

**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 Identification

| | | | |
|--------------------|---|----------------------|------------------------------|
| Facility Name: | Northwestern Medicine Old Irving Park Medical Office Building | | |
| Street Address: | 4435 – 4471 West Irving Park Road | | |
| City and Zip Code: | Chicago, Illinois 60641 | | |
| County: | Cook | Health Service Area: | 6 Health Planning Area: A-01 |

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

| | |
|-------------------------------------|-------------------------------------|
| Exact Legal Name: | Northwestern Memorial HealthCare |
| Street Address: | 251 East Huron Street |
| City and Zip Code: | Chicago, Illinois 60611 |
| Name of Registered Agent: | Danae Prousis |
| Registered Agent Street Address: | 211 East Ontario Street, Suite 1800 |
| Registered Agent City and Zip Code: | Chicago, Illinois 60611 |
| Name of Chief Executive Officer: | Dean M. Harrison |
| CEO Street Address: | 251 East Huron Street |
| CEO City and Zip Code: | Chicago, Illinois 60611 |
| CEO Telephone Number: | 312-926-3007 |

Type of Ownership of Applicants

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

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

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

Primary Contact [Person to receive ALL correspondence or inquiries]

| | |
|-------------------|--|
| Name: | Bridget Orth |
| Title: | Director, Regulatory Planning |
| Company Name: | Northwestern Memorial HealthCare |
| Address: | 211 East Ontario Street, Suite 1750, Chicago, Illinois 60611 |
| Telephone Number: | 312-926-8650 |
| E-mail Address: | borth@nm.org |
| Fax Number: | 312-926-0373 |

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

| | |
|-------------------|--|
| Name: | Rob Christie |
| Title: | Senior Vice President |
| Company Name: | Northwestern Memorial HealthCare |
| Address: | 211 East Ontario Street, Suite 1750, Chicago, Illinois 60611 |
| Telephone Number: | 312-926-7527 |
| E-mail Address: | robert.christie@nm.org |
| Fax Number: | 312-926-0373 |

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: | Bridget Orth |
| Title: | Director, Regulatory Planning |
| Company Name: | Northwestern Memorial HealthCare |
| Address: | 211 East Ontario Street, Suite 1750, Chicago, Illinois 60611 |
| Telephone Number: | 312-926-8650 |
| E-mail Address: | borth@nm.org |
| Fax Number: | 312-926-0373 |

Site Ownership

[Provide this information for each applicable site]

| | |
|--|--|
| Exact Legal Name of Site Owner: | Northwestern Memorial HealthCare |
| Address of Site Owner: | 251 East Huron Street, Chicago, Illinois 60611 |
| Street Address or Legal Description 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 statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease. |
| APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. | |

Operating Identity/Licensee

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

| | | | |
|---|--|--------------------------|---------------------|
| Exact Legal Name: | Northwestern Memorial HealthCare | | |
| Address: | 251 East Huron Street, Chicago, Illinois 60611 | | |
| <input checked="" type="checkbox"/> | Non-profit Corporation | <input type="checkbox"/> | Partnership |
| <input type="checkbox"/> | For-profit Corporation | <input type="checkbox"/> | Governmental |
| <input type="checkbox"/> | Limited Liability Company | <input type="checkbox"/> | Sole Proprietorship |
| | | <input type="checkbox"/> | Other |
| <ul style="list-style-type: none"> Corporations and limited liability companies must provide an Illinois Certificate of Good Standing. Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner. Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership. | | | |
| APPEND DOCUMENTATION AS ATTACHMENT 3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. | | | |

Organizational Relationships

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

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

Flood Plain Requirements

[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>). **NOTE: A SPECIAL FLOOD HAZARD AREA AND 500-YEAR FLOODPLAIN DETERMINATION FORM** has been added at the conclusion of this Application for Permit that must be completed to deem a project complete.

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

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

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

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

DESCRIPTION OF PROJECT**1. Project Classification**

[Check those applicable - refer to Part 1110.20 and Part 1120.20(b)]

Part 1110 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.

Northwestern Memorial HealthCare (NMHC) proposes to construct an outpatient medical office building located at 4435 – 4471 West Irving Park Road in Chicago, IL.

The building will include physicians' offices for Northwestern Medical Group (NMG) and non-hospital based ambulatory care: infusion services, diagnostic imaging, physical therapy, and well-patient laboratory (blood draw).

The total project square footage will be 318,116 s.f.: 162,113 s.f. of medical office building space and 156,003 s.f. of parking.

The total project cost is \$158,386,818.

The anticipated project completion date is June 30, 2024.

The project is classified as non-substantive because it does not establish a new category of service or facility as defined in 20 ILCS 3690/3.

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.

| Project Costs and Sources of Funds | | | |
|---|----------------------|-----------------------|-----------------------|
| USE OF FUNDS | CLINICAL | NONCLINICAL | TOTAL |
| Preplanning Costs | \$ 10,281 | \$ 120,526 | \$ 130,807 |
| Site Survey and Soil Investigation | \$ 23,580 | \$ 276,420 | \$ 300,000 |
| Site Preparation | \$ 578,300 | \$ 6,779,207 | \$ 7,357,507 |
| Off Site Work | \$ 114,614 | \$ 1,343,585 | \$ 1,458,199 |
| New Construction Contracts | \$ 12,714,300 | \$ 79,971,815 | \$ 92,686,115 |
| Modernization Contracts | | | |
| Contingencies | \$ 1,271,430 | \$ 7,997,182 | \$ 9,268,612 |
| Architectural/Engineering Fees | \$ 207,677 | \$ 2,434,526 | \$ 2,642,203 |
| Consulting and Other Fees | \$ 801,351 | \$ 9,393,955 | \$ 10,195,306 |
| Movable or Other Equipment (not in construction contracts) | \$ 10,827,560 | \$ 21,495,509 | \$ 32,323,069 |
| 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 | \$ 159,165 | \$ 1,865,835 | \$ 2,025,000 |
| Acquisition of Building or Other Property (excluding land) | | | |
| TOTAL USES OF FUNDS | \$ 26,708,259 | \$ 131,678,558 | \$ 158,386,818 |
| SOURCE OF FUNDS | CLINICAL | NONCLINICAL | TOTAL |
| Cash and Securities | \$ 26,708,259 | \$ 131,678,558 | \$ 158,386,818 |
| Pledges | | | |
| Gifts and Bequests | | | |
| Bond Issues (project related) | | | |
| Mortgages | | | |
| Leases (fair market value) | | | |
| Governmental Appropriations | | | |
| Grants | | | |
| Other Funds and Sources | | | |
| TOTAL SOURCES OF FUNDS | \$ 26,708,259 | \$ 131,678,558 | \$ 158,386,818 |
| 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 ☒ Yes ☐ No
 Purchase Price: \$ 10,850,188 _____
 Fair Market Value: \$ _____

The project involves the establishment of a new facility or a new category of service
☐ Yes ☒ No

If yes, provide the dollar amount of all **non-capitalized** operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.

Estimated start-up costs and operating deficit cost is \$ N/A _____.

Project Status and Completion Schedules

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

Indicate the stage of the project's architectural drawings:

☐ None or not applicable ☐ Preliminary
☒ Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): June 30, 2024 _____

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

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

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

State Agency Submittals [Section 1130.620(c)]

Are the following submittals up to date as applicable?

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

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

Cost Space Requirements

Provide in the following format, the **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.**

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

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

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert 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: N/A | | CITY: | | | |
|---------------------------------------|------------------------|-------------------|---------------------|--------------------|----------------------|
| REPORTING PERIOD DATES: | | | | | |
| | | From: | | to: | |
| Category of Service | Authorized Beds | Admissions | Patient Days | Bed Changes | Proposed Beds |
| Medical/Surgical | | | | | |
| Obstetrics | | | | | |
| Pediatrics | | | | | |
| Intensive Care | | | | | |
| Comprehensive Physical Rehabilitation | | | | | |
| Acute/Chronic Mental Illness | | | | | |
| Neonatal Intensive Care | | | | | |
| General Long-Term Care | | | | | |
| Specialized Long-Term Care | | | | | |
| Long Term Acute Care | | | | | |
| Other ((identify) | | | | | |
| TOTALS: | | | | | |

CERTIFICATION

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

- in the case of a corporation, any two of its officers or members of its Board of Directors;
- 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);
- 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);
- 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 the case of a sole proprietor, the individual that is the proprietor.

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


SIGNATURE

Dean M. Harrison
PRINTED NAME

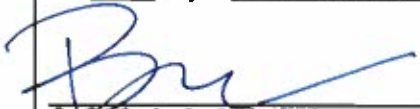
President and CEO
PRINTED TITLE


SIGNATURE


John A. Orsini
PRINTED NAME

SVP and CFO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 17 day of March 2021


Signature of Notary
OFFICIAL SEAL
Bridget S. Orth
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires Dec. 16, 2024

Notarization:
Subscribed and sworn to before me
this 17 day of March 2021


Signature of Notary
OFFICIAL SEAL
Bridget S. Orth
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires Dec. 16, 2024

Insert the EXACT legal name of the applicant

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

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

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.
3. 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.
 - e. 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 can submit amendments to previously submitted information, as needed, to update and/or clarify data.

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

Criterion 1110.110(b) & (d)**PURPOSE OF PROJECT**

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other relevant area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.
4. Cite the sources of the documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to 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 ATTACHMENT 12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-6) MUST BE IDENTIFIED IN ATTACHMENT 12.

ALTERNATIVES

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

Alternative options **must** include:

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

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

SECTION IV. PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE**Criterion 1110.120 - Project Scope, Utilization, and Unfinished/Shell Space**

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive. **This must be a narrative 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.
 - d. 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.

| SIZE OF PROJECT | | | | |
|--------------------|-----------------------|-------------------|------------|------------------|
| DEPARTMENT/SERVICE | PROPOSED BGSF/DGSF | STATE STANDARD | DIFFERENCE | MET STANDARD? |
| | | | | |

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

PROJECT SERVICES UTILIZATION:

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

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

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

| UTILIZATION | | | | | |
|-------------|-------------------|---|--------------------------|-------------------|------------------|
| | DEPT./ SERVICE | HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC. | PROJECTED UTILIZATION | STATE STANDARD | MET STANDARD? |
| YEAR 1 | | | | | |
| YEAR 2 | | | | | |

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

UNFINISHED OR SHELL SPACE:

Provide the following information:

1. Total gross square footage (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:
 - a. 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 ATTACHMENT 16, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ASSURANCES:

Submit the following:

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

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

M. 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 |
|--------------------------|----------------------|----------------------|
| <input type="checkbox"/> | | |
| <input type="checkbox"/> | | |
| <input type="checkbox"/> | | |

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 |
| APPEND DOCUMENTATION AS <u>ATTACHMENT 30</u> , IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. | |

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

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

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) | Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: |
| | 1) | the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and |
| | 2) | interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion; |
| | b) | Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated timetable of gross receipts and related fundraising expenses, and a discussion of past fundraising experience. |
| | c) | Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated timetable of receipts; |
| | d) | Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: |
| | 1) | For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; |
| | 2) | For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; |
| | 3) | For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; |
| | 4) | For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; |
| | 5) | For any option to lease, a copy of the option, including all |

| | |
|---|---|
| | terms and conditions. |
| _____ | e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent; |
| _____ | f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt; |
| _____ | g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project. |
| | 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 the project's capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS **ATTACHMENT 34**, 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 **ATTACHMENT 35**, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VIII.1120.140 - ECONOMIC FEASIBILITY

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

A. Reasonableness of Financing Arrangements

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

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

B. Conditions of Debt Financing

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

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

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

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

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

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

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

E. Total Effect of the Project on Capital Costs

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

APPEND DOCUMENTATION AS ATTACHMENT 36, 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 the following must be submitted for ALL SUBSTANTIVE PROJECTS AND PROJECTS TO DISCONTINUE HEALTH CARE FACILITIES [20 ILCS 3960/5.4]:

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

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

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by 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 37.

| Safety Net Information per PA 96-0031 | | | |
|---------------------------------------|------|------|------|
| CHARITY CARE | | | |
| Charity (# of patients) | Year | Year | Year |
| Inpatient | | | |
| Outpatient | | | |
| Total | | | |
| Charity (cost in dollars) | Year | Year | Year |
| Inpatient | | | |
| Outpatient | | | |
| Total | | | |
| MEDICAID | | | |
| Medicaid (# of patients) | Year | Year | Year |
| Inpatient | | | |
| Outpatient | | | |
| Total | | | |
| Medicaid (revenue) | Year | Year | Year |
| Inpatient | | | |
| Outpatient | | | |

| | | | | |
|--|--------------|--|--|--|
| | Total | | | |
|--|--------------|--|--|--|

APPEND DOCUMENTATION AS ATTACHMENT 37, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

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 **must** 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 **ATTACHMENT 38**, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION XI -SPECIAL FLOOD HAZARD AREA AND 500-YEAR FLOODPLAIN DETERMINATION FORM

In accordance with Executive Order 2006-5 (EO 5), the Health Facilities & Services Review Board (HFSRB) must determine if the site of the CRITICAL FACILITY, as defined in EO 5, is located in a mapped floodplain (Special Flood Hazard Area) or a 500-year floodplain. All state agencies are required to ensure that before a permit, grant or a development is planned or promoted, the proposed project meets the requirements of the Executive Order, including compliance with the National Flood Insurance Program (NFIP) and state floodplain regulation.

- Applicant: Northwestern Memorial HealthCare 251 East Huron Street
 Chicago (Name) IL 60611 312-926-8650 (Address)
 (City) (State) (ZIP Code) (Telephone Number)
- Project Location: 4435 – 4471 West Irving Park Road Chicago, IL
 (Address) (City) (State)
Cook 40 North
 (County) (Township) (Section)

- You can create a small map of your site showing the FEMA floodplain mapping using the FEMA Map Service Center website (<https://msc.fema.gov/portal/home>) by entering the address for the property in the Search bar. If a map, like that shown on page 2 is shown, select the **Go To NFHL Viewer** tab above the map. You can print a

copy of the floodplain map by selecting the  icon in the top corner of the page. Select the pin tool icon  and place a pin on your site. Print a FIRMETTE size image.

If there is no digital floodplain map available select the **View/Print FIRM** icon above the aerial photo. You will then need to use the Zoom tools provided to locate the property on the map and use the **Make a FIRMette** tool to create a pdf of the floodplain map.

IS THE PROJECT SITE LOCATED IN A SPECIAL FLOOD HAZARD AREA: Yes___ No X

IS THE PROJECT SITE LOCATED IN THE 500-YEAR FLOOD PLAIN?

If you are unable to determine if the site is in the mapped floodplain or 500-year floodplain, contact the county or the local community building or planning department for assistance.

If the determination is being made by a local official, please complete the following:

FIRM Panel Number: _____ Effective Date: _____

Name of Official: _____ Title: _____

Business/Agency: _____ Address: _____

(City) (State) (ZIP Code) (Telephone Number)

Signature: _____ Date: _____

NOTE: This finding only means that the property in question is or is not in a Special Flood Hazard Area or a 500-year floodplain as designated on the map noted above. It does not constitute a guarantee that the property will or will not be flooded or be subject to local drainage problems.

If you need additional help, contact the Illinois Statewide Floodplain Program at 217/782-4428

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

| INDEX OF ATTACHMENTS | | |
|----------------------|--|-------|
| ATTACHMENT NO. | | PAGES |
| 1 | Applicant Identification including Certificate of Good Standing | 25 |
| 2 | Site Ownership | 36-32 |
| 3 | Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership. | n/a |
| 4 | Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc. | 33 |
| 5 | Flood Plain Requirements | 34-35 |
| 6 | Historic Preservation Act Requirements | 36-37 |
| 7 | Project and Sources of Funds Itemization | 38-45 |
| 8 | Financial Commitment Document if required | 46 |
| 9 | Cost Space Requirements | 47 |
| 10 | Discontinuation | n/a |
| 11 | Background of the Applicant | 48-49 |
| 12 | Purpose of the Project | 50-51 |
| 13 | Alternatives to the Project | 52-54 |
| 14 | Size of the Project | 55-64 |
| 15 | Project Service Utilization | 65-69 |
| 16 | Unfinished or Shell Space | 70 |
| 17 | Assurances for Unfinished/Shell Space | 70 |
| | Service Specific: | |
| 18 | Medical Surgical Pediatrics, Obstetrics, ICU | n/a |
| 19 | Comprehensive Physical Rehabilitation | n/a |
| 20 | Acute Mental Illness | n/a |
| 21 | Open Heart Surgery | n/a |
| 22 | Cardiac Catheterization | n/a |
| 23 | In-Center Hemodialysis | n/a |
| 24 | Non-Hospital Based Ambulatory Surgery | n/a |
| 25 | Selected Organ Transplantation | n/a |
| 26 | Kidney Transplantation | n/a |
| 27 | Subacute Care Hospital Model | n/a |
| 28 | Community-Based Residential Rehabilitation Center | n/a |
| 29 | Long Term Acute Care Hospital | n/a |
| 30 | Clinical Service Areas Other than Categories of Service | 71-75 |
| 31 | Freestanding Emergency Center Medical Services | n/a |
| 32 | Birth Center | n/a |
| | Financial and Economic Feasibility: | |
| 33 | Availability of Funds | 76-91 |
| 34 | Financial Waiver | 76-91 |
| 35 | Financial Viability | 76-91 |
| 36 | Economic Feasibility | 76-92 |
| 37 | Safety Net Impact Statement | 93 |
| 38 | Charity Care Information | 94 |
| 39 | Flood Plain Information | 23 |

File Number

5257-740-3



To all to whom these Presents Shall Come, Greeting:

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

NORTHWESTERN MEMORIAL HEALTHCARE, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 30, 1981, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 17TH day of SEPTEMBER A.D. 2020 .

Jesse White

SECRETARY OF STATE

Authentication #: 2026102502 verifiable until 09/17/2021

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

ATTACHMENT-1

**SPECIAL WARRANTY DEED
Statutory (Illinois)**

Property Address:

4441 through 4463 West Irving Park Road
Chicago, Illinois 60641

PINs: 13-22-103-001-0000;
 13-22-103-002-0000;
 13-22-103-003-0000;
 13-22-103-004-0000;
 13-22-103-005-0000;
 13-22-103-006-0000;
 13-22-103-007-0000;
 13-22-103-008-0000;
 13-22-103-023-0000



2005913075D

Doc# 2005913075 Fee \$63.00

RHSP FEE: \$9.00 RPRF FEE: \$1.00

AFFIDAVIT FEE: \$2.00

EDWARD M. MOODY

COOK COUNTY RECORDER OF DEEDS

DATE: 02/20/2020 10:56 AM PG: 1 OF 7

Above Space for Recorder's use only

Exempt under provisions of Paragraph B, Section 4,
 Real Estate Transfer Tax Act.

2/20/20
 Date

[Signature]
 Buyer, Seller or Representative

SPECIAL WARRANTY DEED

THIS INDENTURE, made as of February 20, 2020 (the "Effective Date"), by GW Irving Park LLC, an Illinois limited liability company, having an address of 2211 N Elston Street, Suite 304, Chicago, Illinois ("Grantor"), in favor of Northwestern Memorial HealthCare, an Illinois not-for-profit corporation, having an address of 211 E Ontario Street, Chicago, Illinois ("Grantee"), WITNESSETH, that Grantor, for and in consideration of the sum of Ten and 00/100 Dollars (\$10.00) and other good and valuable consideration in hand paid by Grantee, the receipt whereof is hereby acknowledged, by these presents does GRANT, BARGAIN AND SELL unto Grantee, and to its successors and assigns, FOREVER, all the following described Real Estate (the "Premises") situated in the County of Cook, the State of Illinois, known and described as follows, to wit:

Legal Description attached as Exhibit A

together with all and singular the hereditaments and appurtenances thereunto belonging, or in anywise appertaining, and the reversion and reversions, remainder and remainders, rents, issues and profits thereof (if any), and all the estate, right, title, interest, claim or demand whatsoever, of Grantor, either in law or equity, of, in and to the Premises, with the hereditaments and appurtenances: TO HAVE AND TO HOLD the Premises, with the appurtenances, unto Grantee, its successors and assigns forever.

And Grantor, for itself and its successors, does covenant, promise and agree to and with Grantee, its successors and assigns that it has not done or suffered to be done anything whereby the Premises hereby granted are, or may be, in any manner encumbered or charged, except as herein recited; and that it WILL WARRANT AND DEFEND the Premises against all persons lawfully claiming, or to claim the same, by, through or under it, subject to those matters set forth in Exhibit B attached hereto and made a part hereof.



[Signature page follows.]


19SA4148008LFE 1 of 1 CSC

S Y
 P 7
 S 9
 M ...
 SC ...
 E ...
 INTD

ATTACHMENT-2

Grantor has caused its name to be signed to this Special Warranty Deed by its duly appointed officer effective as of the Effective Date.

| REAL ESTATE TRANSFER TAX | | 27-Feb-2020 |
|---|-----------|-------------|
|   | COUNTY: | 0.00 |
| | ILLINOIS: | 0.00 |
| | TOTAL: | 0.00 |
| 13-22-103-001-0000 20200201624279 1-260-418-912 | | |

| REAL ESTATE TRANSFER TAX | | 27-Feb-2020 |
|---|----------|-------------|
|  | CHICAGO: | 0.00 |
| | CTA: | 30,000.00 |
| | TOTAL: | 30,000.00 * |
| 13-22-103-001-0000 20200201624279 1-313-158-960 | | |

* Total does not include any applicable penalty or interest due.

GRANTOR:
GW IRVING PARK, LLC
An Illinois limited liability company

By: GW Property Group, LLC—Series 86
A Delaware limited liability company
Its Manager

By: The Mitchell Goltz Living Trust u/t/a dated June 11, 2014, A Member

By: Mitch Goltz
Mitch Goltz, Trustee

State of Illinois)
 SS)
County of Cook)

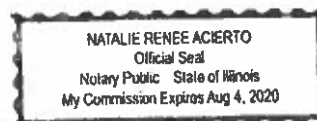
I, the undersigned, a Notary Public, in and for the County and State aforesaid, DO HEREBY CERTIFY, that I personally known to me to be the Trustee of the Mitchell Goltz Living Trust u/t/a Dated June 11, 2014, Member of GW Property Group, LLC—Series 86, Manager of GW Irving Park LLC, and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that as such officer, he signed and delivered the said instrument, pursuant to authority of said corporation, as his free and voluntary act, and as the free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.

Given under my hand and official seal, this 20 day of February, 2020. My commission expires August 4 2020.

Natalie Renee Acierito

NOTARY PUBLIC

THIS INSTRUMENT PREPARED BY:
Stephanie I. Engstrom
Jaffe & Berlin, LLC
111 W Washington Street, Suite 900
Chicago, Illinois 60602



AFTER RECORDING MAIL TO:

Northwestern Memorial Healthcare
Attn: Thomas L. Hefty
211 E. Ontario Street, Suite 1800
Chicago, Illinois 60611

SEND SUBSEQUENT TAX BILLS TO:

Northwestern Memorial Healthcare
Attn: Real Estate Strategy
211 E. Ontario Street, Suite 1400
Chicago, Illinois 60611

EXHIBIT A
Legal Description

PARCEL 1:

THE WEST 33 1/4 FEET OF LOT 3 IN BLOCK 3 IN TREMAIN' S ADDITION TO IRVING PARK A SUBDIVISION OF THE NORTHEAST 10 ACRES OF THE NORTHWEST 1/4 OF SECTION 22, TOWNSHIP 40 NORTH, RANGE 13 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 2:

LOT 1 IN BLOCK 1 IN GRAYLAND, A SUBDIVISION OF PART OF THE NORTHWEST 1/4 OF SECTION 22, TOWNSHIP 40 NORTH, RANGE 13 EAST OF THE THIRD PRINCIPAL MERIDIAN (EXCEPT 10 ACRES IN THE NORTHEAST CORNER THEREOF) IN COOK COUNTY, ILLINOIS.

PARCEL 3:

LOTS 1, 2, 3 (EXCEPT THE WEST 33 1/4 FEET OF LOT 3) AND 4 IN BLOCK 3 IN TREMAIN'S ADDITION TO IRVING PARK A SUBDIVISION OF THE NORTHEAST 10 ACRES OF THE NORTHWEST QUARTER OF SECTION 22, TOWNSHIP 40 NORTH, RANGE 13 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

Parcel 13-22-103-004-0000; Parcel 13-22-103-005-0000; Parcel 13-22-103-006-0000; Parcel 13-22-103-007-0000; Parcel 13-22-103-008-0000; Parcel 13-22-103-023-0000; Parcel 13-22-103-003-0000; Parcel 13-22-103-002-0000; Parcel 13-22-103-001-0000

PARCEL 4:

LOTS 4 AND 5 IN BLOCK 1 IN GRAYLAND, BEING A SUBDIVISION OF THE NORTHWEST 1/4 OF SECTION 22, TOWNSHIP 40 NORTH, RANGE 13, EAST OF THE THIRD PRINCIPAL MERIDIAN (EXCEPT 10 ACRES IN THE NORTHEAST CORNER THEREOF) IN COOK COUNTY, ILLINOIS.

PARCEL 5:

LOT 2 IN BLOCK 1 IN GRAYLAND, A SUBDIVISION IN THE NORTHWEST 1/4 OF SECTION 22, TOWNSHIP 40 NORTH, RANGE 13, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 6:

LOT 3 IN BLOCK 1 IN GRAYLAND A SUBDIVISION OF THE NORTHWEST 1/4 (EXCEPT THE 10 ACRES IN THE NORTHEAST CORNER THEREOF) OF SECTION 22, TOWNSHIP 40 NORTH, RANGE 13, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

SAME AS**TRACT 1:**

LOTS 1 THOUGH 4 INCLUSIVE IN BLOCK 3 IN TREMAIN'S ADDITION TO IRVING PARK A SUBDIVISION OF THE NORTHEAST 10 ACRES OF THE NORTHWEST 1/4 OF SECTION 22, TOWNSHIP 40 NORTH, RANGE 13 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

TRACT 2:

LOTS 1 THROUGH 5 INCLUSIVE IN BLOCK 1 IN GRAYLAND, A SUBDIVISION OF PART OF THE NORTHWEST 1/4 OF SECTION 22, TOWNSHIP 40 NORTH, RANGE 13 EAST OF THE THIRD PRINCIPAL MERIDIAN (EXCEPT 10 ACRES IN THE NORTHEAST CORNER THEREOF) IN COOK COUNTY, ILLINOIS.

EXHIBIT B

1. Taxes and assessments which are a lien, but which are not yet billed, or are billed but are not yet delinquent and any assessments not shown on the public records.
2. Existing unrecorded leases and all rights thereunder of the lessees and of any person or party claiming by, through or under the lessees.
3. Rights of the public or quasi-public utilities as disclosed by survey no. 2019-26941-1 prepared by United Survey Service LLC dated July 19, 2019. showing manholes, catch basins, and meters.

(Affects Parcels 1, 2 and 3)

4. An encroachment of the concrete walkway situated on land adjoining to the West into or onto said Land, as disclosed by survey no. 2019-26941-1 prepared by United Survey Service LLC dated July 19, 2019.

(Affects Parcels 1, 2 and 3)

5. An encroachment of the asphalt situated on said Land into or onto the adjoining land on the North and East, as disclosed by survey no. 2019-26941-1 prepared by United Survey Service LLC dated July 19, 2019.

(Affects Parcel 3)

6. An encroachment of the fence situated on said Land into or onto the adjoining land on the East, Southwest, and North, as disclosed by survey no. 2019-26941-1 prepared by United Survey Service LLC dated July 19, 2019.

(Affects Parcels 1, 2, and 3)

7. An encroachment of the brick wall, iron gate, and concrete area situated on said Land into or onto the adjoining land on the North, as disclosed by survey no. 2019-26941-1 prepared by United Survey Service LLC dated July 19, 2019.

(Affects Parcels 1, 2 and 3)

8. An encroachment of the frame storage situated on said Land into or onto the adjoining land on the North, as disclosed by survey no. 2019-26941-1 prepared by United Survey Service LLC dated July 19, 2019. .

(Affects Parcels 1, 2 and 3)

9. An encroachment of the framed guard house situated on said Land into or onto the adjoining land on the North, as disclosed by survey no. 2019-26941-1 prepared by United Survey Service LLC dated July 19, 2019.

(Affects Parcels 1, 2 and 3)

10. Acts done or suffered by, through or under, or judgments against Grantee.

COOK COUNTY
RECORDER OF DEEDS

COOK COUNTY
RECORDER OF DEEDS

COOK COUNTY
RECORDER OF DEEDS

GRANTOR/GRANTEE AFFIDAVIT: STATEMENT BY GRANTOR AND GRANTEE

AS REQUIRED BY §55 ILCS 5/3-5020 (from Ch. 34, par. 3-5020)

GRANTOR SECTION

The **GRANTOR** or her/his agent, affirms that, to the best of her/his knowledge, the name of the **GRANTEE** shown on the deed or assignment of beneficial interest (ABI) in a land trust is either a natural person, an Illinois corporation or foreign corporation authorized to do business or acquire and hold title to real estate in Illinois, a partnership authorized to do business or acquire and hold title to real estate in Illinois, or another entity recognized as a person and authorized to do business or acquire and hold title to real estate under the laws of the State of Illinois.

DATED: 02 | 25 | 20 20

SIGNATURE: _____

GRANTOR or AGENT

GRANTOR NOTARY SECTION: The below section is to be completed by the NOTARY who witnesses the GRANTOR signature.

Subscribed and sworn to before me, Name of Notary Public: _____

By the said (Name of Grantor): GW Irving Park, LLCOn this date of: 02 | 25 | 2020NOTARY SIGNATURE: Natalie Renee AcierioNatalie Renee Acierio**AFFIX NOTARY STAMP BELOW**

NATALIE RENEE ACIERIO
Official Seal
Notary Public - State of Illinois
My Commission Expires Aug 4, 2020

GRANTEE SECTION

The **GRANTEE** or her/his agent affirms and verifies that the name of the **GRANTEE** shown on the deed or assignment of beneficial interest (ABI) in a land trust is either a natural person, an Illinois corporation or foreign corporation authorized to do business or acquire and hold title to real estate in Illinois, a partnership authorized to do business or acquire and hold title to real estate in Illinois or other entity recognized as a person and authorized to do business or acquire and hold title to real estate under the laws of the State of Illinois.

DATED: _____ | _____ | 20 _____

SIGNATURE: _____

GRANTEE or AGENT

GRANTEE NOTARY SECTION: The below section is to be completed by the NOTARY who witnesses the GRANTEE signature.

Subscribed and sworn to before me, Name of Notary Public: _____

By the said (Name of Grantee): _____

On this date of: _____ | _____ | 20 _____

NOTARY SIGNATURE: _____

AFFIX NOTARY STAMP BELOW**CRIMINAL LIABILITY NOTICE**

Pursuant to Section 55 ILCS 5/3-5020(b)(2), Any person who knowingly submits a false statement concerning the identity of a **GRANTEE** shall be guilty of a **CLASS C MISDEMEANOR** for the **FIRST OFFENSE**, and of a **CLASS A MISDEMEANOR** for subsequent offenses.

(Attach to **DEED** or **ABI** to be recorded in Cook County, Illinois if exempt under provisions of the **Illinois Real Estate Transfer Act: (35 ILCS 200/Art. 31)**)

rev. on 10.17.2016

ATTACHMENT-2

GRANTOR/GRANTEE AFFIDAVIT: STATEMENT BY GRANTOR AND GRANTEE
 AS REQUIRED BY §55 ILCS 5/3-5020 (from Ch. 34, par. 3-5020)

GRANTOR SECTION

The GRANTOR or her/his agent, affirms that, to the best of her/his knowledge, the name of the GRANTEE shown on the deed or assignment of beneficial interest (ABI) in a land trust is either a natural person, an Illinois corporation or foreign corporation authorized to do business or acquire and hold title to real estate in Illinois, a partnership authorized to do business or acquire and hold title to real estate in Illinois, or another entity recognized as a person and authorized to do business or acquire and hold title to real estate under the laws of the State of Illinois.

DATED: _____, 20

SIGNATURE: _____
GRANTOR or AGENT**GRANTOR NOTARY SECTION:** The below section is to be completed by the NOTARY who witnesses the GRANTOR signature.

Subscribed and sworn to before me, Name of Notary Public: _____

By the said (Name of Grantor): _____

On this date of: _____, 20

NOTARY SIGNATURE: _____

AFFIX NOTARY STAMP BELOW**GRANTEE SECTION**

The GRANTEE or her/his agent affirms and verifies that the name of the GRANTEE shown on the deed or assignment of beneficial interest (ABI) in a land trust is either a natural person, an Illinois corporation or foreign corporation authorized to do business or acquire and hold title to real estate in Illinois, a partnership authorized to do business or acquire and hold title to real estate in Illinois or other entity recognized as a person and authorized to do business or acquire and hold title to real estate under the laws of the State of Illinois.

DATED: 26 Feb., 2020SIGNATURE: Thomas Z. Hefly
GRANTEE or AGENT**GRANTEE NOTARY SECTION:** The below section is to be completed by the NOTARY who witnesses the GRANTEE signature.

Subscribed and sworn to before me, Name of Notary Public: _____

By the said (Name of Grantee): Northwestern Memorial HealthCareOn this date of: 26 Feb., 2020NOTARY SIGNATURE: Endia Latham**AFFIX NOTARY STAMP BELOW**

OFFICIAL SEAL
ENDIA LATHAM
 NOTARY PUBLIC - STATE OF ILLINOIS
 MY COMMISSION EXPIRES: 10/12/20

CRIMINAL LIABILITY NOTICE

Pursuant to Section 55 ILCS 5/3-5020(b)(2), Any person who knowingly submits a false statement concerning the identity of a GRANTEE shall be guilty of a **CLASS C MISDEMEANOR** for the **FIRST OFFENSE**, and of a **CLASS A MISDEMEANOR**, for subsequent offenses.

(Attach to DEED or ABI to be recorded in Cook County, Illinois if exempt under provisions of the Illinois Real Estate Transfer Act: (35 ILCS 200/Art. 31)

rev. on 10.17.2016



Flood Plain Requirements

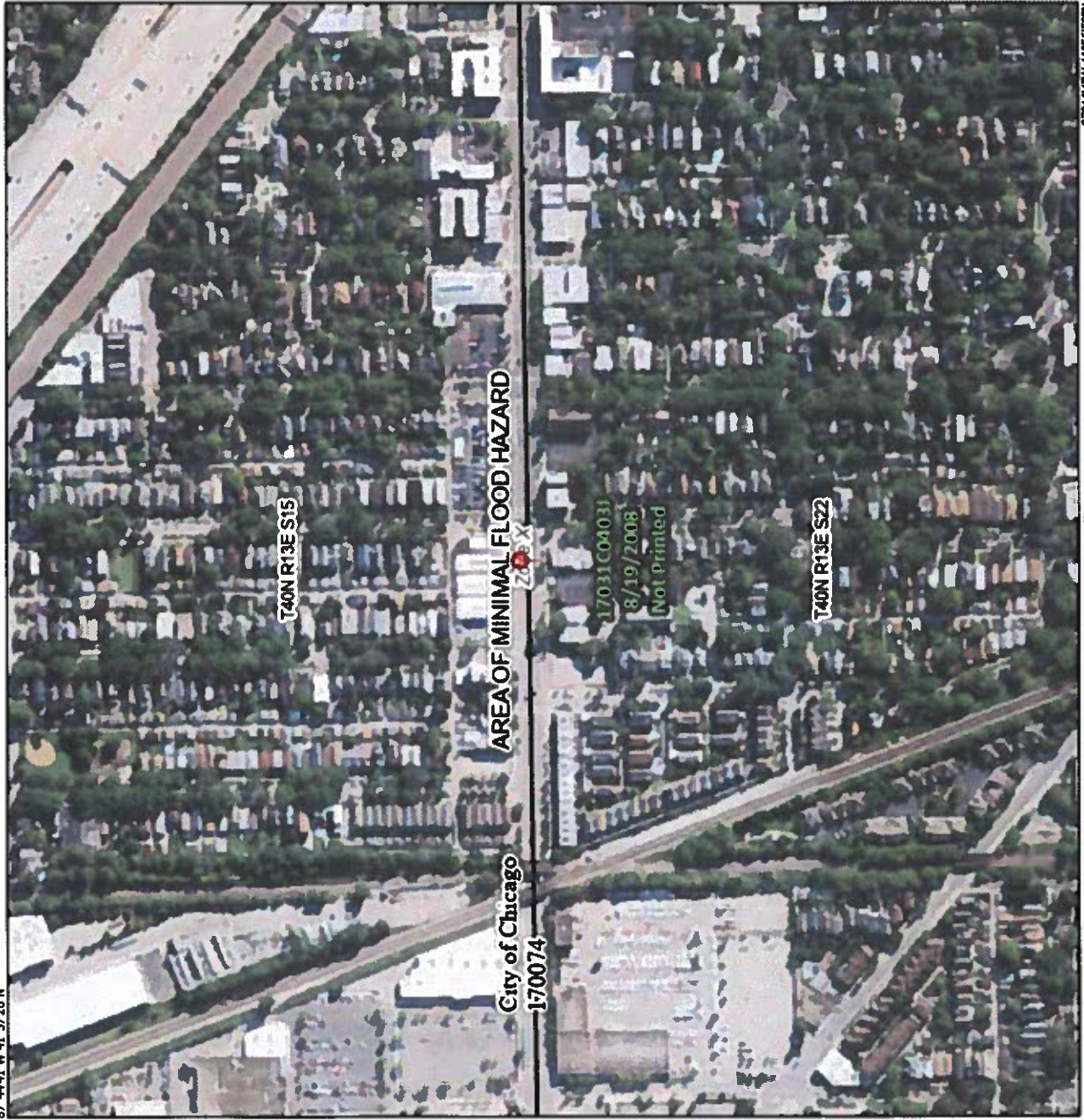
The location for the proposed project is 4435 – 4471 West Irving Park Road in Chicago.

By their signatures on the Certification page of this application, the Applicant attests that the project is not located in a flood plain and complies with the Flood Plain Rule under Illinois Executive Order #2006-5 according to the FEMA floodplain map on the following page.

National Flood Hazard Layer FIRMette



87°44'41"W 41°57'26"N



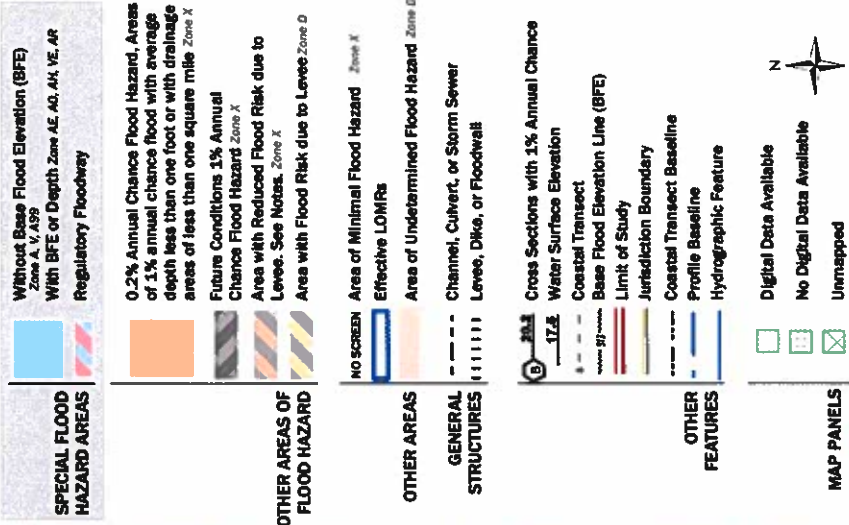
87°44'41"W 41°56'59"N

Feet 1:6,000

Basemap: USGS National Map: Orthoimagery. Data refreshed October, 2020

Legend

SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT



The pin displayed on the map is an approximate point selected by the user and does not represent an authoritative property location.

This map complies with FEMA's standards for the use of digital flood maps. If it is not valid as described below. The basemap shown complies with FEMA's basemap accuracy standards.

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 2/2/2021 at 3:16 PM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.

This map image is valid if the one or more of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for regulatory purposes.

Historic Resources Preservation Act Requirements

The location for the proposed project is 4435 – 4471 West Irving Park Road in Chicago. The attached letter from the Illinois Historic Preservation Agency indicates that the project area is not considered a historic, architectural or archaeological site.



Illinois Department of Natural Resources

www.dnr.illinois.gov

JB Pritzker, Governor
Colleen Callahan, Director

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

Cook County
Chicago
4441-4467 West Irving Park Road
IHFSRB
New construction, medical office building - Northwestern Medicine

PLEASE REFER TO: SHPO LOG #001102720

November 12, 2020

Bridget Orth
Northwestern Memorial HealthCare
251 East Huron Street
Chicago, IL 60611-2908

Dear Ms. Orth:

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 case.

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

Project Costs and Sources of Funds

The line item costs attributed to clinical components were calculated as a percentage of clinical square footage when actual break-outs were not available.

Itemization of each line item:

Line 1 – Preplanning Costs – (\$130,807) – this includes:

- Pre-Construction Services
 - Budgeting
 - Schedule
 - Site Logistics
 - Permit Support

Of the total amount, \$10,281 is the clinical Preplanning costs which is 0.04% of the clinical New Construction, Contingencies, and Equipment costs.

Line 2 – Site Survey and Soil Investigation – (\$300,000) – this includes:

- Geotechnical monitoring, survey and analysis of site soils

Of the total amount, \$23,580 is the clinical Site Survey and Soil Investigation cost.

Line 3 – Site Preparation – (\$7,357,507) – this includes:

- General Site Work
 - Earth moving
 - Shoring
 - Unit paving
 - Bike rack installation.
- Utility Company Service Work
 - Relocation, temporary and permanent services as required for power, gas, telecom, and cable.

Of the total amount, \$578,300 is the clinical Site Preparation cost. Together with Site Survey and Soil Investigation, this is 4.3% of the clinical new Construction and Contingencies costs.

Line 4 – Off Site Work – (\$1,458,199) – this includes:

- Underpinning, curbs, gutters, sidewalks, driveways, fences/gates, plantings, irrigation, water/san/sew/storm discharge.

Of the total amount, \$114,614 is the clinical Off Site Work cost.

Line 5 – New Construction Contracts – (\$92,686,115) – this includes:

- All construction contracts/costs to complete the project. Includes Group I fixed equipment and contractor's markups, overhead, and profit. Costs are escalated to the mid-point of construction.

Of the total amount, \$12,714,300 is the clinical New Construction cost.

Line 7 – Contingencies - (\$9,268,612) – this includes:

- Allowance for unforeseen New Construction costs

Of the total amount, \$1,271,430 is the clinical Contingency cost which is 10.0% of the clinical New Construction costs.

Line 8 – Architectural / Engineering Fees – (\$2,642,203) – this includes:

- Programming
 - Gather information for occupant space requirements. Review and analysis NMHC space standards and prepare the Space Occupancy Program which will list square footage requirements and include individual attributes of the departments and all information pertinent to the planning and design of the Project.
- Schematic Design:
 - Develop diagrammatic plans and documentation to describe the size and character of the building in a way that meets all programmatic and functional objectives, as well as accounting for all structure, shafts, elevators and stairs, communications and electrical closets, and all other design constraints; such as traffic flow and circulation patterns, exterior elevations and conceptual drawings outlining the exterior design approach.
 - Determine the capacity needed for all building systems (such as electrical, mechanical, plumbing, fire protection, and vertical transportation) as well as support functions (such as pharmacy and materials management) necessary for the uses proposed on the floors.
 - Provide statement of Probable Construction Cost.
- Design Development:
 - Develop detailed drawings and documentation to describe the size and character of the interior space as well as the overall building. Includes room layouts, structural, mechanical, electrical, plumbing, exterior elevations and sections, site plan, landscape plans, and parking garage layout.
 - The equipment and furniture consultants will prepare room-by-room FF&E requirement list. The requirements list identify room name, item description, product specification, and total quantity required. The product specifications include installation requirements that will be provided to the

architect/engineer to ensure that spaces and building systems are planned to appropriately accommodate the equipment.

- Construction Documents:
 - Provide proposed Reconciled Statement of Probable Construction Cost
 - Provide drawings and specifications
 - Prepare documentation for alternate bids
 - Assist in filing Construction Documents for approval by City and State agencies
 - Signage and Way Finding expertise
- Bidding and Negotiation Phase Services:
 - Revise Construction Documents as necessary in accordance with Reconciled Statement of Probable Construction Cost
- Construction Administration Phase Services:
 - Advise and consult during Construction Phase
 - Attend weekly job progress meetings
 - Provide on-site representation to review progress/quality of Work
 - Prepare written interpretations of Contract Documents including Bulletins and information requests
 - Correct Errors or Omissions in the drawings, specifications and other documents
 - Review and approve Contractor's submittals
 - Submit notifications for work which does not conform to Contract Documents
 - Review and analyze requests for Change Orders
 - Assist Construction Manager with punchlist completion
 - Assist Construction Manager with Final Completion including system testing and commissioning
 - Inspect Project after correction of Work period for deficiencies and update Construction Manager

Of the total amount, \$207,677 is the clinical Architectural / Engineering Fee. This amount is 1.48% of the clinical New Construction and Contingencies costs.

Line 9 – Consulting and Other Fees – (\$10,195,306) – this includes:

- Charges for the services of various types of consulting and professional experts including:
 - Activation Consultant including IT - \$200,000
 - Door Hardware Consultant - \$5,000
 - Building Envelope Commissioning - \$168,000
 - Interior Design - \$194,827
 - Lighting - \$47,500
 - Interior Signage - \$123,000
 - Acoustical Consulting - \$30,000
 - Engineering Peer Review Consulting - \$40,950

- Commissioning Agent - \$89,757
- Exterior Signage - \$124,775
- Traffic Consultant - \$165,500
- Low Voltage Design - \$348,425
- Accessibility Review Consultant - \$7,000
- Material Testing third party - \$450,000
- Construction manager administration - \$4,625,654
- Parking Garage Consultant - \$168,000
- Medical Equipment Planner - \$325,070
- Project Management Services - \$2,522,248
- Technology Planning Services - \$350,000
- Vertical Transportation Services - \$209,600

Of the total amount, \$801,351 is the clinical Consulting and Other Fees cost.

Line 10 – Movable Capital Equipment – (\$32,323,069) – this includes:

- All furniture, furnishings, and equipment for the proposed project. Group I (fixed) equipment is included in the New Construction line item above. Group II and III medical equipment is included herein.

The Architect will be retained to provide specific expertise during equipment planning and specification, and to assist and ensure effective use of available funding. Equipment planning will be closely coordinated with architectural design.

FFE procurement will be managed by NM with support from outside consultants. Total acquisition costs will be evaluated during market assessment and contract award, including purchase, installation, training, and maintenance. The approval process during contract award will be consistent with existing hospital financial procedures.

Warehousing, training, acceptance testing and other logistical issues will be defined and scheduled.

Product standards will facilitate detailed equipment planning and appropriate building design, maximize the effectiveness of competitive bidding, and minimize costs for training and long-term maintenance.

Clinical and/or financial analysis of new technology will be done to determine that it is a prudent investment. New technology selected for use will support NM's primary mission, via criteria such as clinical outcomes, turnaround, or productivity.

Freight and installation costs are also included in the estimate.

| Equipment Type | Estimated Cost |
|--|--------------------|
| <u>Imaging Equipment</u> | \$8,582,692 |
| MRI | |
| 3T MRI | |
| Non-Ferrous Physiological Monitor | |
| Contrast Media Injector | |
| CT | |
| Dual Source CT | |
| Contrast Media Injector | |
| Contrast Warmer | |
| Mammography | |
| 2 Mammography Systems | |
| Lead Aprons | |
| DEXA | |
| Bone Densitometer | |
| Footstool with handrail | |
| Linen hamper | |
| Ultrasound | |
| 2 Ultrasounds | |
| Probe Cleaners | |
| Stretchers | |
| Gel warmers | |
| X-Rays | |
| 4 Digital X-Ray Systems | |
| CD Burners | |
| Lead Aprons and Shields | |
| Positioning Devices | |
| Reading Room | |
| Waste Containers | |
| CT Control Room | |
| Undercounter Refrigerator | |
| MRI Control and Equipment Room | |
| IV Prep Room | |
| Supply Carts | |
| I-Stat Analyzer | |
| Exam Light, ceiling-mounted | |
| IV Stands | |
| Patient Changing Rooms | |
| Linen hampers | |
| Staff and Patient Toilets | |
| Registration Area | |
| Waiting Room | |
| Consult Room | |
| <u>Physical Therapy Equipment</u> | \$151,753 |
| Open Gym Space (PT & OT) | |
| Treadmill | |
| Exercise Bikes | |
| Elliptical | |
| Nu-Step | |
| Pulley System | |

| | |
|---|-----------|
| Recumbent Stepper Suspension Training System Shuttle Systems Parallel Bars Cable Column System Electrotherapy Systems Vital Signs Monitor Weight Rack and Weights Defibrillator, AED Defibrillator, wall cabinet Splint Room Hand Therapy Tables Splint Pan Splint Carousel Arm Supports Hand Evaluation Kit & Tools Treatment / Exam Rooms Treatment Tables Exam Stools Splint Pan Staff and Patient Toilets Locker Rooms Linen Hampers Waste Containers Staff Workroom Waste Containers Registration Area Cash Drawers Safe Waiting Room Defibrillator, AED Defibrillator, wall cabinet Ice/Water Dispenser | |
| <u>Infusion Equipment</u> 6 Semi-Private Infusion Bays Treatment Carts IV Pump with stands Exam Stools 3 Private Infusion Bays Patient Bed Treatment Carts IV Pump with stands Exam Stools Overbed Table Pharmacy Pass-Through Assemblies Scrub Sink Gowning Bench Biological Safety Hood Laminar Flow Hoods | \$355,748 |

| | |
|--|-----------|
| Powder Hood Ultra-Low Freezer Freezer, Upright Refrigerators, Upright Supply Carts Staff and Patient Toilets Registration Area Cash Drawers Safe Waiting Room Defibrillator, AED Defibrillator, wall cabinet Ice/Water Dispenser | |
| <u>Well-Patient Lab</u> Blood Draw Stations (4) Supply Bins Procedure Carts Exam Stools Staff and Patient Toilets Staff Workroom Freezer, under-counter Centrifuge Refrigerator, under-counter Table, Work Registration Area Cash Drawers Safe Waiting Room Defibrillator, AED Defibrillator, wall cabinet | \$34,038 |
| <u>Furnishings</u> Waiting Room Furniture Patient Recliners Office Furniture Monitor Arms | \$567,222 |
| <u>Technology</u> Computers Monitors Printers Phones Device Integration iPad Translation Wireless Network Distributed Antenna System | \$761,107 |
| <u>Other</u> Artwork | \$375,000 |

| | |
|----------------------------|--|
| Interior Signage Keying | |
|----------------------------|--|

Of the total amount, \$10,827,560 is the clinical component of the Moveable Capital Equipment cost.

Line 14 – Other Costs To Be Capitalized – (\$2,025,000) – this includes:

- Permits and Fees – IDPH, CON, etc.
- Builder's Risk Insurance
- LEED Administration and Registration

Of the total amount, \$159,165 is the clinical component of the Other Costs to be Capitalized.

Project Status and Completion Schedules

Anticipated project construction start date: August 2021

Anticipated midpoint of construction date: August 2022

Anticipated project construction substantial completion date: August 2023

Anticipated project completion date: June 30, 2024

Project obligation is contingent upon permit issuance. NMHC plans to sign the contract with the general construction contractor in June, 2021 that will be subject to CON approval. This contract will obligate the project. The CON Contingency section of the contract is below:

The following Supplementary Conditions modify the Agreement and General Conditions between Northwestern Memorial Healthcare and Power Construction Company, LLC. Where a portion of the Agreement or General Conditions is modified or deleted by these Supplementary Conditions, these Supplementary Conditions shall control. The unaltered portions of the Agreement or General Conditions shall remain in effect.

S-1. Certificate of Need. NMHC and the Contractor acknowledge and agree that in addition to permitting required by the City of Chicago, Illinois Department of Public Health ("IDPH") and any other Governmental Authority, this Project and Agreement are subject to the issuance of an appropriate Certificate of Need ("CON") by the Illinois Health Facilities and Services Review Board (the "Board"). The Contractor shall cooperate with NMHC's application to the Board for the CON.

Cost Space Requirements

| | | Departmental Gross Square Feet | | Amount of Proposed Total Gross Square Feet That Is: | | | |
|--|----------------|-----------------------------------|-----------------|--|-----------------|-------|------------------|
| Department | Cost | Existing GSF | Proposed GSF | New Const. | Modern- ized | As Is | Vacated Space |
| CLINICAL | | | | | | | |
| Infusion Center | \$ 4,494,450 | 0 | 9,462 | 9,462 | 0 | 0 | 0 |
| Diagnostic Imaging | \$ 6,041,750 | 0 | 9,295 | 9,295 | 0 | 0 | 0 |
| Physical Therapy | \$ 1,551,225 | 0 | 4,773 | 4,773 | 0 | 0 | 0 |
| Laboratory - Blood Draw | \$ 626,875 | 0 | 1,475 | 1,475 | 0 | 0 | 0 |
| Clinical Subtotal = | \$ 12,714,300 | 0 | 25,005 | 25,005 | 0 | 0 | 0 |
| NON-CLINICAL | | | | | | | |
| Physician Office Space | \$ 21,642,600 | 0 | 72,142 | 72,142 | 0 | 0 | 0 |
| Lobby/Common Areas/Admin/Conference | \$ 15,460,080 | 0 | 41,784 | 41,784 | 0 | 0 | 0 |
| Retail | \$ 1,285,350 | 0 | 4,510 | 4,510 | 0 | 0 | 0 |
| Parking | \$ 26,520,510 | 0 | 156,003 | 156,003 | 0 | 0 | 0 |
| MEP Systems | \$ 15,063,275 | 0 | 18,672 | 18,672 | 0 | 0 | 0 |
| Non-Clinical Subtotal = | \$ 79,971,815 | 0 | 293,111 | 293,111 | 0 | 0 | 0 |
| TOTAL = | \$ 92,686,115 | 0 | 318,116 | 318,116 | 0 | 0 | 0 |
| OTHER | | | | | | | |
| Preplanning Costs | \$ 130,807 | | | | | | |
| Site Survey & Soil Investigation | \$ 300,000 | | | | | | |
| Site Preparation | \$ 7,357,507 | | | | | | |
| Off-Site Work | \$ 1,458,199 | | | | | | |
| Contingencies | \$ 9,268,612 | | | | | | |
| A/E Fees | \$ 2,642,203 | | | | | | |
| Consulting & Other Fees | \$ 10,195,306 | | | | | | |
| Movable or Other Equipment | \$ 32,323,069 | | | | | | |
| Bond Issuance Expense | \$ - | | | | | | |
| Net Interest Expense During Construction | \$ - | | | | | | |
| Other Costs To Be Capitalized | \$ 2,025,000 | | | | | | |
| Acquisition of Building (excluding Land) | \$ - | | | | | | |
| Other Subtotal = | \$ 65,700,703 | | | | | | |
| GRAND TOTAL = | \$ 158,386,818 | | | | | | |

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

Criterion 1110.110(a)

BACKGROUND OF APPLICANT

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

Northwestern Memorial HealthCare:

| | IDPH License No. | Joint Commission Organization No. |
|---|------------------|-----------------------------------|
| Northwestern Memorial Hospital | 0003251 | 7267 |
| Northwestern Lake Forest Hospital | 0005660 | 3918 |
| Central DuPage Hospital Association | 0005744 | 7444 |
| Delnor-Community Hospital | 0005736 | 5291 |
| Marianjoy Rehabilitation Hospital & Clinics | 0003228 | 7445 |
| Kishwaukee Community Hospital | 0005470 | 7325 |
| Valley West Community Hospital | 0004690 | 382957 |
| Northern Illinois Medical Center (McHenry) | 0003889 | 7375 |
| Northern Illinois Medical Center (Huntley) | 0003890 | 7375 |
| Memorial Medical Center (Woodstock) | 0004606 | 7447 |
| Palos Community Hospital | 0003210 | 7306 |
| Grayslake Freestanding Emergency Center | 22002 | 3918 |
| Grayslake ASTC | 7003156 | 3918 |
| Grayslake Endoscopy ASTC | 7003149 | 3918 |
| Cadence Ambulatory Surgery Center | 7003173 | n/a |
| The Midland Surgical Center* | 7003148 | n/a |
| Illinois Proton Center | n/a | n/a |
| Palos Health Surgery Center* | 7003224 | n/a |

*denotes partial ownership > 50%

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

By the signatures on the Certification page of this application, the Applicant attests that no adverse action has been taken against any facility owned and/or operated by Northwestern Memorial HealthCare during the 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 1130.140.

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

By the signatures on the Certification page of this application, the Applicant authorizes HFSRB and DPH to access any documentation which it finds necessary to verify any information submitted, including, but not limited to official records of DPH or other State agencies and/or the records of nationally recognized accreditation organizations.

Criterion 1110.110(b)**PURPOSE OF PROJECT**

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

The purpose of this project is to improve access to NM care and preventative services by providing a convenient care delivery location close to where our patients live and work. The proposed project will serve NM patients by co-locating NM physicians and outpatient services in a medical office building on the north side of Chicago. This project will help accommodate current and projected demand for NM services and allow for the co-location of specialty services in a convenient location for patients and physicians while decanting some of the volume from Northwestern Memorial Hospital (NMH)'s downtown campus.

2. *Define the planning area or market area.*

It is anticipated that the majority of the patients who will come to the proposed MOB will reside within 10 miles of the facility. Approximately 42% of NMH's FY19 inpatient/observation cases and 26% of all NM system outpatient visits came from this area.

3. *Identify the existing problems or issues that need to be addressed.*

One of the priority health needs identified in NMH's FY19 Community Health Needs Assessment (CHNA) was access to health care services with a focus on chronic disease. The proposed project will address this issue by increasing convenient access to NM outpatient services. Access to health care services has a profound effect on every aspect of a person's health. Increasing access to medical care is vital for improving the health of a community. Regular and reliable access to health services can:

- Prevent disease and disability
- Detect and treat illnesses and other health conditions
- Increase quality of life
- Reduce the likelihood of premature death
- Increase life expectancy

Through collaborations with community health service providers, including Erie Family Health Centers (Erie), we have learned that the greatest need of patients receiving care in the community setting is often access to subspecialty care and diagnostic services. To help address this need, Erie patients are referred to NMH for diagnostic services and subspecialty care. In FY19, there were 5,529 outpatient visits to NMH from Erie patients residing within 10-miles of the proposed project. Five of Erie's Chicago health center locations are located under 5 miles from the proposed MOB. Creating access to subspecialty and diagnostic services closer to where Erie patients

live will reduce transportation issues which can be a barrier to receiving care for this patient population.

4. *Cite the sources of the documentation.*

Sources of information include:

- Hospital Records
- NMH 2019 Community Health Needs Assessment
- Healthy People 2020

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 proposed project will improve access to NM's high-quality, coordinated, efficient, outpatient services in a convenient location for NM's patients and care givers. The co-location of services will increase collaboration among different providers and wider coordination with secondary care. At the same time, the co-location of services will drive cost efficiencies by reducing duplication of technology/equipment.

More accessible preventive services will prove beneficial in improving health status, increasing life spans, and elevating the quality of life, as well as lowering the costs associated with caring for late-stage diseases resulting from a lack of preventive care.

6. *Provide goals for the proposed project.*

The goal of the proposed project is to increase access to NM care and preventive services by providing a medical office building in a convenient location for a large number of NM patients.

Criterion 1110.110(d)**ALTERNATIVES**

The proposed project will increase access to NM care by providing outpatient services at a convenient location for over 40% of NMH patients. The proposed medical office building will provide space for physician clinics as well as non-hospital based ambulatory services such as infusion, diagnostic imaging, physical therapy, and blood draw. The total project square footage will be approximately 318,000 square feet: approximately 162,000 square feet of medical office building space and 156,000 square feet of parking.

The location of the proposed project is in northwest Chicago, approximately 8 miles (15-20 minutes) from Northwestern Memorial Hospital (NMH) and 24 miles (30 minutes) from NM Lake Forest Hospital (LFH). It is located near I-90/I-94, providing easy access for patients and physicians travelling from NMH, LFH, and NM's large outpatient center in Glenview.

The following alternatives were considered for the project:

1. Build a new medical office building on Northwestern Memorial Hospital's downtown campus
2. Build-out in an existing building around the same location as the proposed project
3. Lease space in an existing building around the same location as the proposed project

Alternative 1: Build a New Medical Office Building on NMH's Downtown Campus

NMH purchased the Chicago VA Lakeside Hospital from the federal government in November, 2004. The purchase included two properties on the Northwestern campus: the VA hospital site on the east side of Fairbanks Court immediately across the street from NMH's Feinberg Pavilion, and a small 2-story research building located at the northeast corner of McClurg and Ontario.

Given the density of the NMH campus, the VA hospital site provides valuable adjacent space for growth in response to NMH's long-term demand for services. NMH projects that the demand for inpatient services will continue to increase as it has in the last decades and this site is optimal for a comprehensive solution for expansion in inpatient beds, emergency services, and surgical services. While a new building would likely also include outpatient services (i.e. diagnostic and treatment services (D&T)), complex planning remains to be done for the optimization of the site.

The proposed project requires approximately 162,000 square feet of medical office building space and 156,000 square feet of parking to accommodate the program of the proposed project. Given the size of VA hospital site, a building of this size would not be an optimal use of the property and could restrict and/or create inefficiencies to future developments on the site.

The research building site could accommodate the proposed project but would have costs approximately 20% higher than the proposed project due to increased excavation and foundation system work caused by the water table level, general logistics of working in a dense, downtown environment, and differences in the MEP systems (contained vs. roof-top units).

Additionally, constructing a building on either of the sites in Streeterville does not accomplish the goal of providing patients with alternative locations to receive NM care.

Cost

The cost of building a medical office building of similar size and scope as the proposed building would be approximately 20% more than the proposed project due to the reasons listed above.

Timetable

Approximately 9-12 months longer than the proposed project due to the zoning process.

This alternative was rejected because planning for a new facility on the Streeterville campus has not been completed and the location does not accomplish the goal of expanding access to NM care at a location that is convenient for over 40% of NMH's patients.

Alternative 2: Build-out in an Existing Building Around the Same Location as the Proposed Project

NMHC worked with Jones Lang LaSalle (JLL) to search for all potential property/site options around the location of the proposed project (with easy access to I-90/I-94). The search resulted in no other sites, even considering sites that were not currently for sale, that meet the project size criteria. Additionally, many sites in this area have environmental concerns that could significantly increase the project cost.

This alternative was rejected because it does not meet the program need for the project. Cost estimates were not developed for this option since it is not realistic for the project.

Alternative 3: Lease Space in an Existing Building Around the Same Location as the Proposed Project

Many existing office buildings have sub-optimal infrastructure for medical uses. Renovating those types of properties would be very costly and would yield a product that is inferior to the proposed project. Frequently, landlords are unwilling or unable to invest in necessary infrastructure improvements and it is a risky financial investment for NMHC to make extensive improvements as a tenant.

Additionally, like Alternative 2, there were no existing buildings in the proposed location that could accommodate the project's required square footage.

This alternative was rejected because it does not meet the program need for the project. Cost estimates were not developed for this option since it is not realistic for the project.

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

Criterion 1110.120

SIZE OF PROJECT

The services in the proposed project will be provided by Northwestern Medical Group (NMG) and will not be hospital-based and therefore not subject to licensure under the Illinois Hospital Licensing Act. However, the “clinical” components of the project were compared to the State’s Guidelines for square footage (where applicable) and all areas are below the applicable guidelines.

The majority of the project’s square footage is comprised of “non-clinical” components for which there are no State Guidelines. In determining their sizes, NM’s planning team members, architects, and consultants utilized existing functional standards and incorporated experience from other developments in the healthcare system during the past 2+ decades of growth.

The size of the project was driven by the amount of space needed to accommodate demand for NM outpatient services. Additional space in the building is required for patient parking, retail, and other support functions such as receiving, waste management, and building systems. The City of Chicago’s zoning/Floor Area Ratio regulations also influenced the building size. These drivers of size are separately addressed in this section.

Old Irving Park Medical Office Building Stacking Diagram

| | |
|----------|--|
| Floor 4 | Infusion Center / Physician Offices |
| Floor 3 | Physical Therapy / Physician Offices |
| Floor 2 | Parking / Diagnostic Imaging Center / Physician Offices |
| Floor 1 | Parking / Lobby / Retail / NMG ICC / Lab – Blood Draw / Receiving / Waste Management |
| Floor P1 | Parking / Building Systems / Materials Management |
| Floor P2 | Parking / Building Systems / Materials Management |

Clinical Components

Infusion Center

The proposed project includes space for outpatient infusion services on the 4th floor. Based on patient preference for more privacy, there will be 6 semi-private infusion bays and 3 private infusion rooms. Semi-private rooms balance the desire for patient privacy with the need to access and visibility for the treatment team. They also allow for patients to bring a guest/care giver. One of the private infusion rooms will be reserved

for patients who have longer infusions or are higher acuity and need a bed instead of a chair.

Infusion services will include intravenous and catheter-based infusion for chemotherapy, targeted therapies, immunotherapy, fluids and antibiotics.

There will also be a co-located pharmacy in the Infusion Center. This eliminates the need for drugs to be couriered to the building which also eliminates unnecessary treatment delays, spoilage, and limited ability to offer clinical trials. The co-located pharmacy also allows pharmacist to easily counsel patients and families and establish a more personal relationship during infusion treatments.

The Infusion Center space is comprised of:

- 6 Semi-Private Infusion bays
- 3 Private Infusion rooms
- Pharmacy
- Staff and patient toilets
- Registration area
- Waiting room

Comparison of Space to Standard

The proposed square footage for the Infusion Center is 9,462 DGSF.

There is no State Guideline for Square Footage for Infusion services.

Diagnostic Imaging

The proposed project includes space for diagnostic imaging services. There will be a diagnostic imaging center on the 2nd floor of the building. The Imaging Center will have the following types of diagnostic imaging equipment:

- 1 MRI
- 1 CT
- 2 Mammography units
- 1 Dual-energy X-Ray Absorptiometry (DEXA) unit
- 2 Ultrasound units
- 1 X-Ray unit

The Imaging Center will also include the following components:

- 1 reading room
- CT control room
- MRI control and equipment room
- IV prep room
- Patient changing rooms

- Staff and patient toilets
- Registration area
- Waiting room
- Clean Supply Room
- Soiled Holding Room

There will also be 1 X-ray unit in the NMG Immediate Care Center on the 1st floor and 2 X-ray units in the Orthopedics physician office space on the 3rd floor.

Comparison of Space to Standard

The proposed square footage for the Diagnostic Imaging areas is 9,295 DGSF.

Components and Space Standards used are as follows:

| | |
|--|--------------------|
| Diagnostic Imaging, as designed | 9,295 DGSF |
| 1 MRI | |
| 1 CT | |
| 2 Mammography units | |
| 1 Dexa unit | |
| 2 Ultrasound units | |
| 4 X-Ray units | |
| State Standard for Diagnostic Imaging | 13,300 DGSF |
| MRI: 1,800 dgsf/Unit x 1 = 1,800 | |
| CT: 1,800 dgsf/Unit x 1 = 1,800 | |
| Mammography: 900 dgsf/Unit x 2 = 1,800 | |
| DEXA: 900 dgsf/Unit x 1 = 900 | |
| Ultrasound: 900 dgsf/Unit x 2 = 1,800 | |
| General Radiology: 1,300 dgsf/Unit x 4 = 5,200 | |
| Amount of difference | (4,005) |

The proposed diagnostic imaging space is below the State Guidelines for Square Footage. This is due to the efficiencies gained by co-locating multiple types of imaging equipment in one imaging center; registration, waiting areas, patient changing areas, etc. can be shared amongst the imaging modalities.

Physical Therapy

The proposed project also includes space for outpatient rehabilitation services. This will be primarily for post-operative care for orthopedic surgery patients. The types of post-surgical care patients requiring physical therapy at the proposed project include:

- ACL Reconstruction
- Carpal Tunnel Release
- Knee Arthroscopy
- Meniscus Surgery

- Rotator Cuff Repair
- Trigger Finger
- Wrist Fracture
- Various other Fractures
- Achilles Tendon

The physical therapy space is comprised of:

- Open gym space (PT & OT)
- Splint room
- Treatment/Exam rooms
- Staff and patient toilets
- Locker rooms
- Staff workroom
- Registration area
- Waiting room

Comparison of Space to Standard

The proposed square footage for Physical Therapy is 4,773 DGSF.

There is no State Guideline for Square Footage for Physical Therapy.

Well-Patient Laboratory (Blood Draw)

The proposed project also includes space for a Well-Patient Laboratory for blood draw services. This space is an efficient means to accommodate the phlebotomy needs for all of the clinics in the building in a single location. The lab will service blood draw orders issued by all clinics in the building as well as allow for patient drop-in with orders received from NM clinics outside of the proposed project. Samples will be processed off-site.

The lab draw space is comprised of:

- 4 blood draw stations
- Staff and patient toilets
- Staff workroom
- Clean Supply Room
- Registration area
- Waiting room

Comparison of Space to Standard

The proposed square footage for Laboratory Blood Draw is 1,475 DGSF.

There is no State Guideline for Square Footage for Laboratory Blood Draw.

| SIZE OF PROJECT | | | | |
|--------------------|------------------|-------------------|------------|------------------|
| DEPARTMENT | PROPOSED DGSF | STATE STANDARD | DIFFERENCE | MET STANDARD? |
| Infusion Center | 9,462 | N/A | N/A | Yes |
| Diagnostic Imaging | 9,295 | 13,300 | (4,005) | Yes |
| Physical Therapy | 4,773 | N/A | N/A | Yes |
| Well-Patient Lab | 1,475 | N/A | N/A | Yes |

Non-Clinical Components

There are no State Guidelines for the non-clinical components of this project.

Physician Office Space

The proposed project includes physician office space for the Northwestern Medical Group (NMG). NMG is the third largest physician group in Chicago's surrounding seven counties and serves as the clinical faculty practice plan of Northwestern University's Feinberg School of Medicine. The majority of NMG physicians have faculty appointments with Feinberg.

In FY20, there were 1,306 NMG physicians, up from 477 in FY13 (174% increase).

It is anticipated that the following specialties will be included in the proposed project:

- Primary Care
- Oncology
- Cardiology
- Orthopedics
- Gastrointestinal
- Urology
- Dermatology
- Ophthalmology
- Endocrinology

Based on physician practice space in other NM buildings throughout the healthcare system, the space assumption for the physician office space is 1,000 – 1,500 DGSF per physician. The proposed project includes physician office space totaling 72,142 DGSF. This amount will provide space for 45 - 70 physicians.

The project also includes an immediate care center (ICC) for patients who do not have a primary care provider, require immediate medical care, and/or prefer the flexibility of walk-in appointments and expanded hours. The ICC will be staffed and billed for by NMG.

The Physician Office Space areas in the proposed project total 72,142 DGSF.

Lobby/Common Areas/Admin Offices/Conference Rooms

The main lobby is on the 1st floor of the building. Each floor houses public waiting spaces and public toilets for patients and guests. Adjacent to each waiting room is a reception area for patient check-in/out and for general information.

Administrative offices are located on the 1st and 3rd floors. The administrative space on the 1st floor consists of building support offices for security, facilities, property

operations, and environmental services. The administrative space on the 3rd floor consists of offices for the clinical site director, medical director, support staff, and hoteling offices.

There will be 2 conference rooms located on the 3rd floor. One conference room will be primarily used for patient education and the other will be used by staff.

Environmental Services' main office is located on the 1st floor. Each floor contains 1-2 EVS rooms for cleaning supplies and equipment.

The primary building storage is located in the parking garage at Level P2 and P1. The storage rooms are sized to meet the requirements for building maintenance.

The building contains 2 elevators dedicated for the parking garage and 4 for the main building. Two of the elevators for the main building will be dedicated to staff use and are sized to accommodate equipment deliveries.

Staff breakrooms and locker rooms are located on each clinical floor and are centrally located to provide access for all staff members.

A mother's room is located on the 3rd floor for staff use.

The Lobby/Common Areas/Admin Offices/Conference Rooms areas in the proposed project total 41,784 DGSF.

Retail

The project will include retail space on the 1st floor. There will likely be an Optical Shop and possible café or coffee shop although no leases have been finalized.

The Retail space of the proposed project is 4,510 DGSF.

Parking

There will be 348 parking spaces provided on 4 levels for patients and visitors. 35 spaces will be accessible standard-sized and 6 will be van accessible. There will also be 8 parking spaces for electric vehicle charging. The parking garage will have 2 dedicated elevators that will direct patients to proceed down to the 1st floor for access to the medical offices.

The Parking areas of the proposed project total 156,003 DGSF.

MEP Systems

The proposed project includes the following MEP Systems work:

- Mechanical
 - Four packaged VAV, gas/DX, RTUs to serve all floors.
 - Single duct VAV terminal units with electric reheat.
 - Supplemental electric baseboard and/or radiant panels at perimeter spaces.
 - Whole building humidification integral to roof top units.
 - One packaged VAV gas/DX RTU to serve the compounding pharmacy.
 - Single duct VAV with electric reheat.
 - Ceiling mounted precision air conditioners with remote condensing units for MRI and CT rooms.
 - New MRI process chiller, quench vent, and purge fan.
 - New roof mounted general exhaust fans.
 - New building automation system.
 - Dedicated DX split systems for IDF rooms.
 - Dedicated garage exhaust fans.
- Plumbing
 - New 12" incoming combined fire protection / domestic water service.
 - New domestic water distribution to new fixtures.
 - Two redundant gas fired tank type water heaters, digital master mixing valve and recirculation pumps.
 - New Sanitary 8" service and vent piping to each fixture.
 - Two 12" storm connections to new detention tank.
 - Garage oil waste system.
 - Duplex sewage ejector.
 - Duplex sump pump.
 - Three elevator pit pumps.
- Fire Protection
 - New 12" incoming combined fire protection / domestic water service.
 - 1000 gpm fire pump.
 - Combined sprinkler stand pipe system with three exit stairway standpipes (one combined with sprinklers).
 - Double interlock pre-action systems that will serve the MRI, CT, and Generator room.
 - Dry valve systems to service garage levels, canopies, and trash area.
- Electrical
 - New 480/277 volt electrical services will support the overall building loads. The quantity and sizing are being driven by the projected building loads.
 - Emergency power will be provided by a diesel driven engine generator. This will back-up code-required and user-requested loads.

- New electrical distribution will be provided throughout the building to panelboards and end-use devices/loads.
- New electrical, lighting, data, nurse call, sound masking and fire alarm systems.

Building Infrastructure

The building will be a 4-story medical office building + penthouse with two levels of below-grade parking for a total building height of 58'-6" to roof slab. The building will be constructed with precast concrete foundation walls, columns, and beams for the parking garage and a steel structure for the medical office portion of the building. There will also be an earth retention system (ERS) installed around the full perimeter of the property for the building structure. The perimeter of the building will be 1,050 linear feet and the story height will be 15 feet.

The primary building materials will be a limestone rainscreen and sunscreen, solid and perforated metal panel and a unitized curtainwall system with both fritted, clear, and spandrel insulated glazing units. The limestone and terra cotta exterior will overlap the NM brand with the masonry character of the community.

Zoning and Floor Area Ratio as Determinant of Building Sizing

The proposed project will be located in the city of Chicago along Irving Park Road between North Kilbourn Avenue and North Kenneth Avenue in Chicago's Irving Park neighborhood. The project will be constructed on a 1.44 acre (62,726 SF) urban site currently comprised of several commercial buildings and parking area. Irving Park Road to the north is an IDOT roadway with two lanes each way. North Kilbourn has two-way traffic from Irving Park Road to the alley to the south, and North Kenneth Avenue to the east side of the project is one-way traffic north.

The project's desired programming and required parking count necessitates a zoning amendment from a B3-1 with an abutting RS-2 site to a B3-3 abutting to a B3-1 site. The site zoning amendment allows for an increased building height of 60'-0"; 6 stories with a combination of program and parking on each level; and a Floor Area Ratio of 2.53.

LEED Certification

The goal of the project is to achieve LEED Silver certification. LEED addresses design issues such as:

- Site design features
- Water consumption
- Energy efficiency

- Envelope design
- Natural and electrical lighting approach
- Material and finish selection
- Healthy environment

The project will reference LEED version 4 for Building Design and Construction (LEED v4 BD+C). On a credit-by-credit basis, LEED version 4.1 for Building Design and Construction will supersede version 4 language and requirements. LEED v4 (BD+C) evaluates the scope of work under NMHC control, which includes the entire building.

PROJECT SERVICES UTILIZATION

The services in the proposed project will be provided by Northwestern Medical Group (NMG) and will not be hospital-based and therefore not subject to licensure under the Illinois Hospital Licensing Act.

Infusion

In partnership with the Robert H. Lurie Comprehensive Cancer Center of Northwestern University, NMH is ranked as the #8 top cancer program in the country by U.S. News & World Report. The Cancer Center provides a full range of oncology services and provides access to specialized research, clinical trials, and diagnostic services. It is one of the only Comprehensive Cancer Centers, as designated by the National Cancer Institute, in the state of Illinois.

From FY15 to FY19, infusion visits at NMH grew from 27,793 to 38,572, a 39% increase. In order to accommodate the growing demand for infusion services at NMH and to provide a mix of treatment-center options close to where patients live and more convenient than traveling downtown, the proposed project will offer outpatient infusion services. There will be 6 semi-private infusion bays and 3 private infusion rooms.

In FY19, there were 23,774 outpatient infusion visits at NMH from patients living in the proposed project's service area. Conservatively, 15% of this volume is expected to shift to the proposed project. Projections are based on Sg2's projected annual growth rate of 1.6% for oncology outpatient visits for the NMH service area.

While there is no industry standard for utilization of infusion resources, facility planning firms have used a 65% utilization rate for the planning of infusion centers associated with academic medical centers (AMCs). AMC infusion centers typically have higher patient acuity, higher than average same-day cancellations, and complex multidisciplinary care. The NM Strategy team worked with The Advisory Board to determine the median utilization rate for AMC/NCI-designated cancer centers and found the rate to be 60%.

| Outpatient Infusion | FY25 | FY26 |
|---|-------------|-------------|
| NM OP Infusion Visits from Project Service Area | 26,150 | 26,568 |
| 15% @ proposed project | 3,922 | 3,985 |
| Average Hours Per Infusion (based on NMH data) | 3.0 | 3.0 |
| Projected Annual Hours of Infusion | 11,766 | 11,955 |
| # of Infusion Resources | 9 | 9 |
| Annual Hours of Operation | 18,360 | 18,360 |
| Projected Infusion Resource Utilization | 64% | 65% |

There is no State standard for utilization for outpatient infusion services.

Diagnostic Imaging

The proposed project includes the following types of diagnostic imaging:

- 1 MRI
- 1 CT
- 2 Mammography units
- 4 X-Ray units
- 2 Ultrasounds
- 1 Dual-energy X-Ray Absorptiometry (DEXA) unit

Diagnostic Imaging projections are based on historic utilization of Northwestern Medicine's Glenview Outpatient Center (NM Glenview). In FY19, there were approximately 2,000 visits per physician/clinician at NM Glenview. The proposed project will have between 45-70 physicians/clinicians which will yield approximately 90,000 – 140,000 total annual visits.

MRI

There will be 1 MRI in the proposed project. Projections are based on actual experience at NM Glenview and Sg2's projected 5-year increase of 2.4% in MRI utilization for the project's service area.

| MRI | FY25 | FY26 |
|--------------------------|-------------|-------------|
| Procedures | 5,139 | 5,164 |
| State Standard | 2,500 | 2,500 |
| # of MRIs Justified | 2 | 2 |
| # of MRIs in the Project | 1 | 1 |

The State standard for MRI is 2,500 procedures per MRI. Using this standard, the project can justify 2 MRIs, however only 1 is planned at this time.

CT

There will be 1 CT scanner in the proposed project. Projections are based on actual experience at NM Glenview and Sg2's projected 5-year increase of 2.5% in CT utilization for the project's service area.

| CT | CY25 | CY26 |
|-------------------------|-------------|-------------|
| Visits | 6,139 | 6,169 |
| State Standard | 7,000 | 7,000 |
| # of CTs Justified | 1 | 1 |
| # of CTs in the Project | 1 | 1 |

The State standard for CT is 7,000 visits per CT scanner. Using this standard, the project can justify 1 CT scanner.

Mammography

There will be 2 mammography machines in the proposed project. Projections are based on actual experience at NM Glenview and a projected increase of 2.4% in mammography utilization for the project's service area.

| Mammography | CY25 | CY26 |
|--|-------------|-------------|
| Visits | 9,669 | 9,715 |
| State Standard | 5,000 | 5,000 |
| # of Mammography Machines Justified | 2 | 2 |
| # of Mammography Machines in the Project | 2 | 2 |

The State standard for mammography is 5,000 visits per mammography machine. Using this standard, the project can justify 2 mammography machines.

General X-Ray

There will be 4 x-ray machines in the proposed project. Projections are based on actual experience at NM Glenview and Sg2's projected decrease of 3.8% in x-ray utilization for the project's service area.

| X-Ray | CY25 | CY26 |
|------------------------------------|-------------|-------------|
| Procedures | 26,719 | 26,516 |
| State Standard | 8,000 | 8,000 |
| # of X-Ray Machines Justified | 4 | 4 |
| # of X-Ray Machines in the Project | 4 | 4 |

The State standard for general radiography is 8,000 procedures per x-ray machine. Using this standard, the project can justify 4 x-ray machines.

Ultrasound

There will be 2 ultrasound machines in the proposed project. Projections are based on actual experience at NM Glenview and Sg2's projected 5-year increase of 3.8% in ultrasound utilization for the project's service area.

| Ultrasound | CY25 | CY26 |
|----------------------------------|-------------|-------------|
| Visits | 5,075 | 5,114 |
| State Standard | 3,100 | 3,100 |
| # of U/S Machines Justified | 2 | 2 |
| # of U/S Machines in the Project | 2 | 2 |

The State standard for ultrasound is 3,100 visits per ultrasound. Using this standard, the project can justify 2 ultrasounds.

DEXA

Dual-energy X-Ray Absorptiometry (DEXA) is a means of measuring bone mineral density using spectral imaging. There will be 1 DEXA machine in the proposed project.

Projections are based on actual experience at NM Glenview and Sg2's projected 5-year increase of 13.3% in DEXA utilization for the project's service area.

| DEXA | CY25 | CY26 |
|-----------------------------------|-------|-------|
| Procedures | 1,482 | 1,521 |
| State Standard | n/a | n/a |
| # of DEXA Machines Justified | n/a | n/a |
| # of DEXA Machines in the Project | 1 | 1 |

There is no State standard for utilization of DEXA equipment. There is 1 DEXA machine in the proposed project.

Physical Therapy

Physical therapy space will be included in the proposed project to address unmet demand for outpatient rehabilitation services. Currently, there are only three small NM sites that offer limited outpatient rehab services in NM's central region which are all located on the NMH campus downtown. Due to the limited footprint in the NMH and Lake Forest Hospital service areas, only 55% of NM patients needing rehab services can be accommodated at an NM facility.

Providing rehab services at an NM facility ensures continuity of care and supports outcomes and long-term success of patient care plans. It also ensures the proper placement of patients and continued connection for completion of treatment. Streamlined communication through the use of a single electronic medical record allows referring physicians to better track patient accountability and outcome metrics.

Demand for outpatient rehab services in the NM service area is expected to grow by 11.4% over the next 10 years. Demand is driven by:

- Aging, chronically ill patients populations requiring more rehab services
- Increased use of pre-rehab services prior to more aggressive treatments including surgery, chemotherapy, and radiation
- Increased desire for lower cost care alternatives
- Desire to reduce the use of pain medication and opioids

In FY19, there were 132,267 NM outpatient rehabilitation referrals. It is expected that this project will accommodate approximately 5% of these referrals.

| Outpatient Rehabilitation | FY25 | FY26 |
|---------------------------|---------|---------|
| NM OP Rehab Referrals | 138,880 | 140,203 |
| 5% @ proposed project | 6,944 | 7,010 |

There is no State standard for utilization for physical therapy services.

Well-Patient Laboratory (Blood Draw)

The Well-Patient Laboratory in the proposed project will accommodate the phlebotomy needs for all of the clinics in the building in a single location. The lab will service blood draw orders issued by the clinics in the building as well as allow for patient drop-ins with orders received from NM clinics outside of the proposed project. There will be 4 blood draw stations in the Well-Patient Laboratory.

Based on experience at other NM outpatient buildings, it is estimated that approximately 13% of visits to the proposed project will generate a visit to the Well-Patient Laboratory resulting in approximately 18,200 visits/year.

There is no State standard for utilization for a well-patient laboratory.

Comparison of Utilization to Standard

| UTILIZATION | | | | |
|--------------------|-------------------------------|--|----------------------------|-----------------------|
| DEPARTMENT | HISTORICAL UTILIZATION | PROJECTED UTILIZATION CY25 CY26 | STATE STANDARD | MEET STANDARD? |
| Infusion Services | N/A | 64% 65% | N/A | Yes |
| MRI | N/A | 5,139 procedures 5,164 procedures | 2,500 procedures | Yes |
| CT | N/A | 6,139 visits 6,169 visits | 7,000 visits | Yes |
| Mammography (2) | N/A | 9,669 visits 9,715 visits | 5,000 - 10,000 visits | Yes |
| General X-Ray (4) | N/A | 26,719 procedures 26,516 procedures | 24,000 - 32,000 procedures | Yes |
| Ultrasound (2) | N/A | 5,075 visits 5,114 visits | 3,100 - 6,200 visits | Yes |
| DEXA | N/A | 1,482 procedures 1,521 procedures | N/A | Yes |
| Physical Therapy | N/A | 6,944 visits 7,010 visits | N/A | Yes |
| Well-Patient Lab | N/A | 18,200 visits | N/A | Yes |

UNFINISHED OR SHELL SPACE / ASSURANCES

Not Applicable – there is no unfinished or shell space planned in the project.

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

| Service | # of Existing Key Rooms | # of Proposed Key Rooms |
|---|-------------------------|-------------------------|
| Infusion | N/A | 9 |
| Diagnostic Imaging | | |
| MRI | N/A | 1 |
| CT | N/A | 1 |
| Mammography | N/A | 2 |
| X-Ray | N/A | 4 |
| Ultrasound | N/A | 2 |
| DEXA | N/A | 1 |
| Physical Therapy | N/A | 1 |
| Well-Patient Laboratory (Blood Draw) | N/A | 4 |

The services in the proposed project will be provided by Northwestern Medical Group (NMG) and will not be hospital-based and therefore not subject to licensure under the Illinois Hospital Licensing Act.

The proposed project will provide convenient infusion, diagnostic imaging, physical therapy, and blood draw services for NM patients at a location close to home. The project will accommodate demand for NM services from patients within the 10-mile radius of the project and beyond.

Infusion

In partnership with the Robert H. Lurie Comprehensive Cancer Center of Northwestern University, NMH is ranked as the #8 top cancer program in the country by U.S. News & World Report. The Cancer Center provides a full range of oncology services and provides access to specialized research, clinical trials, and diagnostic services. It is one of the only Comprehensive Cancer Centers, as designated by the National Cancer Institute, in the state of Illinois.

From FY15 to FY19, infusion visits at NMH grew from 27,793 to 38,572, a 39% increase. In order to accommodate the growing demand for infusion services at NMH and to provide a mix of treatment-center options close to where patients live and more convenient than traveling downtown, the proposed project will offer outpatient infusion services. There will be 6 semi-private infusion bays and 3 private infusion rooms.

In FY19, there were 23,774 outpatient infusion visits at NMH from patients living in the proposed project's service area. Conservatively, 15% of this volume is expected to shift to the proposed project. Projections are based on Sg2's projected annual growth rate of 1.6% for oncology outpatient visits for the NMH service area.

While there is no industry standard for utilization of infusion resources, facility planning firms have used a 65% utilization rate for the planning of infusion centers associated with academic medical centers (AMCs). AMC infusion centers typically have higher patient acuity, higher than average same-day cancellations, and complex multidisciplinary care. The NM Strategy team worked with The Advisory Board to determine the median utilization rate for AMC/NCI-designated cancer centers and found the rate to be 60%.

| Outpatient Infusion | FY25 | FY26 |
|---|-------------|-------------|
| NM OP Infusion Visits from Project Service Area | 26,150 | 26,568 |
| 15% @ proposed project | 3,922 | 3,985 |
| Average Hours Per Infusion (based on NMH data) | 3.0 | 3.0 |
| Projected Annual Hours of Infusion | 11,766 | 11,955 |
| # of Infusion Resources | 9 | 9 |
| Annual Hours of Operation | 18,360 | 18,360 |
| Projected Infusion Resource Utilization | 64% | 65% |

There is no State standard for utilization for outpatient infusion services.

Diagnostic Imaging

Diagnostic Imaging projections are based on historic utilization of Northwestern Medicine's Glenview Outpatient Center (NM Glenview). In FY19, there were approximately 2,000 visits per physician/clinician at NM Glenview. The proposed project will have between 45-70 physicians/clinicians which will yield approximately 90,000 – 140,000 total annual visits.

MRI

There will be 1 MRI in the proposed project. Projections are based on actual experience at NM Glenview and Sg2's projected 5-year increase of 2.4% in MRI utilization for the project's service area.

| MRI | FY25 | FY26 |
|--------------------------|-------------|-------------|
| Procedures | 5,139 | 5,164 |
| State Standard | 2,500 | 2,500 |
| # of MRIs Justified | 2 | 2 |
| # of MRIs in the Project | 1 | 1 |

The State standard for MRI is 2,500 procedures per MRI. Using this standard, the project can justify 2 MRIs, however only 1 is planned at this time.

CT

There will be 1 CT scanner in the proposed project. Projections are based on actual experience at NM Glenview and Sg2's projected 5-year increase of 2.5% in CT utilization for the project's service area.

| CT | CY25 | CY26 |
|-------------------------|-------------|-------------|
| Visits | 6,139 | 6,169 |
| State Standard | 7,000 | 7,000 |
| # of CTs Justified | 1 | 1 |
| # of CTs in the Project | 1 | 1 |

The State standard for CT is 7,000 visits per CT scanner. Using this standard, the project can justify 1 CT scanner.

Mammography

There will be 2 mammography machines in the proposed project. Projections are based on actual experience at NM Glenview and a projected increase of 2.4% in mammography utilization for the project's service area.

| Mammography | CY25 | CY26 |
|--|-------------|-------------|
| Visits | 9,669 | 9,715 |
| State Standard | 5,000 | 5,000 |
| # of Mammography Machines Justified | 2 | 2 |
| # of Mammography Machines in the Project | 2 | 2 |

The State standard for mammography is 5,000 visits per mammography machine. Using this standard, the project can justify 2 mammography machines.

General X-Ray

There will be 4 x-ray machines in the proposed project. Projections are based on actual experience at NM Glenview and Sg2's projected decrease of 3.8% in x-ray utilization for the project's service area.

| X-Ray | CY25 | CY26 |
|------------------------------------|-------------|-------------|
| Procedures | 26,719 | 26,516 |
| State Standard | 8,000 | 8,000 |
| # of X-Ray Machines Justified | 4 | 4 |
| # of X-Ray Machines in the Project | 4 | 4 |

The State standard for general radiography is 8,000 procedures per x-ray machine. Using this standard, the project can justify 4 x-ray machines.

Ultrasound

There will be 2 ultrasound machines in the proposed project. Projections are based on actual experience at NM Glenview and Sg2's projected 5-year increase of 3.8% in ultrasound utilization for the project's service area.

| Ultrasound | CY25 | CY26 |
|----------------------------------|-------------|-------------|
| Visits | 5,075 | 5,114 |
| State Standard | 3,100 | 3,100 |
| # of U/S Machines Justified | 2 | 2 |
| # of U/S Machines in the Project | 2 | 2 |

The State standard for ultrasound is 3,100 visits per ultrasound. Using this standard, the project can justify 2 ultrasounds.

DEXA

Dual-energy X-Ray Absorptiometry (DEXA) is a means of measuring bone mineral density using spectral imaging. There will be 1 DEXA machine in the proposed project. Projections are based on actual experience at NM Glenview and Sg2's projected 5-year increase of 13.3% in DEXA utilization for the project's service area.

| DEXA | CY25 | CY26 |
|-----------------------------------|-------------|-------------|
| Procedures | 1,482 | 1,521 |
| State Standard | n/a | n/a |
| # of DEXA Machines Justified | n/a | n/a |
| # of DEXA Machines in the Project | 1 | 1 |

There is no State standard for utilization of DEXA equipment. There is 1 DEXA machine in the proposed project.

Physical Therapy

Physical therapy space will be included in the proposed project to address unmet demand for outpatient rehabilitation services. Currently, there are only three small NM sites that offer limited outpatient rehab services in NM's central region which are all located on the NMH campus downtown. Due to the limited footprint in the NMH and Lake Forest Hospital service areas, only approximately 55% of NM patients needing rehab services can be accommodated at an NM facility.

Providing rehab services at an NM facility ensures continuity of care and supports outcomes and long-term success of patient care plans. It also ensures the proper placement of patients and continued connection for completion of treatment. Streamlined communication through the use of a single electronic medical record allows referring physicians to better track patient accountability and outcome metrics.

Demand for outpatient rehab services in the NM service area is expected to grow by 11.4% over the next 10 years. Demand is driven by:

- Aging, chronically ill patients populations requiring more rehab services
- Increased use of pre-rehab services prior to more aggressive treatments including surgery, chemotherapy, and radiation
- Increased desire for lower cost care alternatives
- Desire to reduce the use of pain medication and opioids

In FY19, there were 132,267 NM outpatient rehabilitation referrals. It is expected that this project will accommodate approximately 5% of these referrals.

| Outpatient Rehabilitation | FY25 | FY26 |
|---------------------------|---------|---------|
| NM OP Rehab Referrals | 138,880 | 140,203 |
| 5% @ proposed project | 6,944 | 7,010 |

There is no State standard for utilization for physical therapy services.

Well-Patient Laboratory (Blood Draw)

The Well-Patient Laboratory in the proposed project will accommodate the phlebotomy needs for all of the clinics in the building in a single location. The lab will service blood draw orders issued by the clinics in the building as well as allow for patient drop-ins with orders received from NM clinics outside of the proposed project. There will be 4 blood draw stations in the Well-Patient Laboratory.

Based on experience at other NM outpatient buildings, it is estimated that approximately 13% of visits to the proposed project will generate a visit to the Well-Patient Laboratory resulting in approximately 18,200 visits/year.

There is no State standard for utilization for a well-patient laboratory.

SECTION VI. 1120.120 – AVAILABILITY OF FUNDS

Not Applicable – see bond rating documents

SECTION VII. 1120.130 – FINANCIAL VIABILITY

Not Applicable – see bond rating documents

RatingsDirect®

Illinois Finance Authority Northwestern Memorial HealthCare; CP; Hospital; System

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Enterprise Profile: Very Strong

Financial Profile: Extremely Strong

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Illinois Finance Authority

Northwestern Memorial HealthCare; CP; Hospital; System

Credit Profile

Illinois Finance Authority, Illinois

Northwestern Mem HlthCare, Illinois

Illinois Fin Auth (Northwestern Mem HlthCare) SYS

Long Term Rating

AA+/Stable

Current

Rationale

S&P Global Ratings' long-term rating on Illinois Finance Authority's revenue bonds, issued for Northwestern Memorial HealthCare (NMHC) is 'AA+'. S&P Global Ratings' short-term rating on the authority's taxable commercial paper (CP) notes, issued for NMHC, is 'A-1+'. The outlook on the long-term rating is stable.

In addition, S&P Global Ratings' dual ratings on NMHC's bonds are 'AA+/A-1+' and 'AA+/A-1'. The long-term component of the ratings reflects the credit quality of NMHC, the obligor. The short-term component of the ratings reflects the standby bond purchase agreements provided by the various banks.

We base the 'A-1+' short-term rating on the CP on NMHC's ability to fund from its own liquidity any CP not successfully remarketed. The taxable CP program has a \$100 million limit, and NMHC has issued \$77.7 million. NMHC has internally set maturity restrictions of a maximum of \$60 million during a five-business-day period.

Credit overview

The ratings reflect our view of NMHC's sustained solid operational performance and balance-sheet metrics during a period of significant growth. As a system, NMHC has successfully integrated new members into the organization, and it has reaped the benefits of operating more as a system than a federation of hospitals. NMHC recently completed its Project One IT implementation, and all its acute-care hospitals, including Centegra, which NMHC has successfully integrated, are now using the same health IT platform. Finally, NMHC's management team continues to maintain financial discipline as it executes the system's growth strategy. We expect NMHC will remain an important provider in the very competitive Chicagoland market. In addition, we believe management will continue to focus on integration as well as aligning services in ambulatory facilities as a growth strategy. NMHC continues to maintain a prominent market position in a competitive market with a management team that is focused on strategic growth and pioneer-like efforts, including telehealth and artificial intelligence.

The 'AA+' rating reflects our view of NMHC's:

- Very healthy liquidity position that we expect will be stable given manageable capital needs;
- Solid financial performance despite a period of significant growth, aided by management's continued focus on cost containment;

- Outstanding governance and management, including the numerous benefits realized through affiliations with Northwestern University-related entities, including the Feinberg School of Medicine; and
- Very strong brand name recognition, and expanding business position through its acquisition strategy.

Partially offsetting the above strengths, in our view, are NMHC's:

- Expectation for continued dilutive results in fiscal 2020 given the recent Centegra acquisition; and
- Increasingly competitive service area, as provider consolidation continues in the greater Chicago area.

Under Financial Accounting Standards Board Accounting Standards Update 2016-02, NMHC booked a long-term, \$153.5 million operating lease liability and a corresponding operating lease right of use assets as of Nov. 30, 2019. We have historically incorporated lease risk into lease-adjusted debt service coverage (DSC), and we believe this continues to capture risk associated with lease exposure. While the audit presentation now provides more clarity on the actual value of the lease liability, the actual lease obligations incurred by NMHC are unchanged; therefore, this is not an additional credit factor given that the risk has already been incorporated into the rating.

The analysis and financial figures in this report pertain to the activities of NMHC, the sole corporate member of Northwestern Memorial Hospital (NMH), Northwestern Medicine Lake Forest Hospital (NMLFH), Northwestern Medical Faculty Foundation (doing business as Northwestern Medical Group, or NMG), Northwestern Memorial Foundation (NMF), Northwestern Medicine Central DuPage Hospital, Northwestern Medicine Delnor Hospital, Cadence Physician Group (CPG) (doing business as Northwestern Medicine Regional Medical Group, or NMRMG), KishHealth, Marianjoy Rehabilitation Hospital & Clinic Inc., Rehabilitation Medicine Clinic Inc., and Centegra Health System.

In light of the COVID-19 outbreak, we believe NMHC has taken the appropriate steps to manage its operations, including managing its supply chain, increasing staffing, and converting rooms to isolation-ready, while considering contingency planning. While the area has not had a significant increase in cases to date, any spike in cases could cause some interim operating stress, especially if the situation is prolonged. However, we believe NMHC's very health credit fundamentals should help support the credit over the medium-to-longer term.

The stable outlook reflects our expectation that the system will maintain its extremely strong financial profile as well as its prominent market position in the Chicago market. We expect management will continue to execute on the strategy of ambulatory growth and maintaining stable market share despite a highly competitive market. Our stable outlook also reflects our view of no significant debt plans.

Stable Two-Year Outlook

Downside scenario

While we do not expect this, if operations begin to trend negatively for a sustained period and liquidity declines notably, we could revise the outlook to negative or lower the rating. In addition, we could lower the rating if there is a material increase in leverage, a dilutive acquisition, or a sustained decline in NMHC's market position.

Upside scenario

We are unlikely to raise the rating within the outlook period given the already high rating and S&P Global Ratings' general view of risk in the health care sector and the highly competitive environment.

Credit Opinion**Enterprise Profile: Very Strong****Enterprise**

NMHC operates over 130 diagnostic and ambulatory sites and 10 hospitals in the northern and western suburbs of Chicago as well as its flagship, NMH. NMH is a major academic medical center and is the primary teaching hospital for Northwestern University's Feinberg School of Medicine. It provides a range of services.

NMHC has a total of 2,127 licensed beds (2,093 staffed), including 894 licensed beds (841 staffed) at NMH. NMHC also includes Northwestern Medicine Insurance Company LLC.

Northwestern University is a separate corporation and is not obligated to repay debt service associated with the bonds, but we believe the university's Feinberg School of Medicine is integrally linked with NMHC through a shared strategic plan.

Organic growth as well as growth through strategic acquisitions

NMHC has taken a disciplined approach to growth and has more than doubled in size over the past several years through both organic growth and strategic acquisitions. In addition, NMHC has continued to integrate its physician practice and this has been instrumental in the implementation of the system's strategic plan.

NMHC's most recent acquisition was Centegra, which provides the system with a new market segment with an attractive payer mix. Other entities that were acquired include the Lake Forest Hospital, Central DuPage Hospital, Delnor Hospital, KishHealth, and Marianjoy. All of these entities have added to the overall footprint and, in our opinion, the acquisitions have made strategic sense. We expect management will continue evaluating opportunities and we note that the current growth strategy remains focused on building out the ambulatory care footprint.

In fiscal 2018, NMHC successfully executed Project One, which was the vehicle to move all acute-care hospitals and physician groups onto one electronic medical record.

Utilization

NMHC management reports that inpatient utilization has declined across the overall Chicago market. The decline mirrors that in the industry overall. For NMHC, despite this decline, inpatient utilization increased in fiscal 2019, as did outpatient registration and surgeries. Also, because the NMHC-aligned physicians' patients tend to remain within the system and NMHC can take advantage of the favorable geographic relationship of the hospitals and health care sites in the system, it has been able to maintain its business position.

NMHC has a 12.8% market share in its primary service area (a 12-county area). This may seem modest, but admissions and related market share among other hospitals in the service area remain stagnant when consolidation is

excluded. The market will remain competitive as consolidation occurs. We expect NMHC will focus on ambulatory investments in its region.

Management

NMHC has a strong leadership team that produces strong operations and balance-sheet measures while investing in its facilities. To date, NMHC has had no major missteps in aligning with the facilities that it has acquired over the years, including KishHealth, Marianjoy, and Centegra. NMHC uses an integration team that assesses the positives and negatives of an acquired entity. The team then prepares a plan to help NMHC and the new entity integrate with little-to-no interruption.

NMHC remains focused on system integration, as it has grown rather rapidly over the years. Project One is one example of the steps that NMHC has taken to become further aligned. Management has noted that it has already begun to see some benefits from Project One. The project, along with other measures, will help to increase efficiency.

We note that the board remains very engaged and continues to collaborate with the senior management team. There were some changes to the board composition with the affiliation with the Centegra acquisition in September 2018.

Table 1

Northwestern Memorial HealthCare -- Enterprise Statistics

| | --Three months ended Nov. 30-- | --Fiscal year ended Aug. 31-- | | |
|---------------------------------|--------------------------------|-------------------------------|-----------|-----------|
| | 2019 | 2019 | 2018 | 2017 |
| PSA population | N.A. | 9,621,069 | 9,613,154 | 9,659,403 |
| PSA market share (%) | N.A. | 12.8 | 10.3 | 10.0 |
| Inpatient admissions | 24,233 | 103,132 | 84,852 | 82,707 |
| Equivalent inpatient admissions | 61,098 | 259,959 | 216,441 | 204,555 |
| Emergency visits | 88,693 | 361,220 | 292,657 | 287,300 |
| Inpatient surgeries | 6,352 | 25,774 | 22,285 | 22,247 |
| Outpatient surgeries | 15,532 | 58,376 | 49,195 | 48,549 |
| Medicare case mix index | 1.8810 | 1.8870 | 1.9870 | 2.0000 |
| FTE employees | 26,160 | 25,496 | 22,057 | 21,089 |
| Active physicians | 4,860 | 4,858 | 4,252 | 4,237 |
| Based on net/gross revenues | Net | Net | Net | Net |
| Medicare (%) | 27.4 | 27.2 | 24.3 | 23.9 |
| Medicaid (%) | 7.6 | 8.1 | 8.3 | 7.9 |
| Commercial/Blues (%) | 64.1 | 64.1 | 65.5 | 66.0 |

N.A.--Not available. Inpatient admissions exclude normal newborn, psychiatric, rehabilitation, and long-term care facility admissions.

Financial Profile: Extremely Strong

Operations

In fiscal 2019, NMHC's financial performance was solid, in our view, despite the slight margin dilution that was expected with the Centegra acquisition. The system also benefited from healthy volumes that spurred healthy same-facility revenue growth. NMHC has noted that for operations to remain strong, the system will have to reduce its

expense base through annual efficiency targets. As the state transitions more Medicaid recipients to managed Medicaid, NMHC is exploring how to best manage this population as relates to the payers in the market.

NMHC is budgeting for a slightly lower operating margin for fiscal 2020, given management is still integrating Centegra, Medicare continues to gradually increase, and insurance professional liabilities are expected to increase in fiscal 2020.

We believe that NMHC should be able to achieve this budget based on historical performance and management's ability to adjust and respond to changes in the market and the system's operations. Management will continue to integrate Centegra's operations, and we expect the team will continue to make notable progress on integrating Centegra into the overall system. We believe overall margins will operate at lower levels relative to historical margins in excess of 5% given industry headwinds and the continued gradual shift into a higher percentage of Medicare.

With strong operations and investment income, NMHC continues to post what we consider strong maximum annual debt service (MADS) coverage; for fiscal 2019, it reported MADS coverage of 8.19x, and lease-adjusted MADS coverage of 6.13x.

Balance sheet

As of fiscal 2019, NMHC's liquidity was solid, with 405 days' cash on hand, which was in line with that of other 'AA+' rated systems. NMHC has benefited from healthy investment returns. In our view, the capital plans are manageable and we understand they will be funded with operating cash flow. For fiscal 2020, NMHC estimates spending about \$488.4 million, which is up slightly from fiscal 2019.

Overall unrestricted reserves to long-term debt remains very healthy at 350% in fiscal 2019.

Debt and contingent liabilities

NMHC has moderate leverage and debt-to-capitalization stood at 17.2% for the interim period ended Nov. 30, 2019. There is about 37.2% of contingent debt due to variable-rate demand debt and private placements; however, unrestricted reserves more than cover any potential acceleration risk.

NMHC's debt includes taxable CP authorized up to \$200 million. The internally set restrictions are not legally binding. In the event of a failed rollover, the assets identified in the portfolio would provide sufficient liquidity. The eligible assets include cash, fixed-income instruments, and domestic equities. NMHC has provided us with the operational procedures that, upon a failed remarketing, it would follow to liquidate assets to provide for timely payment of a CP maturity. S&P Global Ratings will provide monthly surveillance on the bonds.

NMHC historically had a fully funded pension plan and has a moderate amount of operating leases.

Table 1

Northwestern Memorial HealthCare -- Financial Statistics

| | --Three months ended Nov. 30-- | --Fiscal year ended Aug. 31-- | | | --Medians for 'AA+' rated health care systems-- |
|------------------------------|-----------------------------------|-------------------------------|-----------|-----------|--|
| | 2019 | 2019 | 2018 | 2017 | 2018 |
| Financial performance | | | | | |
| Net patient revenue (\$000s) | 1,507,311 | 5,665,736 | 4,877,616 | 4,547,386 | 4,071,473 |

Table 1

| Northwestern Memorial HealthCare -- Financial Statistics (cont.) | | | | | |
|--|-----------------------------------|-------------------------------|-----------|-----------|--|
| | --Three months ended Nov. 30-- | --Fiscal year ended Aug. 31-- | | | --Medians for 'AA+' rated health care systems-- |
| | 2019 | 2019 | 2018 | 2017 | 2018 |
| Total operating revenue (\$000s) | 1,609,300 | 6,043,454 | 5,231,254 | 4,830,439 | MNR |
| Total operating expenses (\$000s) | 1,491,114 | 5,769,692 | 4,957,062 | 4,529,124 | MNR |
| Operating income (\$000s) | 118,186 | 273,762 | 274,192 | 301,315 | MNR |
| Operating margin (%) | 7.34 | 4.53 | 5.24 | 6.24 | 5.50 |
| Net nonoperating income (\$000s) | 23,179 | 174,980 | 174,758 | 181,219 | MNR |
| Excess income (\$000s) | 141,365 | 448,742 | 448,950 | 482,534 | MNR |
| Excess margin (%) | 8.66 | 7.22 | 8.30 | 9.63 | 9.20 |
| Operating EBIDA margin (%) | 14.57 | 11.69 | 11.97 | 13.10 | 12.00 |
| EBIDA margin (%) | 15.78 | 14.18 | 14.82 | 16.24 | 14.80 |
| Net available for debt service (\$000s) | 257,597 | 881,686 | 800,925 | 813,789 | 733,661 |
| Maximum annual debt service (\$000s) | 107,689 | 107,689 | 107,689 | 107,689 | MNR |
| Maximum annual debt service coverage (x) | 9.57 | 8.19 | 7.44 | 7.56 | 9.40 |
| Operating lease-adjusted coverage (x) | N.A. | 6.13 | 5.55 | 5.78 | 5.90 |
| Liquidity and financial flexibility | | | | | |
| Unrestricted reserves (\$000s) | 6,192,141 | 5,988,485 | 5,600,519 | 4,932,139 | 5,276,407 |
| Unrestricted days' cash on hand | 406.9 | 405.0 | 440.0 | 424.4 | 433.60 |
| Unrestricted reserves/total long-term debt (%) | 364.7 | 350.1 | 401.6 | 349.3 | 302.40 |
| Unrestricted reserves/contingent liabilities (%) | 979.7 | 942.9 | 954.9 | 752.7 | 954.90 |
| Average age of plant (years) | 6.3 | 6.7 | 7.1 | 7.2 | 8.30 |
| Capital expenditures/depreciation and amortization (%) | 121.1 | 103.7 | 139.0 | 178.6 | 159.90 |
| Debt and liabilities | | | | | |
| Total long-term debt (\$000s) | 1,698,084 | 1,710,693 | 1,394,396 | 1,412,075 | MNR |
| Long-term debt/capitalization (%) | 17.2 | 17.9 | 15.5 | 17.1 | 23.60 |
| Contingent liabilities (\$000s) | 632,073 | 635,137 | 586,508 | 655,302 | MNR |
| Contingent liabilities/total long-term debt (%) | 37.2 | 37.1 | 42.1 | 46.4 | 40.60 |
| Debt burden (%) | 1.65 | 1.73 | 1.99 | 2.15 | 1.60 |
| Defined-benefit plan funded status (%) | N.A. | 107.74 | 129.69 | 118.83 | 93.20 |

N/A—Not applicable. N.A.—Not available. MNR—Median not reported.

This report does not constitute a rating action.

Credit Snapshot

- **Security pledge:** The revenue bonds and CP are an unsecured general obligation of the NMHC obligated group, which consists of NMHC, NMH, Northwestern Lake Forest Hospital (NLFH), Central DuPage Hospital (CDH), Delnor-Community Hospital (Delnor), Cadence Physician Group (CPG) d/b/a Northwestern Medicine Regional Medical Group (NMRMG), NMF, Northwestern Medical Faculty Foundation d/b/a Northwestern Medical Group (NMG), KishHealth, Kishwaukee Community Hospital, Valley West Community Hospital, Marianjoy Rehabilitation Hospital & Clinic Inc., Rehabilitation Medicine Clinic Inc., Centegra, Northern Illinois Medical Center (as of Aug. 31, 2018, d/b/a Centegra Hospital-McHenry, Centegra Hospital-Huntley, and Centegra Hospital-Woodstock), Memorial Medical Center-Woodstock, and Centegra Hospital-Huntley Holdings. On Sept. 1, 2018, Centegra and certain affiliates joined the obligated group and a supplemental master trust indenture was executed.
- **Organization description:** NMHC operates hospitals in the northern and western suburbs of Chicago as well as its flagship NMH. NMH is a major academic medical center and is the primary teaching hospital for Northwestern University's Feinberg School of Medicine. It provides a range of services.
- **Swaps:** The organization has four swap agreements outstanding with a total notional amount of about \$323.1 million. It has \$7.1 million of collateral posted and a negative mark-to-market of \$120.7 million as of fiscal 2019.

Ratings Detail (As Of March 18, 2020)

Illinois Finance Authority, Illinois

Northwestern Mem HlthCare, Illinois

Illinois Finance Authority (Northwestern Memorial HealthCare) (Direct Issue Taxable Commercial Paper)

| | | |
|--|-----------------|---------|
| <i>Short Term Rating</i> | A-1+ | Current |
| Illinois Fin Auth (Northwestern Memorial HealthCare) | | |
| <i>Long Term Rating</i> | AA+/Stable | Current |
| Illinois Fin Auth (Northwestern Mem HealthCare) SYS | | |
| <i>Long Term Rating</i> | AA+/Stable | Current |
| Illinois Fin Auth (Northwestern Mem HlthCare) SYS | | |
| <i>Long Term Rating</i> | AA+/A-1/Stable | Current |
| Illinois Fin Auth (Northwestern Mem HlthCare) SYS | | |
| <i>Long Term Rating</i> | AA+/A-1+/Stable | Current |
| Illinois Fin Auth (Northwestern Mem HlthCare) SYS | | |
| <i>Long Term Rating</i> | AA+/A-1/Stable | Current |
| Illinois Fin Auth (Northwestern Mem HlthCare) SYS | | |
| <i>Long Term Rating</i> | AA+/A-1+/Stable | Current |
| Illinois Fin Auth (Northwestern Mem HlthCare) SYS | | |
| <i>Long Term Rating</i> | AA+/A-1+/Stable | Current |

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CREDIT OPINION

16 October 2020

 Rate this Research

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Northwestern Memorial HealthCare, IL

Update to credit analysis

Summary

Northwestern Memorial HealthCare's (NMHC) (Aa2, stable) strong pre-COVID margins and liquidity will provide ample cushion to absorb the impact of COVID and eventual repayment of the Medicare advance. As demonstrated during a rapid growth period and the recent outbreak, the system's consolidated operating model and comprehensive IT systems will allow it to effectively execute growth strategies, while maintaining good margins. This will support its ability to integrate and improve performance at Palos Health, pending completion of the recently announced merger. NMHC will grow its prominent market position in the broader Chicago region because of its strong brand, favorable locations and affiliation with Northwestern University's Feinberg School of Medicine. Manageable capital plans will help maintain a strong investment position. Direct and indirect leverage will remain moderate, particularly since the system has a fully funded pension plan and modest operating lease obligations. The most significant operating challenge will likely be growth in indigent care and Medicaid revenues amid an economic downturn and higher risk of Medicaid funding changes if there is COVID-related state budget stress. Also, competition will continue to increase as the market further consolidates.

Credit strengths

- » Market position will continue to grow, driven by strong brand, favorable locations and affiliation with Northwestern University's Feinberg School of Medicine
- » Consolidated and centralized operating model and IT systems will allow efficient execution of acquisitions and other growth strategies
- » Very strong cash measures will be maintained, even after Medicare advance repayment, as cash flow will support manageable capital spend
- » Track record of strong pre-COVID operating cash flow margins will provide cushion to absorb COVID impact; good recovery, federal relief and cost management will contribute to steady performance
- » Anticipate operating and balance sheet leverage will remain moderate; limited indirect debt with fully funded pension plan and modest operating leases

Credit challenges

- » Dependence on self pay and Medicaid will likely grow from economic downturn; risk to program cuts as the state addresses COVID-related budget stress

- » If finalized, merger with Palos Health would be slightly dilutive to operating and balance sheet metrics, but NMHC's demonstrated ability to integrate and improve new entities as with Centegra will mitigate negative effects
- » Competition will increase as area providers continue to consolidate into larger systems with financial resources
- » High allocation to alternative investments will drive comparatively low monthly liquidity

Rating outlook

The stable outlook is based on our expectation that NMHC will maintain strong operating cash flow margins by executing growth strategies and managing any resurgence with little disruption to operations, as it did in the spring. The outlook also reflects our view that NMHC will maintain very favorable cash and debt metrics since capital spending will be funded with cash flow.

Factors that could lead to an upgrade

- » Further geographic diversification of cash flow
- » Significant increase in market share
- » Material and sustained improvement in operating margins, along with reduction in leverage
- » Stronger liquidity

Factors that could lead to a downgrade

- » Large increase in leverage and weakening of debt metrics
- » Material and sustained decline in margins or cash measures
- » Meaningful dilution from acquisition or merger

Key indicators

Exhibit 1

Northwestern Memorial HealthCare, IL

| | 2016 | 2017 | 2018 | 2019 | 9 months 2020 Annualized |
|---|-----------|-----------|-----------|-----------|-----------------------------|
| Operating Revenue (\$'000) | 4,359,873 | 4,830,996 | 5,226,663 | 6,052,028 | 6,170,420 |
| 3 Year Operating Revenue CAGR (%) | 36.6 | 25.8 | 10.4 | 11.6 | N/A |
| Operating Cash Flow Margin (%) | 12.4 | 12.7 | 11.3 | 11.1 | 9.5 |
| PM: Medicare (%) | 35.8 | 37.3 | 37.9 | 39.6 | 39.5 |
| PM: Medicaid (%) | 10.6 | 10.7 | 10.8 | 10.4 | 10.6 |
| Days Cash on Hand | 413 | 422 | 437 | 402 | 415 |
| Unrestricted Cash and Investments to Total Debt (%) | 293.7 | 340.0 | 400.4 | 342.1 | 370.4 |
| Total Debt to Cash Flow (x) | 1.9 | 1.6 | 1.6 | 1.7 | 1.8 |

Based on financial statements for Northwestern Memorial HealthCare & Subsidiaries, fiscal year ended August 31

Adjustments: Grants and academic support provided (representing transfers to the school of medicine) reallocated to operating expenses from nonoperating gains (losses)

Investment returns normalized at 5%

Source: Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Profile

NMHC operates sizable hospitals in the northern and western suburbs of Chicago as well as the flagship Northwestern Memorial Hospital (NMH). NMH is a major academic medical center located in the Streeterville neighborhood of Chicago, providing a complete range of adult inpatient and outpatient services. NMH is the primary teaching hospital for Northwestern University's Feinberg School of Medicine (FSM). The Northwestern Medical Group is part of NMHC.

Detailed credit considerations

Market position: prominent and growing position in competitive market

NMHC will remain a prominent player in a highly competitive market. The \$6.3 billion regional system will continue to grow, having already more than doubled its size since fiscal year end 2014. Based on management-provided data, the system's market share in almost all large service lines grew between 2017 and 2019. NMHC's pending merger with Palos Health will further expand its footprint in the southern Chicago region as the system integrates and invests in this market. With significant expansion in the north and west completed, NMHC will focus on further investments in ambulatory capabilities, including immediate care sites and other retail-oriented strategies. Additionally, following the centralization of most business functions, NMHC will continue to integrate and coordinate clinical protocols across the system to improve patient outcomes and experience.

NMHC will continue to align its strategies with Northwestern University's Feinberg School of Medicine (FSM) to further the Northwestern Medicine brand and build clinical and research capabilities. Advances in clinical capabilities will elevate the system's reputation as an academic medical center, as it did recently when NMHC performed the first double lung transplant to treat a COVID patient. An ongoing joint planning process and governance oversight structure will help coordinate activities for the school, Northwestern Medical Group and hospitals.

The system's centralized and integrated management and corporate structure will aid in effective management of any resurgence in COVID, as it did this past spring. This single operating model supported quick decision-making during the outbreak and reactivation. NMHC's analytic-driven management approach will drive planning activities for a potential resurgence.

The Chicago market will become more competitive as consolidation among hospitals continues and large systems with deeper financial resources develop. Competition for physicians will also continue, not only from other hospital systems but also from a large independent medical group with private investors. On a positive note, the state's strict Certificate of Need process will continue to reduce the presence of for-profit hospital companies.

Operating performance, balance sheet and capital plans: strong margins and investment position will be maintained

NMHC's long track record of strong pre-COVID operating cash flow (OCF) margins will provide cushion to absorb the material impact of COVID. Good volume recovery and federal relief grants will drive improvement from the nine-month fiscal 2020 OCF margin of 9.5%, which was materially impaired by the impact of COVID. Fiscal 2020 will include \$289 million in CARES Act grants and management reports patient volume has virtually returned to pre-COVID levels. The system implemented expense containment initiatives earlier this year, including salary reductions for certain employees and delayed merit increases. Cost management initiatives will further contribute to expected solid performance in fiscal 2021. This will be further supported by its ability to effectively manage challenges, as demonstrated by generating 11%-12% pre-COVID OCF margins while rapidly expanding.

While margins will likely remain strong, NMHC will face several operating challenges. The economic downturn will likely increase uncompensated care and Medicaid. While the state has not announced major changes to Medicaid funding or eligibility, the economic downturn will increase the likelihood of state budget stress and potential cuts. If completed, the merger with Palos Health will be slightly dilutive to margins. However, management plans to initiate strategies that will quickly improve performance as it did when it merged with Centegra. The system's centralized business model, including a single electronic medical record and revenue cycle platform and single ERP system, will allow quick integration of support functions to achieve savings.

LIQUIDITY

NMHC will maintain strong cash metrics, with 415 days cash on hand at May 31, 2020, which will provide ample cushion to eventually repay the Medicare advances. The increase in cash and investment balances since fiscal year end 2019 was primarily driven by \$412 million in Medicare advances to cover lost revenue during the outbreak. Based on recent federal guidance, the Medicare advance will be repaid beginning April 2021. The system has \$100 million in available bank lines that were not drawn on earlier this year. Liquidity

will be comparatively lower than peers due to its asset allocation. Fiscal year end 2019 monthly liquidity was comparatively low at 43%, reflecting a heavy allocation to alternative investments. NMHC will have minimal liquidity needs associated with swaps (limited collateral postings) and its pension, which is fully funded.

Reflecting NMHC's approach to capital investments, capital spending will be very manageable and funded with operating cash flow. NMHC will plan to spend about \$488 million in fiscal 2021, which will represent about 1.3 times depreciation. Consistent and long-term investment in the system, as evidenced in a low average age of plant of 7 years, will provide flexibility to adjust capital spending. This was highlighted by the reduction of non-essential capital spending during the outbreak.

Debt structure and legal covenants: leverage and debt structure risks will be manageable

NMHC will continue to enjoy moderately low leverage given expectations of steady operating performance and liquidity. Based on annualized nine months fiscal 2020 and consistent with pre-COVID metrics, cash-to-debt was very strong at 370% and debt-to-cash flow was favorably low at 1.8 times. We do not anticipate the system will incur incremental debt or higher leverage over the next couple of years, outside of merger-related debt.

NMHC will have ample headroom to covenants. MTI and bank covenants are aligned, including a debt service coverage covenant of 1.0 times. If coverage is under 1.0 times, a consultant is required; if under 1.0 times for two consecutive years, it would be an event of default.

DEBT STRUCTURE

NMHC's debt structure risks will be manageable given good bank diversification and strong liquidity. NMHC will have approximately 28% bank-related debt, including bonds supported by bank standby bond purchase agreements and private bank placements. The bank counterparties are diversified and expiration dates are staggered.

NMHC's self-liquidity obligations will be manageable because of strong liquidity and effective management. The system had \$59 million in weekly variable rate demand obligations and \$78 million in outstanding commercial paper (\$200 million authorized) at August 31, 2020. Although not legally restricted in the Issuing and Paying Agent Agreement, NMHC intends to limit maturities to \$60 million within any five business-day period. Based on liquidity at August 31, 2020, NMHC's coverage of self-liquidity obligations was over 12 times (5.2 times excluding the largest money market fund). This unusually high coverage will decline as the Medicare advance is repaid over time, but is expected to remain very strong as it did pre-COVID.

LEGAL SECURITY

Bonds and commercial paper are unsecured general obligations of the Obligated Group, which include virtually all of NMHC's assets and revenues. Effective September 1, 2018 Centegra and its affiliates joined the NMHC Obligated Group. The MTI allows substitution of notes without bondholder approval and has no additional indebtedness tests.

DEBT-RELATED DERIVATIVES

NMHC's debt-related derivatives will pose minimal credit risk, given modest collateral posting requirements and NMHC's strong liquidity. At fiscal year end 2019, NMHC had interest rate swaps with a total notional amount of \$323 million and no collateral was required.

PENSIONS AND OPEB

NMHC's pension plan is fully funded.

ESG considerations

Environmental

Environmental considerations are not a major rating driver.

Social

The most significant social consideration will be the impact of COVID-19, which was material earlier this year because of the suspension of non-essential services and will continue to contribute to higher expenses in preparation of a potential resurgence. This risk will be partly mitigated by NMHC's strong pre-COVID cashflow and liquidity, as well as federal relief funds, which will allow the system to absorb the financial impact of COVID and produce steady margins. To date, volume recovery has been strong, nearly

returning to pre-COVID levels by the end of July. Lingering economic effects of the outbreak, including higher unemployment, will likely result in a rise in indigent care and Medicaid business. While the state has not announced changes to Medicaid rates or eligibility, the economic downturn will increase the risk of state budget stress and potential Medicaid cuts.

Governance

NMHC's single operating model, centralized business functions, and uniform IT platforms (EMR and ERP) will allow it to efficiently achieve further clinical integration and execute growth strategies. The management team will likely continue to demonstrate a disciplined and analytic approach to evaluating strategic alternatives and capital commitments. These capabilities will allow the system to maintain operating and balance sheet strength as it has in the past, while integrating new hospitals amid rapid growth.

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REPORT NUMBER

1249542

SECTION VIII. 1120.140 – ECONOMIC FEASIBILITY**A. Reasonableness of Financing Arrangements**

Not Applicable – see bond rating documents

B. Conditions of Debt Financing

Not Applicable – the proposed project will be funded by cash and securities

C. Reasonableness of Project and Related Costs

| COST AND GROSS SQUARE FEET BY DEPARTMENT | | | | | | | | | |
|---|------------------|------|----------------|--------|------|--------|----------------------|---------|----------------------|
| Department | A | B | C | D | E | F | G | H | Total Cost |
| | Cost/Square Foot | | GSF | | GSF | | Const. \$ | Mod. \$ | |
| | New | Mod. | New | Circ.* | Mod. | Circ.* | (A x C) | (B x E) | (G + H) |
| CLINICAL | | | | | | | | | |
| Infusion Center | \$ 475.00 | | 9,462 | 20.9% | | | \$ 4,494,450 | | \$ 4,494,450 |
| Diagnostic Imaging | \$ 650.00 | | 9,295 | 20.1% | | | \$ 6,041,750 | | \$ 6,041,750 |
| Physical Therapy | \$ 325.00 | | 4,773 | 23.6% | | | \$ 1,551,225 | | \$ 1,551,225 |
| Laboratory - Blood Draw | \$ 425.00 | | 1,475 | 31.7% | | | \$ 626,875 | | \$ 626,875 |
| Clinical Subtotal | \$ 508.47 | | 25,005 | | | | \$ 12,714,300 | | \$ 12,714,300 |
| Clinical Contingency | \$ 50.85 | | | | | | \$ 1,271,430 | | \$ 1,271,430 |
| Clinical Total | \$ 559.32 | | 25,005 | | | | \$ 13,985,730 | | \$ 13,985,730 |
| NON-CLINICAL | | | | | | | | | |
| Physician Office Space | \$ 300.00 | | 72,142 | 18.5% | | | \$ 21,642,600 | | \$ 21,642,600 |
| Lobby/Common Areas/ Admin/Conference | \$ 370.00 | | 41,784 | 55.3% | | | \$ 15,460,080 | | \$ 15,460,080 |
| Retail | \$ 285.00 | | 4,510 | 8.2% | | | \$ 1,285,350 | | \$ 1,285,350 |
| Parking | \$ 170.00 | | 156,003 | 6.9% | | | \$ 26,520,510 | | \$ 26,520,510 |
| MEP Systems | \$ 806.73 | | 18,672 | 1.8% | | | \$ 15,063,275 | | \$ 15,063,275 |
| Non-Clinical Subtotal | \$ 272.84 | | 293,111 | | | | \$ 79,971,815 | | \$ 79,971,815 |
| Non-Clinical Contingency | \$ 27.28 | | | | | | \$ 7,997,182 | | \$ 7,997,182 |
| Non-Clinical Total | \$ 300.12 | | 293,111 | | | | \$ 87,968,997 | | \$ 87,968,997 |
| TOTALS | \$ 320.50 | | 318,116 | | | | \$101,954,727 | | \$101,954,727 |

D. Projected Operating Costs

Project Direct Operating Expenses – FY26
(Infusion, Diagnostic Imaging, Physical Therapy, Lab)

| | |
|---------------------------------|---------------|
| Total Direct Operating Costs | \$ 20,709,149 |
| Units of Service | 83,394 |
| Direct Cost per Unit of Service | \$ 248.33 |

E. Total Effect of the Project on Capital Costs

Projected Capital Costs – FY26

| | |
|--|----------------|
| Equivalent Adult Patient Days (All NMHC) | 1,738,667 |
| Total Project Cost | \$ 161,455,175 |
| Useful Life | 40 |
| Total Annual Depreciation | \$ 4,036,379 |
| Depreciation Cost per Equivalent Patient Day | \$ 2.32 |

SECTION IX. SAFETY NET IMPACT STATEMENT

Not Applicable – the proposed project is NON-SUBSTANTIVE and does not involve discontinuation.

SECTION X. CHARITY CARE INFORMATION

With a mission-driven commitment to provide quality medical care regardless of the patient's ability to pay, NMHC is dedicated to improving the health of the most medically underserved members of the community. NMHC's financial assistance programs and outreach services continue to expand so that we are able to serve the most vulnerable in our communities. Through our financial assistance programs and Presumptive Eligibility policy, NMHC continues to provide medically necessary health care for those in need.

NMHC is committed to increasing access to healthcare services in the communities we serve. From trauma care to a complete range of behavioral health care, NMHC provides unique services that would otherwise fall to local government, public institutions, or other healthcare organizations to provide. By forging lasting relationships with private and public health organizations, NMHC hospitals work to ensure that a full spectrum of high-quality, well-coordinated healthcare services is available to our communities. In FY19, NMHC hospitals provided a multitude of services to improve access to care, such as collaborating with FQHCs and community clinics; ensuring children have access to vaccines; coordinating care for vulnerable populations; and serving stroke patients closer to where they live and work.

In addition to being the 3rd largest provider of charity care in both Cook County and Illinois, NMH has been among the top providers of care under the Medicaid program in Illinois for more than 15 years. Based on the most recently available information from the Illinois Department of Healthcare and Family Services, NMH is the sixth-largest provider of Medicaid services among acute-care hospitals in Illinois when measured by total Medicaid patient days as well as admissions. Several other NMHC hospitals are also the top Medicaid providers in their respective communities. NM CDH is the single-largest Medicaid provider in DuPage County; NM Kishwaukee and NM Valley West are the top Medicaid providers in DeKalb County; and NM, through care provided by NM McHenry, NM Huntley and NM Woodstock, is the largest Medicaid provider in McHenry County. Driven by the continued participation of NMHC in Illinois' Medicaid program, the total cost of care provided under government-sponsored Medicaid and Medicare programs increased in FY19. In FY19, the unreimbursed cost of government sponsored indigent health care services for NMHC totaled approximately \$804 million.

During FY19, Northwestern Memorial HealthCare contributed more than \$1.06 billion in community benefits programs including charity care, other unreimbursed care, research, education, language assistance, and other community benefits.

Northwestern Memorial HealthCare

| | FY17 | FY18 | FY19 |
|----------------------------------|-----------------|-----------------|-----------------|
| Net Patient Revenue | \$4,547,371,208 | \$4,877,615,420 | \$5,665,736,442 |
| Amount of Charity Care (charges) | \$ 308,814,605 | \$ 321,715,102 | \$ 354,450,428 |
| Cost of Charity Care | \$ 65,761,106 | \$ 65,929,276 | \$ 68,334,946 |

Note: numbers do not reflect the impact on acquisitions/affiliations for periods prior to the acquisition/affiliation.