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HEALTH FACILITIES &
SERVICES REVIEW BOARD

Via FEDEX

October 15, 2014

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

**Re: *Annual Progress Report for Preferred SurgiCenter, LLC
CON Project 13-007***

Dear Ms. Avery:

I am submitting this letter on behalf of Preferred SurgiCenter, LLC (the "Permit Holder") in connection with certificate of need ("CON") project 13-007 (the "Project"), which provides the Illinois Health Facilities and Services Review Board (the "State Board") with an annual progress report for the Project as required by Section 5 of the Illinois Health Facilities Planning Act, 20 ILCS 3960/5 and accompanying regulations at 77 Ill. Adm. Code 1130.760. Specifically, the Project involves the establishment of a multi-specialty ambulatory surgical treatment center ("ASTC") in Orland Park, Illinois. The Project was approved by the State Board on September - 24, 2013.

The following information is provided for your review:

1. Current Status of the Project

The Project is ahead of schedule. As of September 30, 2014, the project is seventy-seven percent (77%) complete. The Permit Holder has expended more than thirty-three percent (33%) of the Project's total cost; therefore, the project obligation has occurred. The Project's components that are finished include preplanning tasks, site work, and the purchase of equipment for the ASTC. The Project's components that are not finished include the completion of interior work and the installation of equipment at the ASTC site. The Project will require a small amount of work to the building's exterior and parking lot, but those tasks will not be completed until the interior build-out is finished. There are no changes in the scope of the project or its square footage as stated in the CON permit approved by the State Board.



Costs Incurred to Date

The CON permit as approved by the State Board stated a total project cost of \$3,770,000, all of which would be paid for by cash and securities. As of September 30, 2014, costs incurred total \$2,667,406. The Project's total cost remains consistent with the amounts provided by the Permit Holder in its CON permit application. An itemized listing of the Project's total current estimated costs and a comparison of the amounts provided in the CON permit as approved by the State Board is attached hereto as Exhibit A.

3. Method of Financing the Project & Sources of Funds

The method of financing the Project and the source of funds remain consistent with the information provided by the Permit Holder in the CON permit application as approved by the State Board.

4. Anticipated Project Completion Date

As indicated above, the Project's construction is ahead of schedule. The Permit Holder anticipates that all construction-related tasks and the installation of surgical equipment will be completed by November 30, 2014. Pursuant to the State Board's rules, the project completion date for a project that establishes a health care facility is the date the health care facility is licensed or, if licensure is not required, the date the health care facility receives Medicare or Medicaid certification. ASTCs must be licensed under Illinois law; therefore, the project completion date will be the date the ASTC is licensed by the Illinois Department of Public Health. Based on the foregoing, I estimate that project completion will occur on or before May 31, 2015, well before the January 1, 2016 completion date stated in the CON permit.

* * * *

Should you have any questions about this annual report, please contact Joseph Hylak-Reinholtz at (312) 521-2481 or jhylak-reinholtz@muchshelist.com. Thank you very much.

Respectfully submitted,

Naser Rustom, M.D.
Sole Member
Preferred SurgiCenter, LLC

cc: Joseph Hylak-Reinholtz, Much Shelist P.C.

Enclosure



EXHIBIT A

Project Costs and Sources of Funds

Project Costs and Sources of Funds Through September 30, 2014			
USE OF FUNDS	CON PERMIT	ESTIMATED COST TO DATE	BALANCE
Preplanning Costs	\$30,000	\$30,000	\$0
Site Survey and Soil Investigation	\$0	\$0	--
Site Preparation	\$65,000	\$0	\$0
Off Site Work	\$0	\$0	--
New Construction Contracts	\$0	\$0	--
Modernization Contracts	\$1,700,000	\$1,436,000	\$264,000
Contingencies	\$100,000	\$100,000	\$0
Architectural/Engineering Fees	\$180,000	\$90,000	\$90,000
Consulting and Other Fees	\$20,000	\$20,000	\$0
Movable/Other Equip. (not in construction contracts)	\$1,000,000	\$316,406	\$683,594
Bond Issuance Expense	\$0	\$0	--
Net Interest Expense During Construction	\$0	\$0	--
Fair Market Value of Leased Space or Equipment	\$675,000	\$675,000	\$0
Other Costs To Be Capitalized	\$0	\$0	--
Acquisition of Building or Other Property	\$0	\$0	--
TOTAL USES OF FUNDS	\$3,770,000	\$2,667,406	\$1,102,594
SOURCE OF FUNDS	CON PERMIT	ESTIMATED COST TO DATE	BALANCE
Cash and Securities	\$3,770,000	\$2,667,406	\$1,102,594
Pledges	\$0	\$0	--
Gifts and Bequests	\$0	\$0	--
Bond Issues (project related)	\$0	\$0	--
Mortgages	\$0	\$0	--
Leases (fair market value)	\$0	\$0	--
Governmental Appropriations	\$0	\$0	--
Grants	\$0	\$0	--
Other Funds and Sources	\$0	\$0	--
TOTAL SOURCES OF FUNDS	\$3,770,000	\$2,667,406	\$1,102,594