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HEALTH FACILITIES &
SERVICES REVIEW BOARD

September 27, 2013

VIA FEDERAL EXPRESS

Alexis Kendrick
Illinois Health Facilities and Services Review
Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Annual Progress Report –Hawthorn Surgery Center (Proj. No. 12-041)

Dear Ms. Kendrick:

Pursuant to Section 1130.760 of the Illinois Health Facilities and Services Review Board (“HFSRB”) rules, I am writing on behalf of Hawthorn Place Outpatient Surgery Center, L.P. and Surgical Care Affiliates, LLC (the “Permit Holders”) to submit the annual progress report for Hawthorn Surgery Center (Project No. 12-041). As you are aware, on September 11, 2012, HFSRB approved the Permit Holders’ application to discontinue its existing ambulatory surgical treatment center located at 1900 Hollister Drive, Libertyville, Illinois and establish an ambulatory surgical treatment center at the intersection of Center Drive and Lakeview Parkway in Vernon Hills, Illinois (the “Project”). Pursuant to Section 1130.760, the Permit Holders submit the following information regarding the progress of Project Permit #12-041.

1. Status of the Project

The Project was obligated on September 11, 2012, through the completion of a real estate lease with the developer. Subsequent to that date, drawings were prepared and submitted to the Illinois Department of Public Health on January 24, 2013. These plans were approved by the Illinois Department of Public Health on September 25, 2013. The developer commenced construction on May 13, 2013 and the contractor is near finalizing work on the core and shell. Construction of the tenant improvements by the Permit Holder has also begun and the Permit Holder’s most recent pay application dated August 31, 2013 is attached as Exhibit A. The latest construction report is as follows:

The mason is currently in progress laying block and brick veneer. The cold formed metal trusses are in the process of being sheathed with corrugated decking. The MEP construction of the interior is proceeding with HVAC ductwork, hot and cold water piping, running electrical conduit and running and testing medical gas lines. Cold formed metal light gauge wall studs are being constructed and connected to the top track and the concrete floor.

Although the CON completion deadline is December 31, 2015, construction is anticipated to be complete by the end of this year with a notice of substantial completion being submitted to the Illinois Department of Public Health around that time.

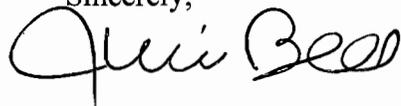
2. Costs Incurred to Date

As of August 31, 2013, the Permit Holders have incurred \$787,360 in project costs. The table included as Exhibit B sets forth the itemized detail of these expenditures.

3. Sources of Funds

The project will be financed through \$1,903,091 of cash, \$4,185,386 in lending and a \$3,687,277 real estate lease. As indicated in the CON application, some existing equipment will also be transferred from the existing facility for continued use.

If you need any additional information or have any questions regarding the status of the project, please feel free to contact me.

Sincerely,

Julie Bell

Attachments

APPLICATION AND CERTIFICATION FOR PAYMENT

ALA DOCUMENT G702

PAGE ONE OF

PAGES

TO OWNER:
 Hawthorne Place Outpatient Surgical Center, L. P.
 1900 Hollister Drive, Suite 100
 Libertyville, IL 60048

PROJECT:
 Hawthorn Place Outpatient Surgery Center Tenant Improvement
 240 Center Drive
 Vernon Hills, Illinois 60061

APPLICATION NO: 4
PERIOD TO: 8/1/13 - 8/31/2013

Distribution to:
 OWNER
 ARCHITECT
 CONTRACTOR

FROM CONTRACTOR:
 W.E. O'Neil Construction Company
 1245 W. Washington Blvd.
 Chicago, IL 60607

VIA ARCHITECT:
 The Bursell Group, P. C.
 300 Cahaba Park Circle, Suite 111
 Birmingham, Alabama 35242

ARCHITECT'S PROJECT NO. WEO JOB NO. 0113029

CONTRACT FOR: General Construction

CONTRACTOR'S APPLICATION FOR PAYMENT
 Application is made for payment, as shown below, in connection with the Contract Continuation Sheet, AIA Document G703, is attached.

1. ORIGINAL CONTRACT SUM.....	\$	2,442,901
2. Not change by Change Orders.....	\$	0
3. CONTRACT SUM TO DATE (Line 1 ± 2).....	\$	2,442,901
4. TOTAL COMPLETED & STORED TO DATE..... (Column 9 on G703)	\$	551,012
5. RETAINAGE:		
a. 10 % of Completed Work		55,102
b. 10 % of Stored Material		0
(10% of Column 8 on G703)		
Total Retainage.....	\$	55,102
(Line 5a + 5b or Total in Column 10 on G703)		
6. TOTAL EARNED LESS RETAINAGE..... (Line 4 Less Line 5 Total)	\$	495,910
7. LESS PREVIOUS CERTIFICATES FOR PAYMENT (Line 6 from prior Certificate)	\$	269,235
8. CURRENT PAYMENT DUE.....	\$	226,675
9. BALANCE TO FINISH, INCLUDING RETAINAGE (Line 3 less Line 6)	\$	1,946,991

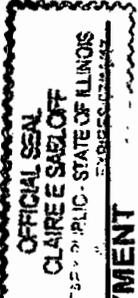
CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by Owner		
Total approved this Month		
TOTALS	\$0	\$0
NET CHANGES by Change Order	\$0	\$0

CONTRACT DATE:

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR: *W.E. O'Neil Construction*
 By: *W.E. O'Neil* Date: *9/24/13*

State of ILLINOIS County of COOK
 Subscribed and sworn to before me this *24* day of *September*, 2013.
 Notary Public: *CLAIRE E SAGLOFF*
 My Commission expires: *09/24/13*



ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising the application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED \$ *226,675.00*

(Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and on the Continuation Sheet that are changed to conform with the amount certified.)

ARCHITECT: *W.E. O'Neil* Date: *9/6/13*

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance or payment are without prejudice to any rights of the Owner or Contractor under this Contract.

Exhibit A

EXHIBIT B

Preplanning Costs	\$70,000	\$51,320
New Construction Contracts	\$3,046,069	\$495,910
Contingencies	\$303,107	\$0
A & E Fees	\$205,000	\$165,976
Consulting & Other Fees	\$361,693	\$74,154
Moveable Equipment	\$1,657,229	
Net Interest Expense During Construction (project related)	\$183,879	
Fair Market Value of Leased Space & Equipment	\$3,687,277	
Other Costs to be Capitalized	\$764,452	
Estimated Total Project Cost	\$10,278,706	\$787,360