TOTAL	8



May 23, 2019

Courtney R. Avery Administrator Illinois Health Facilities and Services Review Board 525 W. Jefferson Street, 2nd Floor Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in Hospitalist Medicine. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 10 patients for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for these patients. I referred 13 patients in 2017 for inpatient rehabilitation.

I estimate that I will refer 10 patients to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely

Hospitalist Office 6800 State Route 162 Maryville, IL 62062 618-391-5944

OFFICIAL SEAL RY PUBLIC - STATE OF ILLINOIS MY COMMISSION EXPIRES:07/10/21

Judith S. Tursell 5/23/19

Physician Name: Shannon Hopen, MD

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62234	2
62294	2
62034	2
62025	2
62088	1
62062	1
TOTAL	10



May 23, 2019

Courtney R. Avery Administrator Illinois Health Facilities and Services Review Board 525 W. Jefferson Street, 2nd Floor Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in Hospitalist Medicine. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 8 patients for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for these patients. I referred 4 patients in 2017 for inpatient rehabilitation.

I estimate that I will refer 8 patients to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Asborah Boss, MD

Sincerely.

Deborah Bross, MD

Hospitalist Office 6800 State Route 162 Maryville, IL 62062 618-391-5944

OFFICIAL SEAL JUDITH I PURCELL **NOTARY PUBLIC - STATE OF ILLINOIS**

Judid & Surall 5/23/19

Physician Name: Deborah Fowler Dixon Bross, MD

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62234	5
62294	1
62040	1
62223	1
TOTAL	8



May 23, 2019

Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in Hospitalist Medicine. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 12 patients for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for these patients. I referred 8 patients in 2017 for inpatient rehabilitation.

I estimate that I will refer 12 patients to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

Stanley Sidwell, MD

Hospitalist Office 6800 State Route 162 Maryville, IL 62062 618-391-5944 OFFICIAL SEAL
JUDITH I PURCELL
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:07/10/21

Physician Name: Stanley Sidwell, MD

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62234	3
62281	2
62034	2
62040	2
62025	1
62088	1
62062	1
TOTAL	12



May 23, 2019

Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in Hospitalist Medicine. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 2 patients for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for these patients. I referred 0 patients in 2017 for inpatient rehabilitation.

I estimate that I will refer 2 patients to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

Gary Steinmann, PA

Hospitalist Office 6800 State Route 162 Maryville, IL 62062 618-391-5944 OFFICIAL SEAL
JUDITH I PURCELL
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES 07/10/21

Physician Name: Gary Steinmann, PA-C

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62069	1
62025	1
TOTAL	2

May 28, 2019

Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in Hospitalist Medicine. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 three providers who are no longer part of the Hospitalist group referred 11 patients for inpatient comprehensive physical rehabilitation at Anderson Hospital. The attached tables list the zip codes of residence for these patients. Two of the providers referred 5 patients in 2017 for inpatient rehabilitation at Anderson Hospital.

I estimate that the current Hospitalist group will refer 11 patients (volume from those that left) to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

Christopher Farrar, MD

6800 State Route 162 Maryville, IL 62062 618-391-5944 OFFICIAL SEAL
JUDITH I PURCELL
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:07/10/21

Judied I Tuckle

Physician Name: Sonda Johnson, NP

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62062	1
62234	1
62088	1
TOTAL	3

Table: Residence of Patients referred for inpatient rehabilitation, year 2018

Physician Name: Connie Marten, NP

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62034	1
62234	1
62062	1
TOTAL	3

Table: Residence of Patients referred for inpatient rehabilitation, year 2018

Physician Name: Tori Sutton, NP

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62034	2
62025	1
62294	1
62281	1
TOTAL	5



May 28, 2019

Courtney R. Avery Administrator Illinois Health Facilities and Services Review Board 525 W. Jefferson Street, 2nd Floor Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in Hospitalist Medicine. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 21 patients for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for these patients. I referred 21 patients in 2017 for inpatient rehabilitation.

I estimate that I will refer 21 patients to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

Christopher Farrar, MD

6800 State Route 162 Maryville, IL 62062 618-391-5944

OFFICIAL SEAL JUDITH I PURCELL **NOTARY PUBLIC - STATE OF ILLINOIS** MY COMMISSION EXPIRES:07/10/21

Physician Name: Christopher Farrar, MD

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62025	6
62062	3
62234	2
62024	2
62294	2
62034	2
62002	1
62249	1
62088	1
62001	1
TOTAL	21



May 28, 2019

Courtney R. Avery Administrator Illinois Health Facilities and Services Review Board 525 W. Jefferson Street, 2nd Floor Springfield, IL 62761

Dear Ms. Avery

I am a physician assistant specializing in Hospitalist Medicine. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 2 patients for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for these patients. I referred 2 patients in 2017 for inpatient rehabilitation.

I estimate that I will refer 2 patients to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely

Rachel Cadmus, PA-C

6800 State Route 162 Maryville, IL 62062 618-391-5944

NOTARY PUBLIC - STATE OF ILLINOIS

COMMISSION EXPIRES:07/10/21

Juded J. Sunell

APPENDIX A

V PA-C

Physician Name: Rachel Cadmus, PA-C

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62062	1
62025	1
TOTAL	2

Physician Name: Rachel Hutchens, PA-C

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62040	1
TOTAL	1



May 28, 2019

Courtney R. Avery Administrator Illinois Health Facilities and Services Review Board 525 W. Jefferson Street, 2nd Floor Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in Hospitalist Medicine. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 7 patients for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for these patients. I referred 2 patients in 2017 for inpatient rehabilitation.

I estimate that I will refer 7 patients to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely

Kevin Gamer, MD

6800 State Route 162 Maryville, IL 62062 618-391-5944

OFFICIAL SEAL JUDITH I PURCELL **NOTARY PUBLIC - STATE OF ILLINOIS** MY COMMISSION EXPIRES:07/10/21

Judeal & Truckle 5) 78/19

APPENDIX A

283

Physician Name: Kevin Garner, MD

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62025	3
62002	1
62034	1
62281	1
62234	1
TOTAL	7



May 23, 2019

Courtney R. Avery Administrator Illinois Health Facilities and Services Review Board 525 W. Jefferson Street, 2nd Floor Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in Hospitalist Medicine. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 13 patients for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for these patients. I referred 5 patients in 2017 for inpatient rehabilitation.

I estimate that I will refer 13 patients to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

David Ladin, MD

Hospitalist Office 6800 State Route 162 Maryville, IL 62062 618-391-5944

OFFICIAL SEAL NOTARY PUBLIC - STATE OF ILLINOIS MY COMMISSION EXPIRES:07/10/21

Judich J. Sencell 5/33/19

APPENDIX A

285

Physician Name: David Ladin, MD

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62234	5
62034	2
62294	1
62097	1
62269	1
62035	1
62025	1
62095	1
TOTAL	13



May 28, 2019

Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in Hospitalist Medicine. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 17 patients for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for these patients. I referred 6 patients in 2017 for inpatient rehabilitation.

I estimate that I will refer 17 patients to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

Mohammed Ashraf, MD

6800 State Route 162 Maryville, IL 62062 618-391-5944 OFFICIAL SEAL
JUDITH I PURCELL
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:07/10/21

Julia S. Small 5/28/19

Physician Name: Mohammed Ashraf, MD

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62034	3
62234	3
62040	3
62025	1 ₁ 3
62062	2
62010	1
62249	1
62046	1
TOTAL	17



May 23, 2019

Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in Orthopedics. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 11 patients for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for these patients. I referred 4 patients in 2017 for inpatient rehabilitation.

I estimate that I will refer 11 patients to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

Paulo Bicalho, MD

6812 State Route 162 Suite 123 Maryville, IL 62062 (618) 288-9460

Paulo S. Bicalho, MD

- Joint Replacement Surgery
- General Orthopedics
- Sports Medicine
- Fracture Care

Brett R. Grebing, MD

- Foot & Ankle Surgery
- General Orthopedics
- Sports Medicine
- Fracture Care

Physician Name: Paulo Bicalho, MD

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62025	4
62062	2
62234	2
62249	1
62269	1
62014	1
TOTAL	11

Illinois SW Orthopedics, Ltd.

Peter J. Anderson, M.D. Paul J. Scherer, M.D. Timothy J. Penn. M.D. James B. Sola, M.D.

Orthopedic Surgery - Total Joint Replacement - Sports Medicine - Foot & Hand Surgery

May 23, 2019

Courtney R. Avery Administrator Illinois Health Facilities and Services Review Board 525 W. Jefferson Street, 2nd Floor Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in Orthopedics. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 3 patients for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for these patients. I referred 3 patients in 2017 for inpatient rehabilitation.

Lestimate that I will refer 3 patients to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

Peter Anderson, MD

4802 S. State Route 159 Glen Carbon, IL 62034-1904

618-288-4248

OFFICIAL SEAL JUDITH I PURCELL NOTARY PUBLIC - STATE OF ILLINOIS

MY COMMISSION EXPIRES:07/10/21

Physician Name: Peter Anderson, MD

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62025	2
62062	1
TOTAL	3

Illinois SW Orthopedics, Ltd.

Peter J. Anderson, M.D. Paul J. Scherer, M.D. Timothy J. Penn, M.D. James B. Sola, M.D. Orthopedic Surgery - Total Joint Replacement - Sports Medicine - Foot & Hand Surgery

May 23, 2019

Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in Orthopedics. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 2 patients for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for these patients. I referred 9 patients in 2017 for inpatient rehabilitation.

I estimate that I will refer 2 patients to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

Paul Scherer, MD

4802 S. State Route 159 Glen Carbon, IL 62034-1904

618-288-4248

OFFICIAL SEAL
JUDITH I PURCELL

NOTARY PUBLIC - STATE OF ILLINOIS MY COMMISSION EXPIRES:07/10/21

Physician Name: Paul Scherer, MD

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62034	1
62025	1
TOTAL	2



May 23, 2019

Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in Orthopedics. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 6 patients for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for these patients. I referred 4 patients in 2017 for inpatient rehabilitation.

I estimate that I will refer 6 patients to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

Brett Grebing, MD

6812 State Route 162 Suite 123 Maryville, IL 62062 (618) 288-9460 Paulo S. Bicalho, MD

- Joint Replacement Surgery
- General Orthopedics
- Sports Medicine
- Fracture Care

Brett R. Grebing, MD

- Foot & Ankle Surgery
- General Orthopedics
- Sports Medicine
- Fracture Care

OFFICIAL SEAL BETH A COULTER NOTARY PUBLIC - STATE OF ILLINOIS MY COMMISSION EXPIRES:08/13/19

Notary Pholic: BeTL G. Coulter Dates: May 29, 2019

Physician Name: Brett Grebing, MD

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62249	2
62014	1
62234	1
62040	1
62062	1
TOTAL	6



6810 State Route 162 * Suite 100 * Maryville, IL 62062 * Phone (618) 288-3616 * Fax (618)-288-3647

Charles A. Lane, M.D., F.A.C.S. Richard H. Wikiera, D.O., F.A.C.S. Daniel S. Johnson, M.D., F.A.C.S Jacob I. Jackson, D.O. Kelsy B. Wasmuth, NP

May 23, 2019

Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in General Surgery. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 1 patient for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for these patients. I referred 0 patients in 2017 for inpatient rehabilitation.

I estimate that I will refer 1 patient to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

Daniel Johnson, MD

6812 State Route 162 Suite 100 Maryville, IL 62062

(618) 288-3616

notary Public: BeTha. Coulter pate: may 30, 2019

OFFICIAL SEAL
BETH A COULTER
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:08/13/19

Physician Name: Daniel Johnson, MD

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62025	1
TOTAL	1



6810 State Route 162 * Suite 100 * Maryville, IL 62062 * Phone (618) 288-3616 * Fax (618)-288-3647

Charles A. Lane, M.D., F.A.C.S. Richard H. Wikiera, D.O., F.A.C.S. Daniel S. Johnson, M.D., F.A.C.S Jacob I. Jackson, D.O. Kelsy B. Wasmuth, NP

May 23, 2019

Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in General Surgery. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 1 patient for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for these patients. I referred 0 patients in 2017 for inpatient rehabilitation.

I estimate that I will refer 1 patient to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

Richard Wikiera, MD 40.

6810 State Route 162 Suite 100 Maryville, IL 62062 (618) 288-3616 Notan Public: Betha. Coulter Date: May 30, 2019

OFFICIAL SEAL
BETH A COULTER
NOTARY PUBLIC - STATE OF ILLINOIS APPENDIX A
MY COMMISSION EXPIRES:08/13/19

Physician Name: Richard Wikiera, MD

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62234	1
TOTAL	1

TRI-CITY NEUROLOGY ASSOCIATES, LTD.

6828 STATE ROUTE 162

MARYVILLE, IL 62062

PHONE: 618-288-5906

SYED S. ALI, M.D.

May 23, 2019

Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in Neurology. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 2 patients for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for these patients. I referred 7 patients in 2017 for inpatient rehabilitation.

I estimate that I will refer 2 patients to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

Syed Ali, MD

6828 State Route 162 Maryville, IL 62062

618-288-5906

OFFICIAL SEAL JUDITH I PURCELL NOTARY PUBLIC - STATE OF ILLINOIS

MY COMMISSION EXPIRES:07/10/21

Physician Name: Syed Ali, MD

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62097	1
62025	1
TOTAL	2

TRI-CITY NEUROLOGY ASSOCIATES, LTD.

6828 STATE ROUTE 162

MARYVILLE, IL 62062

PHONE: 618-288-5906

RIAZ A. NASEER, M.D.

May 23, 2019

Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in Neurology. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 4 patients for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for these patients. I referred 4 patients in 2017 for inpatient rehabilitation.

I estimate that I will refer 4 patients to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

Riaz Naseer, MD 6828 State Route 162 Maryville, IL 62062

618-288-5906

OFFICIAL SEAL
JUDITH ! PURCELL
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:07/10/21

Physician Name: Riaz Naseer, MD

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62040	3
62034	1
TOTAL	4



May 23, 2019

Courtney R. Avery Administrator Illinois Health Facilities and Services Review Board 525 W. Jefferson Street, 2nd Floor Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in Critical Care Medicine. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 4 patients for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for these patients. I referred 2 patients in 2017 for inpatient rehabilitation.

I estimate that I will refer 4 patients to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely.

Zohair Karmally, MD

6800 State Route 162 Maryville, IL 62062 618-391-6350

OFFICIAL SEAL JUDITH I PURCELL NOTARY PUBLIC - STATE OF ILLINOIS

Judach D. Sucell 5/23/19

Physician Name: Zohair Karmally, MD

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62424	1
62294	1
62025	1
62040	1
TOTAL	4

May 28, 2019

Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in Cardiology. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 1 patient for inpatient comprehensive physical rehabilitation at Anderson Hospital. The attached table lists the zip codes of residence for these patients. I referred 0 patients in 2017 for inpatient rehabilitation at Anderson Hospital.

I estimate that I will refer 1 patient to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

Deepak Koul, MD

6810 State Route 162, Suite 102 Maryville, IL 62062 618-288-4076 OFFICIAL SEAL
JUDITH I PURCELL
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES 07/10/21

Judith I Tuncoll 5/28/19

Physician Name: Deepak Koul, MD

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62025	1
TOTAL	1



R. CRAIG MCKEE, M.D., LLC

4956 AUTUMN OAKS DRIVE, SUITE A MARYVILLE, IL 62062 618-288-1548 • FAX 618-288-2553

May 23, 2019

Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in Plastic Surgery. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 1 patient for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for these patients. I referred 0 patient in 2017 for inpatient rehabilitation.

I estimate that I will refer 1 patient to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

Raport Chair Moke W

4956 Autumn Oaks Drive

Suite A

Maryville, IL 62062

(618) 288-1548

OFFICIAL SEAL
BETH A COULTER
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:08/13/19

Notary Public: Betha. Coulter Date: may 24,2019

Physician Name: Robert Mckee, MD

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62034	1
TOTAL	1

Precision Orthopaedics

Kyle P. Shepperson, MD 6810 State Route 162 - Suite 10 Maryville, IL 62062

Ph: (618) 288-2020 Fax: (618) 288-7983

May 23, 2019

Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in Orthopedics. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 2 patients for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for these patients. I referred 8 patients in 2017 for inpatient rehabilitation.

I estimate that I will refer 2 patients to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely.

Kyle Shepperson, MD

6810 State Route 162 Suite 10 Maryville, IL 62062 (618) 288-2020 OFFICIAL SEAL BETH A COULTER NOTARY PUBLIC - STATE OF ILLINOIS MY COMMISSION EXPIRES:08/13/19

Notary Pholic: Beth a. Coulter Nate: May 23,2019

Physician Name: Kyle Shepperson, MD

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62234	1
62040	1
TOTAL	2



An Anderson Healthcare Partner

May 23, 2019

Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms. Avery

I am a physician specializing in Family Medicine. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 1 patient for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for these patients. I referred 1 patient in 2017 for inpatient rehabilitation.

I estimate that I will refer 1 patient to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincere

Jøshua Poos, MD

Community Hospital of Staunton Dba Community Clinic of Staunton 325 North Caldwell Street Staunton, IL 62088

OFFICIAL SEAL
JUDITH I PURCELL
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:07/10/21

APPENDIX A

1. Smill



Physician Name: Joshua Poos, MD

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62069	1
TOTAL	1

May 301, 2019

Courtney R. Avery Administrator Illinois Health Facilities and Services Review Board 525 W. Jefferson Street, 2nd Floor Springfield, IL 62761

Dear Ms Avery:

I am a physician specializing in Internal Medicine. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 1 patient(s) for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for patient(s). I referred 2 patient(s) in 2017 for inpatient rehabilitation.

I estimate that I will refer 1 patient(s) to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

Dr. Helal Ekramuddin

2870 Netherton Dr. St. Louis, MO 63136

314-355-2700

NOTARY SEAL

TAMMY L. MCKENNEY
Notary Public - Notary Seal
Jefferson County - State of Missouri
Commission Number 15389481
My Commission Expires Apr. 23, 2024

My Commission Expires Apr 23, 2023

Physician Name: Helal Ekramuddin

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62040	1
TOTAL	1

May 30, 2019

Courtney R. Avery Administrator Illinois Health Facilities and Services Review Board 525 W. Jefferson Street, 2nd Floor Springfield, IL 62761

Dear Ms Avery:

I am a physician specializing in General Surgery. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 1 patient(s) for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for patient(s). I referred 0 patient(s) in 2017 for inpatient rehabilitation.

I estimate that I will refer 1 patient(s) to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

Dr. Jennifer Leonard 4921 Parkview Place Saint Louis, MO 63110

314-362-5298

NOTARY SEAL

Claim Thompson 5/30/19

CLARISSA THOMPSON
Notary Public, Notary Seal
State of Missouri
St Louis County
Commission # 18675943
My Commission Expires 01-04-2022

Physician Name: Jennifer Leonard

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62040	1
TOTAL	1



Jennifer M. Leonard, M.D., Ph.D.

Assistant Professor

Department of Surgery Section of Acute and Critical Care Surgery Campus Box 8109 660 South Euclid Ave. St. Louis, MO 63110-1093 Phone: (314) 747-7696 Fax: (314) 362-5743 jennifer.leonard@wustl.edu May <u>39</u>, 2019

Courtney R. Avery Administrator Illinois Health Facilities and Services Review Board 525 W. Jefferson Street, 2nd Floor Springfield, IL 62761

Dear Ms Avery:

I am a physician specializing in Family Medicine. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 2 patient(s) for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for patient(s). I referred 1 patient(s) in 2017 for inpatient rehabilitation.

I estimate that I will refer 2 patient(s) to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

4 Memorial Drive, Building B, Suite 210

Alton, IL 62002 618-463-5905

Dr. Bryan Steele

NOTARY SEAL

5/29/19

OFFICIAL SEAL

NOTARY PUBLIC - STATE OF ILLINOIS

Physician Name: Bryan Steele

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62002	2
TOTAL	2



Bryan Steele, MD

Family Medicine

4 Memorial Drive, Building B Suite 210, Alton, IL 62002

P | 618.463.5905

www.sihf.org

F 618.463.5935

YOUR HEALTH. OUR MISSION.

May 29, 2019

Courtney R. Avery Administrator Illinois Health Facilities and Services Review Board 525 W. Jefferson Street, 2nd Floor Springfield, IL 62761

Dear Ms Avery:

I am a physician specializing in Neurology. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 2 patient(s) for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for patient(s). I referred 0 patient(s) in 2017 for inpatient rehabilitation.

I estimate that I will refer 2 patient(s) to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

Dr. Karna Sherwood 1 St. Anthony's Way, Alton, IL 62002 618-463-0248 **NOTARY SEAL**

OFFICIAL SEAL
JUDITH I PURCELL
NOTARY PUBLIC - STATE OF ILLINOIS

MY COMMISSION EXPIRES:07/10/21

Justed D. Lunell 5/29/19

Physician Name: Karna Sherwood

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62095	1
62002	1
TOTAL	2



Karna Sherwood, MD

Neurology

#1 St Anthony's Way, Third Floor Alton, IL 62002 Ph (618) 463-0248 | Fax (618) 474-6315 24 hour answering service

May **26**, 2019

Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Dear Ms Avery:

I am a physician specializing in Family Medicine. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 2 patient(s) for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for patient(s). I referred 0 patient(s) in 2017 for inpatient rehabilitation.

I estimate that I will refer 2 patient(s) to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sonya R. Schleger, no 5/28/19

Sincerely,

Dr. Sonya Schleeper 270 Maple Summit Rd.

Jerseyville, IL 62052

618-498-7108

NOTARY SEAL

OFFICIAL SEAL JUDITH I PURCELL NOTARY PUBLIC - STATE OF III

NOTARY PUBLIC - STATE OF ILLINOIS MY COMMISSION EXPIRES:07/10/21

Judich J. Punell 5/38/14 PPENDIX A

Physician Name: Sonya Schleeper

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62037	1
62035	1
TOTAL	2



May <u>30</u>, 2019

Courtney R. Avery Administrator Illinois Health Facilities and Services Review Board 525 W. Jefferson Street, 2nd Floor Springfield, IL 62761

Dear Ms. Avery:

I am a physician specializing in General Surgery. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 1 patient for inpatient comprehensive physical rehabilitation. The attached table lists the zip code of residence for patient. I referred 0 patients in 2017 for inpatient rehabilitation.

I estimate that I will refer 1 patient to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

Dr. Mark Hoofnagle 4921 Parkview Pl

St Louis, MO 63110-1032

314-362-5298

NOTARY SEAL

Clair Thy 5/30/19

CLARISSA THOMPLIEN
Notary Public, Notary Seal
State of Missourl
St Louis County
Commission # 18675943
My Commission Expires 01-04-2022

APPENDIV A

Physician Name: Mark Hoofnagle

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62040	
TOTAL	1



SCHOOL OF MEDICINE

Mark H. Hoofnagle, M.D.

Assistant Professor

Department of Surgery Section of Acute and Critical Care Surgery Campus Box 8109 660 South Euclid Ave. St. Louis, MO 63110-1093 Phone: (314) 362-0032 Fax: (314) 362-5743 hoofnaglem@wustl.edu May <u>30</u> 2019

Courtney R. Avery Administrator Illinois Health Facilities and Services Review Board 525 W. Jefferson Street, 2nd Floor Springfield, IL 62761

Dear Ms Avery:

I am a physician specializing in General Surgery. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 1 patient(s) for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for patient(s). I referred 0 patient(s) in 2017 for inpatient rehabilitation.

I estimate that I will refer 1 patient(s) to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

Dr. Melissa Stewart

4921 Parkview Place Suite 8C

St. Louis, MO 63110

314-362-5298

NOTARY SEAL

li 4hy 5/30/19

Addition 1999

Physician Name: Melissa Stewart

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62208	1
TOTAL	1

Washington University in	St.Louis
--------------------------	----------

Nelisa K. Stewart

M.D.

Assistant Professor

Department of Surgery Section of Acute and Critical Care Surgery

Campus Box 8109 660 South Euclid Ave. St. Louis, MO 63110-1093

Phone: (314) 747-7696 Fax: (314) 362-5743

jennifer.leonard@wustl.edu

May <u>-3()</u> 2019

S.

Courtney R. Avery Administrator Illinois Health Facilities and Services Review Board 525 W. Jefferson Street, 2nd Floor Springfield, IL 62761

Dear Ms Avery:

I am a physician specializing in Emergency Care. I support the proposal to establish the inpatient comprehensive rehabilitation service at the proposed Anderson Rehabilitation Hospital in Edwardsville.

In 2018 I referred 1 patient(s) for inpatient comprehensive physical rehabilitation. The attached table lists the zip codes of residence for patient(s). I referred 0 patient(s) in 2017 for inpatient rehabilitation.

I estimate that I will refer 1 patient(s) to the proposed Anderson Rehabilitation Hospital in 2021, the year the new facility will be opened.

These referral counts have not been used to support another permit application for any other hospital's comprehensive physical rehabilitation service.

Please contact me if you have any questions.

Sincerely,

Dr. Evan Schwarz

660 S. Euclid Ave #8072

St. Louis, MO 314-362-8200 **NOTARY SEAL**

APPENDIX A

CLARISSA THOMPSON
Notary Public, Notary Seal
State of Missouri
St Louis County
Commission # 18675943
My Commission Expires 01-04-2022

Physician Name: Evan Schwarz

Zip Code	# of patients referred for inpatient rehabilitation Year 2018
62012	1
TOTAL	1

June 4, 2019

RECEIVED

JUN 05 2019

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street 2nd floor
Springfield, IL 62761

Re: CON Permit Application
Anderson Rehabilitation Hospital, Edwardsville

Dear Ms Avery

On behalf of Southwestern Illinois Health Facilities, Inc, d/b/a Anderson Hospital, Kindred Healthcare, LLC, and Anderson Rehabilitation Hospital, LLC, I am pleased to submit an original and one copy of the permit application for the establishment of Anderson Rehabilitation Hospital in Edwardsville. Also enclosed is a check for the \$2,500 made payable to the Illinois Department of Public Health as the initial payment toward the application fee.

We look forward to review of the project by the Illinois Health Facilities and Services Review Board.

Sincerely,

Ralph M. Weber
CON consultant
920 Hoffman Lane
Riverwoods, IL 60015

847-791-0830

Cc: Keith A. Page, President and CEO, Anderson Hospital
Lisa Klaustermeier, Chief Nursing Officer, Anderson Hospital
Brian Samberg, Division Vice President, Kindred Healthcare, LLC