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HEALTH FACILITIES & SERVICES REVIEW BOARD
14-027

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:	Advocate BroMenn Medical Center - Pharmacy		
Street Address:	1304 Franklin Avenue		
City and Zip Code:	Normal 61761		
County:	McLean	Health Service Area 4	Health Planning Area: D-02

Applicant /Co-Applicant Identification
[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name:	Advocate Health and Hospitals Corporation d/b/a Advocate BroMenn Medical Center
Address:	1304 Franklin Avenue, Normal, IL 61761
Name of Registered Agent:	Gail D. Hasbrouck
Name of President:	Colleen L. Kannaday, President, Advocate BroMenn Medical Center
President Address:	1304 Franklin Avenue, Normal, IL 61761
Telephone Number:	(309) 268-5180

Type of Ownership of Applicant/Co-Applicant

- ☒ Non-profit Corporation
- ☐ For-profit Corporation
- ☐ Limited Liability Company
- ☐ Partnership
- ☐ Governmental
- ☐ Sole Proprietorship
- ☐ Other

- 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.

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 during the review period]

Name:	Sonja Reece, FACHE
Title:	Director, Health Facilities Planning
Company Name:	Advocate Health Care
Address:	1304 Franklin Avenue, Normal, IL 61761
Telephone Number:	(309) 268-5482
E-mail Address:	Sonja.Reece@advocatehealth.com
Fax Number:	(309) 888-0961

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

Name:	Robert S. Miller, FACHE
Title:	Vice President, Operations
Company Name:	Advocate BroMenn Medical Center
Address:	1304 Franklin Avenue, Normal, IL 61761
Telephone Number:	(309) 268-2030
E-mail Address:	Robert-S.Miller@advocatehealth.com
Fax Number:	(309) 888-0961

Additional Contact

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

Name:	Joe Ourth
Title:	Attorney
Company Name:	Arnstein & Lehr, LLP
Address:	120 S. Riverside Plaza, Suite 1200, Chicago, IL 60606-3910
Telephone Number	(312) 876-7815
E-mail Address:	jourth@arnstein.com
Fax Number:	(312) 876-6215

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:	Advocate BroMenn Medical Center - Pharmacy		
Street Address:	1304 Franklin Avenue		
City and Zip Code:	Normal 61761		
County:	McLean	Health Service Area 4	Health Planning Area: D-02

Applicant /Co-Applicant Identification
[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name:	Advocate Health Care Network
Address:	3075 Highland Parkway, Downers Grove, IL 60515
Name of Registered Agent:	Gail D. Hasbrouck
Name of Chief Executive Officer:	James H. Skogsbergh
CEO Address:	3075 Highland Parkway, Downers Grove, IL 60515
Telephone Number:	(630) 929-8700

Type of Ownership of Applicant/Co-Applicant

☒ Non-profit Corporation ☐ Partnership
☐ For-profit Corporation ☐ Governmental
☐ Limited Liability Company ☐ Sole Proprietorship ☐ Other

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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.

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Telephone Number	(312) 876-7815
E-mail Address:	jourth@arnstein.com
Fax Number:	(312) 876-6215

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:	Albert Manshum
Title:	Vice President, Facilities & Construction
Company Name:	Advocate Health Care
Address:	3075 Highland Parkway, Downers Grove, IL 60515
Telephone Number:	(630) 929-5575
E-mail Address:	Albert.Manshum@advocatehealth.com
Fax Number:	(630) 929-9905

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Advocate Health and Hospitals Corporation

Address of Site Owner: 3075 Highland Parkway, Downers Grove, IL 60515

Street Address or Legal Description of Site: 1304 Franklin Avenue, Normal, IL 61761

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

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: Advocate Health and Hospitals Corporation d/b/a Advocate BroMenn Medical Center

Address: 1304 Franklin Avenue, Normal, IL 61761

- ☒ Non-profit Corporation
- ☐ For-profit Corporation
- ☐ Limited Liability Company
- ☐ Partnership
- ☐ Governmental
- ☐ Sole Proprietorship
- ☐ Other

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

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 #2005-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at **www.FEMA.gov** 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 #2005-5 **(http://www.hfsrb.illinois.gov)**.

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

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

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

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

DESCRIPTION OF PROJECT

1. Project Classification

[Check those applicable - refer to Part 1110.40 and Part 1120.20(b)]

Part 1110 Classification:

☐ Substantive

☒ Non-substantive

2. Narrative Description

Provide in the space below, 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.

Advocate BroMenn Medical Center (BroMenn), 1304 Franklin Avenue, Normal, IL, is proposing to relocate its pharmacy to space that was designated as shell space in the 2012 patient tower. Permit application for project #08-076, the permit to construct the patient tower, was approved January 28, 2009 and was completed March 15, 2013. It contained 32,271 square foot shell space in the lower level. BroMenn committed it would return to the Board for another permit, at such time as BroMenn proceeded with any build-out of the shell space.

Permit #12-104 was granted March 26, 2013 for the laboratory to be relocated to 11,400 GSF of the shell space. That project is underway. That left 20,871 GSF shell space for the proposed pharmacy Project, and other uses to be determined at a later date.

The pharmacy, two conference rooms, and new corridors to get through the lower level will use 8,830 of the remaining 20,871 square foot shell space in the lower level of the new patient tower leaving 12,041 square foot shell space for a future project. Space vacated by the pharmacy is anticipated be used for non-clinical administrative and support purposes, with specifics to be determined at a later date, when they can be included in BroMenn's facility plan and budget.

The Project is expected to cost $2,031,564. The completion date is March 31, 2016.

The proposed pharmacy Project is classified as non-substantive because it does not meet the substantive criteria defined in Public Act 96-31. This is not a new or replacement facility, it does not propose a new service or discontinuance of a service, and it does not make a change in the bed count, which are conditions that would make a project substantive.

Because this Project is well below the capital expenditure threshold and does not propose a new category of service, thus it would not normally require a permit. This Project is the subject of a permit solely because BroMenn is fulfilling its commitment to seek Board approval of the shell space build-out approved in project #08-076.

Advocate BroMenn Medical Center
1304 Franklin Avenue || Normal, IL 61761 || T 309.454.1400 || advocatehealth.com
Mailing Address: P.O. Box 2850 || Bloomington, IL 61702-2850

May 27, 2014

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

Re: Advocate BroMenn Medical Center Pharmacy CON Application

Dear Ms. Avery:

I am writing in regard to the need to relocate the pharmacy space at Advocate BroMenn Medical Center. With the new FDA rulings known as USP 797, the hospital will need to have additional separate space to prepare the intravenous and chemotherapy drugs. By having separate work areas, we will improve the safety of the staff and further reduce the risk of any contamination of the medications.

The current pharmacy is simply not large enough or configured is such a way to allow these structural changes to be carried out.

In addition, our current location is not convenient for the pharmacists to quickly arrive at the location of a patient during some emergency. The pharmacists are a great help to the physicians at the time of a code. By being closer to the emergency department and intensive care, that will improve their response time.

Thank you for your consideration of this application.

Sincerely,

James L. Swanson MD

James Swanson, MD
Chair, Pharmacy and Therapeutics Committee
Advocate BroMenn Medical Center, Medical Dental Staff

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 equal.

USE OF FUNDS	CLINICAL	NON CLINICAL	TOTAL
Preplanning Costs			$ -
Site Survey and Soil Investigation			$ -
Site Preparation			$ -
Off Site Work			$ -
New Construction Contracts			$ -
Modernization Contracts	$ 1,032,235	$ 182,159	$ 1,214,394
Contingencies	$ 91,800	$ 10,200	$ 102,000
Architectural/Engineering Fees	$ 124,820	$ 14,980	$ 139,800
Consulting and Other Fees	$ 85,193	$ 3,957	$ 89,150
Movable or Other Equipment (not in construction contracts)	$ 412,923	$ 21,733	$ 434,656
Bond Issuance Expense (project related)	$ 6,745	$ 8,708	$ 15,453
Net Interest Expense During Construction (project related)	$ 15,761	$ 20,350	$ 36,111
Fair Market Value of Leased Space or Equipment			$ -
Other Costs To Be Capitalized			$ -
Acquisition of Building or Other Property (excluding land)			$ -
TOTAL USES OF FUNDS	$ 1,769,477	$ 262,087	$ 2,031,564
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	$ 692,691	$ 102,598	$ 795,289
Pledges			$ -
Gifts and Bequests			$ -
Bond Issues (project related)	$ 1,076,785.98	$ 159,489	$ 1,236,275
Mortgages	$ -		$ -
Leases (fair market value)	$ -		$ -
Governmental Appropriations	$ -		$ -
Grants	$ -		$ -
Other Funds and Sources	$ -		$ -
TOTAL SOURCES OF FUNDS	$ 1,769,477	$ 262,087	$ 2,031,564

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: $________________
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): March 31, 2016 .

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

☐ Purchase orders, leases or contracts pertaining to the project have been executed.
☐ Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON Contingencies
☒ Project obligation 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

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 department/area **DGSF** or the building/area **BGSF** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	**Cost**	**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 following this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which the data are 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: Advocate BroMenn Medical Center			**CITY: Normal, IL**		
REPORTING PERIOD DATES:		**From: 01/01/13**		**to: 12/31/13**	
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds**
Medical/Surgical	134	6,215	24,011	0	134
Obstetrics	30	1,684	4,224	0	30
Pediatrics	11	174	632	0	11
Intensive Care	12	114	1801	0	12
Comprehensive Physical Rehabilitation	15	246	2,635	0	15
Acute/Chronic Mental Illness	19	511	3,634	0	19
Neonatal Intensive Care	0	0	0	0	0
General Long Term Care	0	0	0	0	0
Specialized Long Term Care	0	0	0	0	0
Long Term Acute Care	0	0	0	0	0
Other ((identify)					
TOTALS:	221	8,944	36,937	0	221

CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) 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 manger 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 for Permit is filed on the behalf of Advocate Health Care Network 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 for permit 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 permit application fee required for this application is sent herewith or will be paid upon request.

JH Skogsbergh	William Santulli
SIGNATURE	SIGNATURE
James H. Skogsbergh	William Santulli
PRINTED NAME	PRINTED NAME
President and CEO	Executive Vice President/COO
PRINTED TITLE	PRINTED TITLE
Notarization: Subscribed and sworn to before me this 30th day of June 2014	Notarization: Subscribed and sworn to before me this 30 day of June 2014
Cristin G. Foster	Cristin G. Foster
Signature of Notary	Signature of Notary
Seal	Seal

*Insert EXACT legal name of the applicant

OFFICIAL SEAL
CRISTIN G FOSTER
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:03/04/15

OFFICIAL SEAL
CRISTIN G FOSTER
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:03/04/15

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- 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.

d/b/a Advocate BroMenn Medical Center

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Colleen Kannaday	William Santulli
SIGNATURE	SIGNATURE
Colleen L. Kannaday Advocate BroMenn Medical Center	William Santulli
PRINTED NAME	PRINTED NAME
President	Executive Vice President/COO
PRINTED TITLE	PRINTED TITLE
Notarization: Subscribed and sworn to before me this 11th day of June, 2014	Notarization: Subscribed and sworn to before me this 30 day of June 2014
Vivian L. Downing	Cristin G. Foster
Signature of Notary	Signature of Notary
Seal	Seal

*Insert EXACT legal name of the applicant

OFFICIAL SEAL
VIVIAN L DOWNING
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES 12/31/16

OFFICIAL SEAL
CRISTIN G FOSTER
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES 03/04/16

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.

Criterion 1110.230 – Background, Purpose of the Project, and Alternatives

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

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

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

3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**

4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest the information has been previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

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.

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, per the applicant's definition.

3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project. [See 1110.230(b) for examples of documentation.]

4. Cite the sources of the information provided as 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 age and condition and 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 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** of the alternatives to the proposed project:

Alternative options **must** include:

A) Proposing a project of greater or lesser scope and cost;

B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;

C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and

D) Provide the reasons why the chosen alternative was selected.

2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**

3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

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

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

Criterion 1110.234 - 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.**

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;

   b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;

   c. The project involves the conversion of existing space that results in excess square footage.

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.

SECTION VII - SERVICE SPECIFIC REVIEW CRITERIA

O. Criterion 1110.3030 - 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
☒ **Pharmacy**	**N/A**	**N/A**

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 ATTACHMENT-34, 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)**

VIII. - 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 time table 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 time table 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 ATTACHMENT-36, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

IX. 1120.130 - Financial Viability

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

Financial Viability Waiver

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

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

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT-37, 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.

Provide Data for Projects Classified as:	**Category A or Category B (last three years)**			**Category B (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.

2. Variance

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

APPEND DOCUMENTATION AS ATTACHMENT 38, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

X. 1120.140 - Economic Feasibility

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

A. Reasonableness of Financing Arrangements

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

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

2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:

A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or

B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

This 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 -39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

XI. Safety Net Impact Statement

SAFETY NET IMPACT STATEMENT that describes all of the following must be submitted for ALL SUBSTANTIVE AND DISCONTINUATION PROJECTS:

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 43.

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

Medicaid (revenue)			
Inpatient			
Outpatient			
Total			

APPEND DOCUMENTATION AS ATTACHMENT-40, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

XII. Charity Care Information

Charity Care information MUST be furnished for ALL projects.

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three audited fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.

2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.

3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer. (20 ILCS 3960/3) Charity Care must be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 41.

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

APPEND DOCUMENTATION AS ATTACHMENT-41, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

After paginating the entire, completed application, indicate in the chart below, the page numbers for the attachments included as part of the project's application for permit:

INDEX OF ATTACHMENTS

Type of Ownership of Applicant/Co-Applicant

☒	Non-profit Corporation	☐	Partnership		
☐	For-profit Corporation	☐	Governmental		
☐	Limited Liability Company	☐	Sole Proprietorship	☐	Other

- 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.

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

See Attachment 1, Exhibits 1 and 2.

File Number 1004-695-5

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

ADVOCATE HEALTH AND HOSPITALS CORPORATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON SEPTEMBER 12, 1906, 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* 9TH *day of* JUNE *A.D.* 2014 .

Authentication #: 1416001324
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

File Number 1707-692-2

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

ADVOCATE HEALTH CARE NETWORK, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JUNE 14, 1923, 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* 9TH *day of* JUNE *A.D.* 2014 .

Jesse White

SECRETARY OF STATE

Authentication #: 1416001288

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

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner:	Advocate Health and Hospitals Corporation
Address of Site Owner:	3075 Highland Parkway, Downers Grove, IL 60515
Street Address or Legal Description of Site:	1304 Franklin Avenue, Normal, IL 61761

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

APPEND DOCUMENTATION AS ATTACHMENT-2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Proof of site ownership is appended as Attachment 2, Exhibit 1.

COMMITMENT FOR TITLE INSURANCE

Chicago Title Insurance Company

CHICAGO TITLE INSURANCE COMPANY ("Company"), for valuable consideration, commits to issue its policy or policies of title insurance, as identified in Schedule A, in favor of the Proposed Insured named in Schedule A, as owner or mortgagee of the estate or interest in the Land described or referred to in Schedule A, upon payment of the premiums and charges and compliance with the requirements; all subject to the provisions of Schedule A and B and to the Conditions of this Commitment.

This Commitment shall be effective only when the identity of the Proposed Insured and the amount of the policy or policies committed for have been inserted in Schedule A by the Company.

All liability and obligation under this Commitment shall cease and terminate 6 months after the Effective Date or when the policy or policies committed for shall issue, whichever first occurs, provided that the failure to issue the policy or policies is not the fault of the Company.

The Company will provide a sample of the policy form upon request.

IN WITNESS WHEREOF, Chicago Title Insurance Company has caused its corporate name and seal to be affixed by its duly authorized officers on the date shown in Schedule A.

Issued By:

CHICAGO TITLE COMPANY, LLC
121 N. MAIN STREET
BLOOMINGTON, IL 61701

Refer Inquiries To:
(309)828-5097

Fax Number:
(309)827-4342

CHICAGO TITLE INSURANCE COMPANY

By

Authorized Signatory

Commitment No.: 1606 000283200 BLO

COMCVRIE 11/06DOC KES 11/07/12

CHICAGO TITLE INSURANCE COMPANY

COMMITMENT FOR TITLE INSURANCE

SCHEDULE A

YOUR REFERENCE: BroMenn Search ORDER NO.: 1606 000283200 BLO

EFFECTIVE DATE: NOVEMBER 5, 2012

1. **POLICY OR POLICIES TO BE ISSUED:**

2. **THE ESTATE OR INTEREST IN THE LAND DESCRIBED OR REFERRED TO IN THIS COMMITMENT IS FEE SIMPLE, UNLESS OTHERWISE NOTED.**

3. **TITLE TO THE ESTATE OR INTEREST IN THE LAND IS AT THE EFFECTIVE DATE VESTED IN:**
ADVOCATE HEALTH AND HOSPITALS CORPORATION

4. **MORTGAGE OR TRUST DEED TO BE INSURED:**
NONE

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CHICAGO TITLE INSURANCE COMPANY

COMMITMENT FOR TITLE INSURANCE

SCHEDULE A (CONTINUED)

ORDER NO.: 1606 000283200 BLO

5. **THE LAND REFERRED TO IN THIS COMMITMENT IS DESCRIBED AS FOLLOWS:**

TRACT NO. 1:

Parcel 1:

Lots 4 through 13 in Block 5, EXCEPT the North 60 feet thereof in the Fourteenth Addition to the Town of Normal, in McLean County, Illinois.
TAX ID NUMBERS: 14-33-181-006, 14-33-181-009, 14-33-181-011, 14-33-181-013 and 14-33-181-014.

Parcel 2:

Lot 2 in Block 2 in the Twenty-Fifth Addition to the Town of Normal, in McLean County, Illinois.
TAX ID NUMBERS: 14-33-179-001 and 14-33-179-002

Parcel 3:

All of Lots 1 and 3 through 13, inclusive, EXCEPT those portions of said Lots, lying within the right of way of the Bloomington-Normal Water Reclamation District, all in Block 2 in the Twenty-Fifth Addition to the Town of Normal, in McLean County, Illinois.

ALSO, all that part of the 20 foot vacated alley lying East of and adjoining the East line of Lots 2, 3, 6, 7, 10 and 11 and also that part of the East 1/2 of the alley lying West of and adjoining the West line of that part of Lot 1 lying South and West of the right of way of the Bloomington-Normal Water Reclamation District, all in Block 2 of the Twenty-Fifth Addition to the Town of Normal, in McLean County, Illinois.
TAX ID NUMBERS: 14-33-179-024, 14-33-179-011, 14-33-179-003, 14-33-179-004, 14-33-179-005, 14-33-179-006, 14-33-179-007, 14-33-179-025 and 14-33-179-018

Parcel 4:

A part of Lot 1 in Sunset Subdivision of Lot 16, Block 2 of the Twenty-Fifth Addition to the Town of Normal and a part of Lot 13 in Block 2 in the Twenty-Fifth Addition to the Town of Normal, described as follows: Commencing at the Northeast corner of Lot 2 in Sunset Subdivision to the Town of Normal; thence North along the East line of Block 2 in the Twenty-Fifth Addition to the Town of Normal, 90 feet to the Northeast corner of Lot 13 in said Twenty-Fifth Addition; thence West along the North line of said Lot 13 a distance of 150 feet; thence South and parallel to the East line of said Lots 100 feet; thence East along the South line of said Lot 1, a distance of 49.5 feet; thence North 10 feet to the Northwest corner of Lot 2 in said Sunset Subdivision; thence East along the North line of said Lot 2, a distance of 100.5 feet to the place of beginning, in McLean County, Illinois.
TAX ID NUMBER: 14-33-179-019 and 14-33-179-018.

CONTINUED ON NEXT PAGE

CHICAGO TITLE INSURANCE COMPANY

COMMITMENT FOR TITLE INSURANCE

SCHEDULE A (CONTINUED)

ORDER NO.: 1606 000283200 BLO

5. **THE LAND REFERRED TO IN THIS COMMITMENT IS DESCRIBED AS FOLLOWS (CONTINUED):**

Parcel 5:

Lots 1, 2, 3, 4, 5, 6, 7, 8 and 9 in Block 1 in Phoenix Addition to the City of Bloomington, now located in the Town of Normal, in McLean County, Illinois.
TAX ID NUMBERS: 14-33-180-010, 14-33-180-009, 14-33-180-008, 14-33-180-007, 14-33-180-006, 14-33-180-016, 14-33-180-017 and 14-33-180-002.

Parcel 6:

Lot 1 and 2 in BroMenn Healthcare Subdivision, according to the plat thereof recorded March 16, 1989 as Document Number 89-3932, EXCEPTING THEREFROM Bromenn Healthcare Subdivision 2nd Addition, according to the Plat thereof recorded March 31, 2011 as Document No. 2011-8063, in the Town of Normal in McLean County, Illinois.
TAX ID NUMBERS: 14-33-182-010, 14-33-254-021 and 14-33-254-020.

TRACT NO. 2:

Parcel 1:

Lot 14 in Block 2 in the Twenty-Fifth Addition to the Town of Normal, EXCEPT all coal and other minerals together with the right to mine and remove the same, and the West 1/2 of the vacated alley lying East and adjacent to said Lot, in McLEAN COUNTY, ILLINOIS.
TAX ID NUMBER: 14-33-179-008

Parcel 2:

Lot 15 in Block 2 in the Twenty-Fifth Addition to the Town of Normal, and the West 1/2 of the vacated alley lying East and adjacent to said Lot, in McLEAN COUNTY, ILLINOIS.
TAX ID NUMBER: 14-33-179-009

Parcel 3:

Lot 2 in Sunset Subdivision of Lot 16 in Block 2 and of Lots 1 and 2 in the Subdivision of Lots 17, 20 and 21 in Block 2 in the Twenty-Fifth Addition to the Town of Normal, in McLEAN COUNTY, ILLINOIS.
TAX ID NUMBER: 14-33-179-020

Parcel 4:

Lot 3 in Sunset Subdivision to the Town of Normal, according to the Plat thereof recorded December 12, 1928 in Book 8 of Plats, page 143 as Document No. 196, in McLEAN COUNTY, ILLINOIS.
TAX ID NUMBER: 14-33-179-021

Parcel 5:

CHICAGO TITLE INSURANCE COMPANY

COMMITMENT FOR TITLE INSURANCE

SCHEDULE A (CONTINUED)

ORDER NO.: 1606 000283200 BLO

5. **THE LAND REFERRED TO IN THIS COMMITMENT IS DESCRIBED AS FOLLOWS (CONTINUED):**

Lot 4 in Sunset Subdivision of Lot 16 in Block 2 and of Lots 1 and 2 in the Subdivision of Lots 17, 20 and 21 in Block 2 in the Twenty-Fifth Addition to the Town of Normal, in McLEAN COUNTY, ILLINOIS.
TAX ID NUMBER: 14-33-179-022

Parcel 6:

Lot 4 in the Subdivision of Lots 17, 20 and 21 in Block 2 in the Twenty-Fifth Addition to the Town of Normal (EXCEPT all coal and other minerals underlying said property and the right to mine and remove the same), and the North 1/2 of the vacated alley lying South and adjacent to said Lot;

and

The West 101.7 feet of Lot 1 and Lot 3 and Lot 5 in the Subdivision of Lots 17, 20 and 21 in Block 2 in the Twenty-Fifth Addition to Normal, in McLEAN COUNTY, ILLINOIS.
TAX ID NUMBER: 14-33-179-026 and 14-33-179-012.

Parcel 7:

Lot 5 in Sunset Subdivision in the Town of Normal, according to the Plat recorded in Book 8 of Plats, page 143, and the North 1/2 of the vacated alley lying South and adjacent to said Lot, in McLEAN COUNTY, ILLINOIS.
TAX ID NUMBER: 14-33-179-023

TRACT NO. 3:

Lot 1 in Titan Subdivision, Normal, according to the Plat thereof recorded May 13, 2008 as Document No. 2008-13249, in McLEAN COUNTY, ILLINOIS.
TAX ID NUMBER: 14-33-182-009

TRACT NO. 4:

Beginning at the Southwest corner of Lot 10 in Block 6 in the Fourteenth Addition to the Town of Normal, and running thence East 88 feet along the South line of Lots 10, 11 and 12 in said Block, thence running Northwesterly across said Lots 12, 11 and 10 to a point on the West line of said Lot 10, 4 feet South of the Northwest corner of said Lot 10, thence running South to the Place of Beginning, said premises being in Block 6 in the Fourteenth Addition to the Town of Normal, in MCLEAN COUNTY, ILLINOIS.

TAX ID NUMBER: 14-33-178-003

CHICAGO TITLE INSURANCE COMPANY

COMMITMENT FOR TITLE INSURANCE

SCHEDULE B

ORDER NO.: 1606 000283200 BLO

SCHEDULE B OF THE POLICY OR POLICIES TO BE ISSUED WILL CONTAIN EXCEPTIONS TO THE FOLLOWING MATTERS UNLESS THE SAME ARE DISPOSED OF TO THE SATISFACTION OF THE COMPANY.

GENERAL EXCEPTIONS

1. RIGHTS OR CLAIMS OF PARTIES IN POSSESSION NOT SHOWN BY PUBLIC RECORDS.
2. ANY ENCROACHMENT, ENCUMBRANCE, VIOLATION, VARIATION, OR ADVERSE CIRCUMSTANCE AFFECTING THE TITLE THAT WOULD BE DISCLOSED BY AN ACCURATE AND COMPLETE LAND SURVEY OF THE LAND.
3. EASEMENTS, OR CLAIMS OF EASEMENTS, NOT SHOWN BY PUBLIC RECORDS.
4. ANY LIEN, OR RIGHT TO A LIEN, FOR SERVICES, LABOR OR MATERIAL HERETOFORE OR HEREAFTER FURNISHED, IMPOSED BY LAW AND NOT SHOWN BY THE PUBLIC RECORDS.
5. TAXES OR SPECIAL ASSESSMENTS WHICH ARE NOT SHOWN AS EXISTING LIENS BY THE PUBLIC RECORDS.

SCHEDULE B OF THE POLICY OR POLICIES TO BE ISSUED WILL CONTAIN EXCEPTIONS TO THE FOLLOWING MATTERS UNLESS THE SAME ARE DISPOSED OF TO THE SATISFACTION OF THE COMPANY.

NOTE FOR INFORMATION: THE COVERAGE AFFORDED BY THIS COMMITMENT AND ANY POLICY ISSUED PURSUANT HERETO SHALL NOT COMMENCE PRIOR TO THE DATE ON WHICH ALL CHARGES PROPERLY BILLED BY THE COMPANY HAVE BEEN FULLY PAID.

1. DEFECTS, LIENS, ENCUMBRANCES, ADVERSE CLAIMS OR OTHER MATTERS, IF ANY, CREATED, FIRST APPEARING IN THE PUBLIC RECORDS OR ATTACHING SUBSEQUENT TO THE EFFECTIVE DATE HEREOF BUT PRIOR TO THE DATE THE PROPOSED INSURED ACQUIRES FOR VALUE OF RECORD THE ESTATE OR INTEREST OR MORTGAGE THEREON COVERED BY THIS COMMITMENT.
2. AN ALTA LOAN POLICY WILL BE SUBJECT TO THE FOLLOWING EXCEPTIONS (A) AND (B), IN THE ABSENCE OF THE PRODUCTION OF THE DATA AND OTHER ESSENTIAL MATTERS DESCRIBED IN OUR "STATEMENT REQUIRED FOR THE ISSUANCE OF ALTA OWNERS AND LOAN POLICIES (ALTA STATEMENT). (A) ANY LIEN, OR RIGHT TO A LIEN, FOR SERVICES, LABOR, OR MATERIAL HERETOFORE OR HEREAFTER FURNISHED, IMPOSED BY LAW AND NOT SHOWN BY THE PUBLIC RECORDS; (B) CONSEQUENCES OF THE FAILURE OF THE LENDER TO PAY OUT PROPERLY THE WHOLE OR ANY PART OF THE LOAN SECURED BY THE MORTGAGE DESCRIBED IN SCHEDULE A, AS AFFECTING; (I) THE VALIDITY OF THE LIEN OF SAID MORTGAGE; AND (II) THE PRIORITY OF THE LIEN OVER ANY OTHER RIGHT, CLAIM, LIEN OR ENCUMBRANCE WHICH HAS OR MAY BE COME SUPERIOR TO THE LIEN OF SAID MORTGAGE BEFORE THE DISBURSEMENT OF THE ENTIRE PROCEEDS OF THE LOAN.

AG 3. Taxes for the year(s) 2012.

A 4. An Ordinance vacating a portion of Apple Street, Ordinance No. 4800 recorded June 20, 2002 as Document No. 2002R21768. All rights thereunder and all terms thereof.

(Affects Tract 1)

B 5. The Surveyor's drainage Certificate attached to the Plat of BroMenn Health Care Subdivision states that a portion of Lots 1 and 2 are a Special Flood Hazare Area.

(Affects Tract 1)

C 6. A resolution vacating a utility easement, BroMenn Healthcare Subdivision, Resolution No. 1917 recorded April 24, 1996 as Document No. 96-10871. (Affects Tracts 1 and 2)

D 7. Memorandum of Lease - Option Lease made between Brokaw Mennonite Association, Lessor and Cellular One, Lessee recorded May 1, 1997 as Document No. 97-10064. All

CHICAGO TITLE INSURANCE COMPANY

COMMITMENT FOR TITLE INSURANCE

SCHEDULE B (CONTINUED)

ORDER NO.: 1606 000283200 BLO

rights thereunder and all terms thereof. (Affects Tracts 1 and 2)

E 8. Grant of Easement to TCI of Bloomington/Normal, Inc. (herein known as AT&T Cable Services) from Bromenn for access to the premises in question in order to install and maintain equipment over a portion of the premises in question contained in the instrument recorded March 16, 2000 as document no. 2000R06108. (Affects Tracts 1 and 2)

F 9. Fee and Leasehold Mortgage, Assignment of Rents and Security Agreement and dated February 28, 2001 recorded April 9, 2001 as Document No. 2001R10270 made by Bromenn Foundation, the Brokaw Foundation, Mennonite Health Care Foundation and Commerce Bank, as Successor Trustee and The Peoples Bank, under trust agreement dated June 29, 1944 and known as McLean County Land Trust PBB-307 to Merrill Lynch Business Financial Services, Inc. to secure the payment of $4,750,000.00
(Affects Tract 1)

G 10. Easements for public and quasi-public utlities as reserved by the Town of Normal in Vacation Ordinance #574 adopted by the Town Council on March 8, 1966 and recorded July 18, 1985 as Document No. 85-8569.
(Affects Tract 1)

H 11. Easements for overhead electric and telephone lines over and across the land as disclosed by the Survey made by Farnsworth and Wylie.
(Affects Tract 1)

I 12. Easement for joint driveway over the South 4 feet of East 100 feet of Lot 1 in said Subdivision as contained in Quit Claim Deed from Harry H. Hall and Dorothy H. Hall, his wife to Bloomington Citizens System Company dated January 28, 1930 recorded November 28, 1932 in Book 410 of Deeds, page 514 as Document No. 30741.
(Affects Tract 1)

J 13. Easements for public and quasi-public utilities as reserved in Ordinance No. 3764 adopted by the Town of Normal on March 21, 1988 and recorded March 30, 1988 as Document No. 88-4592.
(Affects Tract 1)

K 14. The Surveyor's Drainage Certificate attached to the Plat of BroMenn Health Care Subdivision states that a portion of Lots 1 and 2 are in a Special Flood Hazard Area.
(Affects Tract 1)

L 15. Easements for public and quasi-public utiities as reserved by the City of Bloomington in Ordinance recorded August 21, 1979 as Document No. 79-10742.
(Affects part of premises in question in vacated East Street)
(Affects Tract 1)

M 16. Easement in favor of Illinois Power Company for purposes of constructing and maintaining an aerial service line over a portion of the premises in question, contained in the instrument recorded June 20, 1950 as document no. 25462.
(Affects Tract 1)

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CHICAGO TITLE INSURANCE COMPANY

COMMITMENT FOR TITLE INSURANCE

SCHEDULE B (CONTINUED)

ORDER NO.: 1606 000283200 BLO

N 17. Easement from Dale E. Nitzel, as Trustee under the provisions of a Trust Agreement dated April 9, 1973 known as Color Enterprises Land Trust in favor of Illinois Power Company, an Illinois Corporation to construct, operate and maintain an electric transmission line or system over a portion of the premises in question, contained in the instrument recorded August 10, 1978 as document no. 78-11767.
(Affects Tract 1)

O 18. Utility easements as shown on the Plat of BroMenn Healthcare Subdivision.
(Affects Tracts 1 and 2)

P 19. Grant of easement dated October 26, 1987 and recorded September 26, 1988 as Document No. 88-15154 from BroMenn Healthcare to Northern Illinois Gas Company. All rights thereunder and all terms thereof. (Affects Tracts 1 and 2)

Q 20. Easements for public and quasi public utilities, if any, not shown of record.
(Affects Tracts 1 and 2)

R 21. License Agreement between Bloomington and Normal Water Reclamation District (Owner) and Bromenn Healthcare(Licensee) recorded September 16, 1997 as Document No. 97-22793. All rights thereunder and all terms thereof.
(Affects Tracts 1 and 2)

S 22. Temporary Easement dated June 29, 1994 recorded June 3, 2003 as Document No. 2003-00027692 between Peoples Bank, as Trustee under Trust Agreement dated June 29, 1994 known as McLean County Land Trust No. PBB-307 to the Town of Normal for the purpose of excavating, grading, driveway replacement and sodding or seeding ground surfaces over a portion of the premises in question.

(Affects Tract 1)

T 23. Easement by the Bloomington Normal Water Reclamation District, f/k/a Bloomington and Normal Sanitary District, a municipal corporation over a portion of the premises in question to construct and maintain the University Street Bridge Project, recorded June 3, 2003 as Document No. 2003-00027693.
(Affects Tract 1)

U 24. Memorandum of Lease and Option recorded June 25, 2004 as Document No. 2004-00021579 between Peoples Bank, as Trustee under Agreement dated June 29, 1994 known as McLean County Trust No. PBB-37 (Landlord) and Voicestream GSM LLC (Tenant). All rights thereunder and all terms thereof.
(Affects Tract 1)

V 25. Security interest of GE Capital Public Finance, Inc., secured party as disclosed by Financing Statement executed by BroMenn Healthcare Hospitals, debtor and filed March 31, 2006 as No. 2006-00007796.

NOTE: Continuation recorded October 29, 2010 as Document No. 2010-26855.
(Affects Tract 1)

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CHICAGO TITLE INSURANCE COMPANY

COMMITMENT FOR TITLE INSURANCE

SCHEDULE B (CONTINUED)

ORDER NO.: 1606 000283200 BLO

W 26. Security interest of GE Capital Finance, Inc., secured party as disclosed by Financing Statement executed by BroMenn Healthcare Hospitals, debtor and filed March 31, 2006 as No. 2006-00007797.
(Affects Tract 1)

X 27. Mortgage, Security Agreement and Financing Statement dated April 12, 1995 and recorded April 13, 1995 as Document No. 95-6683 made by Commerce Bank, as Trustee under trust agreement dated June 29, 1994 and known as McLean County Land Trust No. PBB-307, et al to Commerce Bank to secure an indebtedness in the amount of $12,500,000.00.
(Affects premises in question and other property - Affects Tract 2)

Y 28. Easement for party driveway in favor of adjoining owners, contained in the Instrument recorded October 24, 1935 as Document No. 24777.
(Affects Tract 2)

Z 29. Easement in favor of Incorporated Town of Normal dated August 18, 1939 recorded September 25, 1939 in Book 455 of Deeds, page 602, Document No. 33897, a right of way over and across a strip of land 10 feet wide extending 5 feet on each side of a line described as follows: Beginning at a point on the West line of said tract 360 feet North of the Southwest corner, thence East parallel with the South line of said tract to a point on the Northerly line thereof, a distance of 216 feet, more or less, to lay, construct and perpectually maintain, operate, repair and renew a six ince water main.

For further particulars see record.
(Affects Tract 3)

AA 30. Easements as shown on the plat of subdivision.
(Affects Tract 3)

AB 31. Limits of 100 year and 500 year Flood Plane and Limits of AE Floodway as shown on the Plat of said Subdivision.
(Affects Tract 3)

AC 32. Roads and highways.
(Affects Tract 4)

AD 33. Rights of way for drainage tiles, ditches, feeders, laterals and underground pipes, if any.
(Affects Tract 4)

AE 34. License Agreement between Bloomington and Normal Water Reclamation District, owner and Chae W. and Young Lee, Licensees recorded June 1, 200 as Document No. 2000R13187. All rights thereunder and all terms thereof.
(Affects Tract 4)

AF 35. License Agreement dated April 17, 2001 and recorded June 4, 2001 as Document No. 2001-17476 by and between Bloomington and Normal Water Reclamation District and Bromenn Healthcare, a not for profit corporation.
(Affects Tract 4)

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CHICAGO TITLE INSURANCE COMPANY

COMMITMENT FOR TITLE INSURANCE

SCHEDULE B (CONTINUED)

ORDER NO.: 1606 000283200 BLO

AJ 36. Security Interest of Wachovia SBA Lending, Inc. , secured party, in certain described chattels on the land, as disclosed by financing statement naming Nona Fulk, M.D., S.C., as debtor, and recorded August 26, 2009 as Document No. 2009-27443.
(Affects Tract 1, Parcel 6)

AK 37. Ordinace No. 5431 Vacating a Portion of Franklin Avenue recorded April 11, 2012 as Document No. 2012-9141.
(Affects Tract 1, Parcel 6)

AH 38. The "Good Funds" section of the Title Insurance Act (215 ILCS 155/26) is effective January 1, 2010. This Act places limitations upon our ability to accept certain types of deposits into escrow. Please contact your local Chicago Title office regarding the application of this new law to your transaction.

AI 39. Please use the following wire instructions for any funds to be wired to McLean County Title:

Receiving Bank:	Bank of America Chicago, IL
ABA Number:	026009593
For Credit to:	Chicago Title & Trust Co.
Account Number:	8765-8-60520

Please include customer name and/or order number on the wire to insure proper credit.

CHICAGO TITLE INSURANCE COMPANY

COMMITMENT FOR TITLE INSURANCE

ORDER NO.: 1606 000283200 BLO

CONDITIONS

1. The term mortgage, when used herein, shall include deed of trust, trust deed, or other security instrument.

2. If the proposed Insured has or acquired actual knowledge of any defect, lien, encumbrance, adverse claim or other matter affecting the estate or interest or mortgage thereon covered by this Commitment other than those shown in Schedule B hereof, and shall fail to disclose such knowledge to the Company in writing, the Company shall be relieved from liability for any loss or damage resulting from any act of reliance hereon to the extent the Company is prejudiced by failure to so disclose such knowledge. If the proposed Insured shall disclose such knowledge to the Company, or if the company otherwise acquires actual knowledge of any such defect, lien, encumbrance, adverse claim or other matter, the Company at its option may amend Schedule B of this Commitment accordingly, but such amendment shall not relieve the Company from liability previously incurred pursuant to paragraph 3 or these Conditions.

3. Liability of the Company under this Commitment shall be only to the named proposed Insured and such parties included under the definition of Insured in the form of policy or policies committed for and only for actual loss incurred in reliance hereon in undertaking in good faith (a) to comply with the requirements hereof, or (b) to eliminate exceptions shown in Schedule B, or (c) to acquire or create the estate or interest or mortgage thereon covered by this Commitment. In no event shall such liability exceed the amount stated in Schedule A for the policy or policies committed for and such liability is subject to the insuring provisions and Conditions and the Exclusions from Coverage of the form of policy or policies committed for in favor of the proposed Insured which are hereby incorporated by reference and are made a part of this Commitment except as expressly modified herein.

4. This Commitment is a contract to issue one or more title insurance policies and is not an abstract of title or a report of the condition of title. Any action or actions or rights of action that the proposed Insured may have or may bring against the Company arising out of the status of the title to the estate or interest or the status of the mortgage thereon covered by this Commitment must be based on and are subject to the provisions of this Commitment.

5. The policy to be issued contains an arbitration clause. All arbitrable matters when the Amount of Insurance is $2,000,000 or less shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. You may review a copy of the arbitration rules at <http://www.alta.org/>.

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Effective Date: May 1, 2008

Fidelity National Financial, Inc.
Privacy Statement

Fidelity National Financial, Inc. and its subsidiaries ("FNF") respect the privacy and security of your non-public personal information ("Personal Information") and protecting your Personal Information is one of our top priorities. This Privacy Statement explain FNF's privacy practices, including how we use the Personal Information we receive from you and from other specified sources, and to whom it may be disclosed. FNF follows the privacy practices described in the Privacy Statement and, depending on the business performed, FNF companies may share information as described herein.

Personal Information Collected

We may collect Personal Information about you from the following sources:

Information we receive from you on applications or other forms, such as your name, address, social security number, tax identification number, asset information and income information;

Information we receive from you through our Internet websites, such as your name, address, Internet Protocol address, the website links you used to get to our websites, and your activity while using or reviewing our websites.

Information about your transactions with or services performed by us, our affiliates, or others, such as information concerning your policy, premiums, payment history, information about your home or other real property, information from lenders and other third parties involved in such transactions, account balances, and credit card information; and

Information we receive from consumer or other reporting agencies and publicly recorded.

Disclosure of Personal Information

We may provide your Personal Information (excluding information we receive from our consumer or other credit reporting agencies) to various individuals and companies, as permitted by law, without obtaining your prior authorization. Such laws do not allow consumers to restrict these disclosures. Disclosures may include, without limitation, the following:

To insurance agents, brokers, representatives, support organizations, or others to provide you with services you have requested, and to enable us to detect or prevent criminal activity, fraud, material misrepresentation, or nondisclosure in connections with an insurance transactions.

To third-party contractors or service providers for the purpose of determining your eligibility for an insurance benefit or payment and/or providing you with services you have requested.

To an insurance regulatory, or law enforcement or other governmental authority, in a civil action, in connection with a subpoena or a governmental investigation

To companies that perform marketing services on our behalf or to other financial institutions with which we have had joint marketing agreements and/or

To lenders, lien holders, judgement creditors, or other parties claiming an encumbrance or an interest in title whose claim or interest must be determined, settled, paid or released prior to a title or escrow closing

We may also disclose your Personal Information to others when we believe, in good faith, that such disclosure is reasonably necessary to comply with the law or to protect the safety of our customers, employees, or property and/or to comply with a judicial proceeding, court order or legal process.

Disclosure to Affiliated Companies - We are permitted by law to share your name, address and facts about your transaction with other FNF companies, such as insurance companies, agents, and other real estate service providers to provide you with services you have requested, for marketing or product development research, or to market products or services to you. We do not, however, disclose information we collect from consumer or credit reporting agencies with our affiliates or others without your consent, in conformity with applicable law, unless such disclosure is otherwise permitted by law.

Disclosure to Nonaffiliated Third Parties - We do not disclose Personal Information about our customers or former customers to nonaffiliated third parties, except as outlines herein or as otherwise permitted by law.

Confidentiality and Security of Personal Information

We restrict access to Personal Information about you to those employees who need to know that information to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal regulation to guard Personal Information.

Access to Personal Information/
Requests for Correction, Amendment, or Deletion of Personal Information

As required by applicable law, we will afford you the right to access your Personal Information, under certain circumstances to find out to whom your Personal Information has been disclosed, and request correction or deletion of your Personal Information. However, FNF's current policy is to maintain customers' Personal Information for no less than your state's required record retention requirements for the purpose of handling future coverage claims.

For your protection, all requests made under this section must be in writing and must include your notarized signature to establish your identity. Where permitted by law we may charge a reasonable fee to cover the costs incurred in responding to such requests. Please send requests to:

Chief Privacy Officer
Fidelity National Financial, Inc.
601 Riverside Avenue
Jacksonville, FL 32204

Changes to this Privacy Statement

This Privacy Statement may be amended from time to time consistent with applicable privacy laws. When we amend this Privacy Statement, we will post a notice of such changes on our website. The effective date of this Privacy Statement, as stated above, indicates the last time this Privacy Statement was revised or materially changed.

PRIVACY 5/08 ML

Operating Identity/Licensee

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

Exact Legal Name:	Advocate Health and Hospitals Corporation d/b/a Advocate BroMenn Medical Center
Address:	1304 Franklin Avenue, Normal, IL 61761

☒ Non-profit Corporation
☐ For-profit Corporation
☐ Limited Liability Company
☐ Partnership
☐ Governmental
☐ Sole Proprietorship
☐ Other

- 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.

Certificates of Good Standing for Advocate Health and Hospital Corporation d/b/a Advocate BroMenn Medical Center and Advocate Health Care Network are appended as Attachment 3, Exhibits 1 and 2.

File Number 1004-695-5

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

ADVOCATE HEALTH AND HOSPITALS CORPORATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON SEPTEMBER 12, 1906, 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* 9TH *day of* JUNE *A.D.* 2014 .

Authentication #: 1416001324

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

Jesse White

SECRETARY OF STATE

File Number 1707-692-2

State of Illinois
Office of the Secretary of State

Union
National
Sovereignty
State

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

ADVOCATE HEALTH CARE NETWORK, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JUNE 14, 1923, 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* 9TH *day of* JUNE *A.D.* 2014 .

Seal of the State of Illinois
Aug. 26th 1818
Union
National
Sovereignty
State
1868
1818

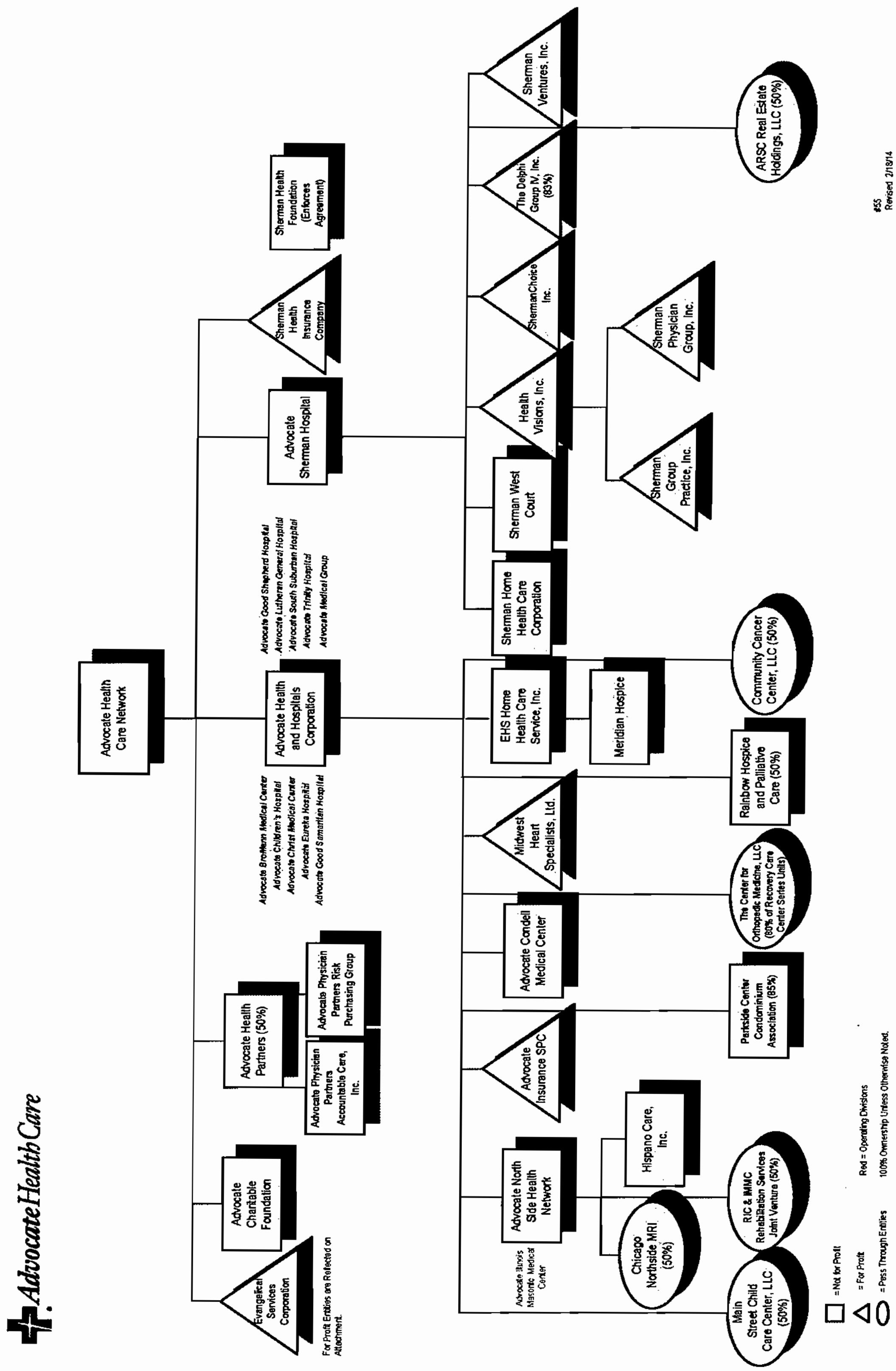
Authentication #: 1416001288
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

Organizational Relationships

Provide (for each co-applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.
APPEND DOCUMENTATION AS ATTACHMENT-4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Attachment 4, Exhibit 1, is an organization chart of Advocate Health Care that shows all of the relevant organizations including Advocate Health and Hospitals Corporation and Advocate Health Care Network.



Advocate Health Care
Advocate Health Care Network
Evangelical Services Corporation
Advocate Charitable Foundation
Advocate Health Partners (50%)
Advocate Physician Partners Accountable Care, Inc.
Advocate Physician Partners Risk Purchasing Group
Advocate Bromenn Medical Center
Advocate Children's Hospital
Advocate Christ Medical Center
Advocate Eureka Hospital
Advocate Good Samaritan Hospital
Advocate Health and Hospitals Corporation
Advocate Good Shepherd Hospital
Advocate Lutheran General Hospital
Advocate South Suburban Hospital
Advocate Trinity Hospital
Advocate Medical Group
Advocate Sherman Hospital
Sherman Health Insurance Company
Sherman Health Foundation (Enforces Agreement)
For Profit Entities are Reflected on Attachment.
Advocate Illinois Masonic Medical Center
Advocate North Side Health Network
Advocate Insurance SPC
Advocate Condell Medical Center
Midwest Heart Specialists, Ltd.
EHS Home Health Care Service, Inc.
Sherman Home Health Care Corporation
Sherman West Court
Health Visions, Inc.
ShermanChoice Inc.
The Delphi Group IV, Inc. (83%)
Sherman Ventures, Inc.
Chicago Northside MRI (50%)
Hispano Care, Inc.
Main Street Child Care Center, LLC (50%)
RIC & IMMC Rehabilitation Services Joint Venture (50%)
Parkside Center Condominium Association (85%)
The Center for Orthopedic Medicine, LLC (50% of Recovery Care Center Series Units)
Rainbow Hospice and Palliative Care (50%)
Meridian Hospice
Community Cancer Center, LLC (50%)
Sherman Group Practice, Inc.
Sherman Physician Group, Inc.
ARSC Real Estate Holdings, LLC (50%)
= Not for Profit
= For Profit
= Pass Through Entities
Red = Operating Divisions
100% Ownership Unless Otherwise Noted.
#55
Revised 2/18/14

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2005-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at **www.FEMA.gov** 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 #2005-5 **(http://www.hfsrb.illinois.gov)**.

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

See Attachment 5, Exhibit 1.

Illinois Department of
Natural Resources
One Natural Resources Way • Springfield, Illinois 62702-1271
http://dnr.state.il.us

Rod R. Blagojevich, Governor
Sam Flood, Acting Director

September, 2, 2008

Mr. Don Adams, P.E.
Farnsworth Group
1819 South Neil Street, Suite F
Champaign, IL 61820

RE: BroMenn Regional Medical Center Addition, Normal, Illinois

Dear Mr. Adams:

Thank you for requesting a floodplain determination for the proposed addition to the BroMenn Regional Medical Center in Normal, Illinois to ensure compliance with Illinois Executive Order V 2006 (E.O. V). I apologize for my delayed response. This office has been very busy with ongoing flooding across the state.

In brief, E.O. V (2006) requires that state agencies which plan, promote, regulate, or permit activities, as well as those which administer grants or loans in the State's floodplain areas, must ensure that all projects meet the standards of the state floodplain regulations or the National Flood Insurance Program (NFIP) whichever is more stringent. These standards require that new or substantially improved buildings as well as other development activities be protected from damage by the 100-year flood. In addition, no construction activities in the floodplain may cause increases in flood heights or damages to other properties. Lastly, development activities which are determined to be "critical facilities" must be protected to the 500-year flood elevation.

Based on the information you have provided, **we have determined that this parcel is located within a designated 100-year floodplain** and therefore would fall under the requirements of E.O. V.

Hospitals are specifically listed as a "critical facility". The Executive Order requires that all new Critical Facilities shall be located outside of the floodplain. Where this is not practicable, Critical Facilities shall be developed with the lowest floor elevation equal to or greater than the 500-year frequency flood elevation or structurally dry floodproofed to at least the 500-year frequency flood elevation. Based on the site plans you have submitted, it appears that the new BroMenn addition cannot be constructed outside of the mapped floodplain. Plans also show that the addition does meet the lowest floor requirement and will be elevated above the 500-year flood level.

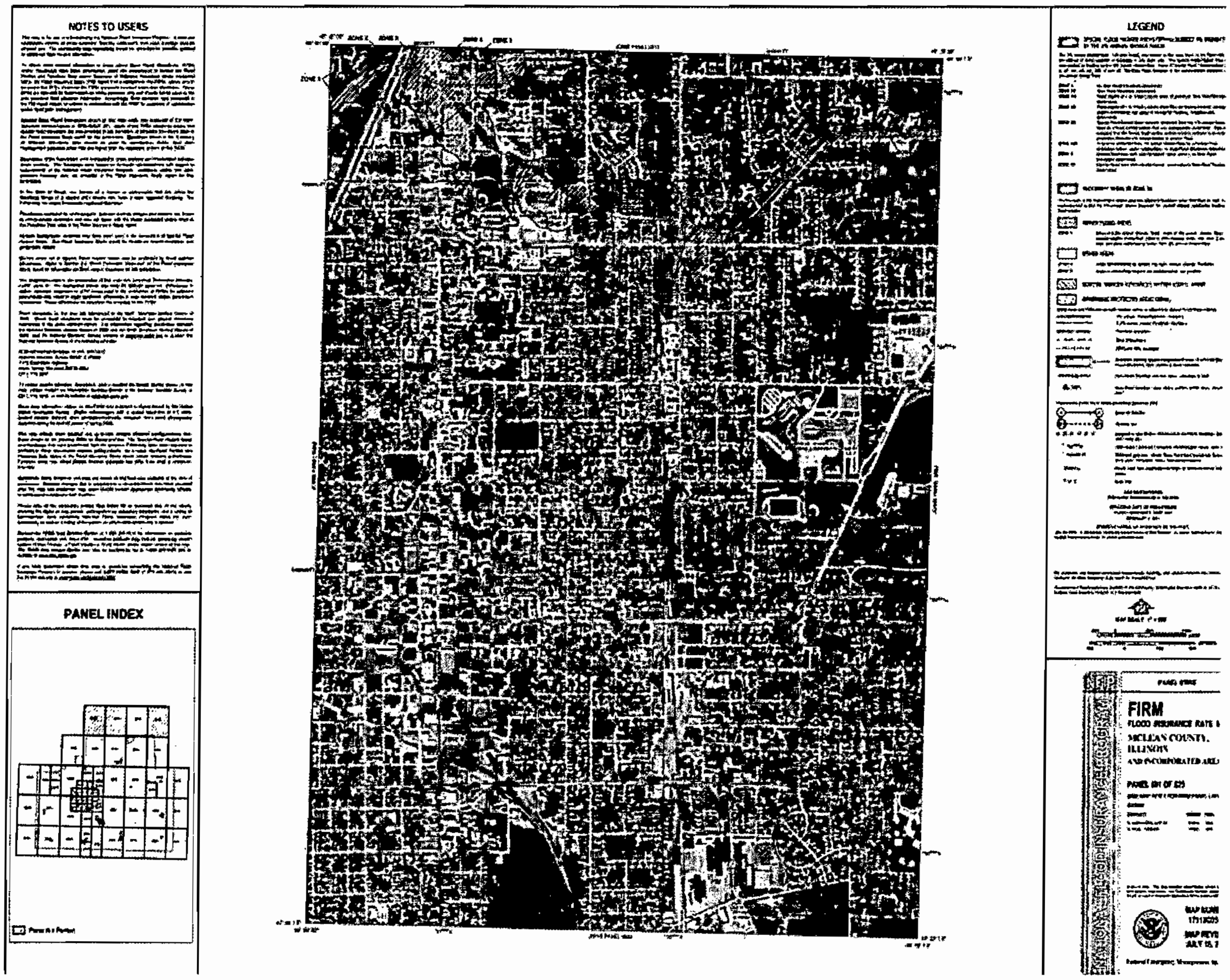
Mr. Don Adams, P.E.
Farnsworth Group
Page 2

Should you have any questions or comments regarding this flood hazard determination, feel free to contact me at (217) 782-4428.

Sincerely,

Paul A. Osman, Manager
Statewide Floodplain Programs

CC: Mike Bryant, FEMA Region V
Gene Brown, Town of Normal



BroMenn is located in the upper left corner of the flood plain map at the confluence of the two branches of Sugar Creek. While the letter from the Illinois Department of Natural Resources notes BroMenn is within the 100-year flood plain, the letter also states the hospital has been constructed so the lower level is above the 500-year flood plain.

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.

Attachment 6, Exhibit 1, is a letter from the Illinois Historic Preservation Agency which documents that no historic, architectural, or archaeological sites exist within the Project area.

Illinois Historic
Preservation Agency

FAX (217) 782-8161

1 Old State Capitol Plaza • Springfield, Illinois 62701-1512 • www.illinois-history.gov

McLean County
Normal
CON - Relocation of Laboratory
1304 Franklin Ave.
IHPA Log #001120512

December 5, 2012

Janet Hood
Advocate BroMenn Medical Center
Advocate Eureka Hospital
P.O. Box 2850
Bloomington, IL 61702-2850

Dear Ms. Hood:

This letter is to inform you that we have reviewed the information provided concerning the referenced project.

Our review of the records indicates that no historic, architectural or archaeological sites exist within the project area.

Please retain this letter in your files as evidence of compliance with Section 4 of the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.). This clearance remains in effect for two years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the Illinois Human Skeletal Remains Protection Act (20 ILCS 3440).

If you have any further questions, please contact me at 217/785-5027.

Sincerely,

Anne E. Haaker

Anne E. Haaker
Deputy State Historic
Preservation Officer

A teletypewriter for the speech/hearing impaired is available at 217-524-7128. It is not a voice or fax line.

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 equal.

USE OF FUNDS	CLINICAL	NON CLINICAL	TOTAL
Preplanning Costs			$ -
Site Survey and Soil Investigation			$ -
Site Preparation			$ -
Off Site Work			$ -
New Construction Contracts			$ -
Modernization Contracts	$ 1,032,235	$ 182,159	$ 1,214,394
Contingencies	$ 91,800	$ 10,200	$ 102,000
Architectural/Engineering Fees	$ 124,820	$ 14,980	$ 139,800
Consulting and Other Fees	$ 85,193	$ 3,958	$ 89,150
Movable or Other Equipment (not in construction contracts)	$ 412,923	$ 21,733	$ 434,656
Bond Issuance Expense (project related)	$ 6,745	$ 8,708	$ 15,453
Net Interest Expense During Construction (project related)	$ 15,761	$ 20,350	$ 36,111
Fair Market Value of Leased Space or Equipment			$ -
Other Costs To Be Capitalized			$ -
Acquisition of Building or Other Property (excluding land)			$ -
TOTAL USES OF FUNDS	$ 1,769,477	$ 262,087	$ 2,031,564
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	$ 692,691	$ 102,598	$ 795,289
Pledges			$ -
Gifts and Bequests			$ -
Bond Issues (project related)	$ 1,076,785.98	$ 159,489	$ 1,236,275
Mortgages	$ -		$ -
Leases (fair market value)	$ -		$ -
Governmental Appropriations	$ -		$ -
Grants	$ -		$ -
Other Funds and Sources	$ -		$ -
TOTAL SOURCES OF FUNDS	$ 1,769,477	$ 262,087	$ 2,031,564

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

Project: Advocate BroMenn Medical Center - Pharmacy

Itemization of Costs

Category	Itemization	Cost	Category Total
Preplanning Costs			$ -
Site Survey and Soil Investigation			$ -
Site Preparation			$ -
Off Site Work			$ -
New Construction Contracts			$ -
Modernization Contracts			**$ 1,214,394**
	PJ Hoerr	$ 1,214,394	
Subtotal		$ 1,214,394	
Contingencies			**$ 102,000**
Architectural/Engineering Fees			**$ 139,800**
	Shive Hattery	$ 139,800	
Subtotal		$ 139,800	
Consulting and Other Fees			**$ 89,150**
	Walsh Consulting	$ 39,150	
	USP 797/Others	$ 50,000	
Subtotal		$ 89,150	
Movable or Other Equipment (not in construction contracts)			**$ 434,656**
	Widmer	$ 216,500	
	Equipment Companies	$ 218,156	
Subtotal		$ 434,656	
Bond Issuance Expense (project related)			**$ 15,453**
Net Interest Expense During Construction (project related)			**$ 36,111**
Fair Market Value of Leased Space or Equipment			**$ -**
Other Costs To Be Capitalized			**$ -**
Acquisition of Building or Other Property (excluding land)			**$ -**
TOTAL USES OF FUNDS			**$ 2,031,564**

Cost Space Requirements

Provide in the following format, the department/area **DGSF** or the building/area **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.**

		Department Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is			
Dept. / Area	Total Costs	Existing	Proposed	CON New Const.	Modernized	*As Is	Vacated Space
CLINICAL Reviewable							
Pharmacy	$ 1,769,477	3,127	3,854	0	3,854	0	3,127
Total Clinical	$ 1,769,477	3,127	3,854	0	3,854	0	3,127
NON CLINICAL Non Reviewable							-
Conference Rooms	$ 51,196	3,910	4,882	0	972	3,910	0
Corridors, Toilets	$ 210,892	3,245	7,249	0	4,004	3,245	0
Total Non-Clinical	$ 262,087	7,155	12,131	0	4,976	7,155	0
Total Clinical and Non-Clinical	$ 2,031,564	10,282	15,985	0	8,830	7,155	3,127

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

*Note that the "as is" areas reflect the 2012 patient tower, where the Project is proposed to be located.

Space vacated by the pharmacy is anticipated be used for non-clinical administrative and support purposes, with specifics to be determined at a later date, when they can be included in BroMenn's facility plan and budget.

Criterion 1110.230 – Background, Purpose of the Project, and Alternatives

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

5. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
6. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.
7. 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.**
8. 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 the information has been previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

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.

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

Attachment 11, Exhibit 1 is the listing of all the facilities owned by Advocate Health Care Network. Exhibit 2 is the current state hospital license for Advocate Health and Hospitals, d/b/a Advocate BroMenn Medical Center. The most recent DNV accreditation certificate for the Medical Center is included as Attachment 11, Exhibit 3.

2. Certified Listing of Any Adverse Action Against Any Facility Owned or Operated by the Applicant

By the signatures on the Certification pages, the applicants attest there have been no adverse actions against any facility owned and/or operated by Advocate Health Care Network or Advocate Health and Hospitals Corporation d/b/a Advocate BroMenn Medical Center, as demonstrated by compliance with the CMS Conditions of Participation with Medicare and Medicaid, during the three years prior to the filing of this application.

3. Authorization Permitting IHFPB and DPH to Access Necessary Documentation

By the signatures on the Certification pages, the applicants hereby authorize the Illinois Health Facilities and Services Review Board and the Illinois Department of Public Health to access information in order to verify any documentation or information submitted in response to the requirements of this subsection, or to obtain any documentation or information which the State Board or Department of Public Health find pertinent to this subsection.

4. Exception for Filing Multiple Certificates of Need in One Year

Not applicable. This is the first certificate of need filed by Advocate BroMenn Medical Center in 2014.

1. **The licensing, certification, and accreditation numbers of each organization owned or operated by Advocate Health and Hospitals Corporation, along with relevant identification numbers, are listed below.**

Facility	Location	License No.	Joint Commission Accreditation No.	DNV Accreditation No.
Advocate BroMenn Medical Center	1304 Franklin Ave. Normal, IL	0005645	Discontinued	127532-2012-AHC-USA-NIAHO

Additional hospitals owned and operated as a part of Advocate Health Care Network:

Facility	Location	License No.	Joint Commission Accreditation No.	DNV Accreditation No.
Advocate Christ Medical Center	4440 W. 95th St. Oak Lawn, IL	0000315	Discontinued	135696-2013-AHC-USA-NIAHO
Advocate Condell Medical Center	801 S. Milwaukee Ave. Libertyville, IL	0005579	Discontinued	147414-2013-AHC-USA-NIAHO
Advocate Eureka Hospital	101 S. Major Eureka, IL	0005652	Discontinued	127988-2012-AHC-USA-NIAHO
Advocate Good Samaritan Hospital	3815 Highland Ave. Downers Grove, IL	0003384	Discontinued	115804-2012-AHC-USA-NIAHO
Advocate Good Shepherd Hospital	450 W. Highway, #22 Barrington, IL	0003475	Discontinued	114892-2012-AHC-USA-NIAHO
Advocate Illinois Masonic Medical Center	836 W. Wellington Chicago, IL	0005165	4068	Not yet surveyed
Advocate Lutheran General Hospital	1775 Dempster Park Ridge, IL	004796	Discontinued	117368-2012-AHC-USA-NIAHO
Advocate South Suburban Hospital	17800 S. Kedzie Ave Hazel Crest, IL	0004697	Discontinued	127995-2012-AHC-USA-NIAHO
Advocate Sherman Hospital	1425 N. Randall Rd Elgin, IL	0005884	7339	Not yet surveyed
Advocate Trinity Hospital	2320 E. 93rd St. Chicago, IL	0004176	Discontinued	120735-2012-AHC-USA-NIAHO

Illinois Department of
PUBLIC HEALTH

HF104761

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

LaMar Hasbrouck, MD, MPH
Acting Director

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
01/05/2015		0005645

General Hospital

Effective: 01/06/2014

Advocate Health and Hospitals Corporation
dba Advocate Bromenn Medical Center
1304 Franklin Avenue
Normal, IL 61761

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #4012320 10M 3/12

DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 01/05/2015
Lic Number 0005645
Date Printed 01/08/2014
Validation Num

Advocate Health and Hospitals Corpor
dba Advocate Bromenn Medical Cente

FEE RECEIPT NO.

DNV

DNV HEALTHCARE INC.

CERTIFICATE OF ACCREDITATION

Certificate No. 127532-2012-AHC-USA-NIAHO

This is to certify that

Advocate BroMenn Regional Medical Center

1304 Franklin Avenue, Normal, IL 61761

Complies with the requirements of the:

NIAHO® Hospital Accreditation Program

Pursuant to the authority granted to Det Norske Veritas Healthcare, Inc. by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, this organization is deemed in compliance with the Medicare Conditions of Participation for Hospitals (42 C.F.R. §482). This certificate is valid for a period of three (3) years from the Effective Date of Accreditation.

Effective Date of Accreditation:

December 07, 2012

for the Accreditation Body:

DET NORSKE VERITAS HEALTHCARE, INC.
HOUSTON, TEXAS

CMS
CENTERS FOR MEDICARE & MEDICAID SERVICES

Patrick Horine
Executive Vice President, Accreditation

Yehuda Dror
President

Lack of continual fulfillment of the conditions set out in the Certification/Accreditation Agreement may render this Certificate invalid.

ACCREDITED UNIT: DNV HEALTHCARE INC., 400 TECHNECENTER DRIVE, SUITE 100 MILFORD, OHIO 45150, OH, UNITED STATES, TEL: 513-947-8334
WWW.DNVACCREDITATION.COM

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.

Criterion 1110.230 – Background, Purpose of the Project, and Alternatives

READ THE REVIEW CRITERION and provide the following required information

PURPOSE OF PROJECT

7. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
8. Define the planning area or market area, or other, per the applicant's definition.
9. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project. [See 1110.230(b) for examples of documentation.]
10. Cite the sources of the information provided as documentation.
11. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
12. 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 age and condition and 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 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.

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.**

For over 112 years, the precursor institutions to Advocate BroMenn Medical Center have been serving the health care needs of the central Illinois area. The continuing need for a modern hospital was reconfirmed in 2009 when a permit was granted (#08-076) for the addition of a three story patient tower. Essential to the diagnosis and treatment of patients is having a reliable, comprehensive Pharmacy. The importance of having a good formulary is often assumed by the clinicians and the responsibility to provide it rests with hospital management. Patients and physicians appreciate knowing they will receive the best medications prepared in safe, appropriate facilities. Physicians appreciate being able to engage the pharmacists while planning their patients' care.

Central to this Project is the need to meet the US Pharmacopeia compendium of standards of medication preparation, enforceable now by the US Food and Drug Administration (FDA), and known as USP 797. The standards address the sterile compounding of intravenous and other medications. The requirements entail separate rooms with new hoods and airflow for the chemotherapy and the standard intravenous preparation areas, separated by an ante-room with support equipment there. The proposed relocation of pharmacy services within the hospital addresses these needs and many other operational improvements.

The importance of this process is underscored in a classic pharmacy book that notes: "Compounding is the pharmaceutical task in which all the scientific *knowledge,* professional *skill,* and sense of *responsibility* find their expression and justification." Meeting these standards for appropriate space to perform compounding is an essential element in the delivery of high quality care.

A second major reason for this project is to allow the use of carousel automation, a medication storage cabinet with rotating shelves used to automate medication distribution. The carousel must be interfaced with the pharmacy information system. The carousel uses bar coding and light finding to improve efficiency and accuracy of selecting (referred to as picking) and restocking. The rotating shelves within the carousel bring medications at one working level, where a light identifies the exact location from which the medication is to be picked. The medications do not have to be stored alphabetically. They may be arranged in such a manner that sound-alike, look-alike medications are not next each other. This reduces picking errors and improves patient safety. It is also ergonomic, reducing bending and reaching during the medication picking process. The rotating shelves also allow use of rarely used vertical space to store medications more efficiently.

The bar code technology compliments the current bedside bar coding. It allows performing perpetual inventory and expiration dates tracking. The perpetual inventory and par levels allow automation of reordering. Keeping expiration dates accurate, carousels can improve efficiency with which expired medications can be removed from inventory. Integrated software within the carousel allows pharmacies to work more efficiently, prioritizing workflow and processing the most important orders first. This allows pharmacists time to work on patient care units with physicians and nurses to construct the most appropriate drug regimen. This is a plan that is best practice, safe, and cost effective.

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

The Illinois Health Facilities and Services Review Board (IHFSRB) definition of Health Planning Area D-02 is shown as Attachment 12, Exhibit 1. The service area (market area) that Advocate BroMenn Medical Center serves is shown on Attachment 12, Exhibit 2, as the primary and secondary market area. The definitions are very similar. In addition to McLean and Livingston Counties, Advocate BroMenn serves Woodford County (where it operates Advocate Eureka Hospital) and DeWitt County. The four Ford County Townships, with a combined population of 1,950, are served but not singled out as a significant section of the market.

A zip code analysis of inpatients seen in 2012 showed that 76.2% of the patients came from the HPA D-02, which demonstrates the hospital serves the HPA D-02 health planning area. See Attachment 12.

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

The existing problem is that the current pharmacy will not meet the requirements of the US Pharmacopeia Chapter 797.

The US Pharmacopeia is a compendium of standards of medication preparation, enforceable by the FDA. The Illinois Pharmacy Practice Act makes these standards enforceable in July 2014. They provide guidance on the appropriate facilities to accommodate the sterile preparation of intravenous medications. In addition to the sterile airflow hood currently in use, they also require separate sterile areas for the preparation of chemotherapy (negative pressure) and standard preparation (positive pressure). These sterile areas are to be further separated by an ante area to prevent contamination of either the chemotherapy or standard preparation areas. The ante area would contain the refrigerator, sink and unmixed intravenous medication inventory. These regulations provide a level of patient safety necessary to prevent hospital acquired infections, as well as staff safety. The existing pharmacy is too small to accommodate these changes in design to meet this code.

In addition, the existing pharmacy is inefficient in how the pharmacy staff must move about to fill orders. The newer methods of filling orders use equipment such as a carousel, which is technology designed to direct the pharmacist to the right location for the desired medication. That equipment has become the new standard for all Advocate hospitals.

The current location of the pharmacy is not in close proximity to the cardiac care unit, emergency room, or critical care unit. The pharmacists are part of the cardiac arrest and stroke response teams. They are present to assist in selection and preparation of appropriate emergency response drugs. Relocation of the pharmacy would reduce this delay in response to these emergencies.

The walk-up window where the pharmacy staff must meet the public after the hospital's retail pharmacy has closed is out of sight of the pharmacy staff. Not having visibility to this main access point is a security concern.

There is insufficient space for the storage of an adequate supply of dialysis solutions within the pharmacy, which needs a controlled environment. These solutions are required in several critical areas of the hospital. Although the hospital is not an in-center dialysis service, it provided 338-dialysis treatments in the past year, primarily to intensive care patients in acute renal failure. Currently, the wholesale drug distributor delivers directly into the medication distribution area. Delivery into a dedicated storeroom location would provide security with reduced traffic into the distribution area. It also provides appropriate space to tag each item to assure it has a readable bar code necessary for bedside bar coding. Bar coding would also update the individual item counts to maintain a perpetual inventory and par levels established for the carousel.

3. Cite the sources of the information provided as documentation.

Information used in this application includes the IDPH Hospital Profile, assembled from the Annual Hospital Questionnaires, other reports made to the State and various credentialing organizations, the Medical Center's Facilities Master Plan, and analysis done by external planners, architects, and engineers. Physicians were consulted as well.

Information regarding US Pharmacopeia 797 is included in the Appendix.

The codes used in the design include:

- IDPH Licensing Act
- Life Safety Code
- Town of Normal Building Code
- Town of Normal Electrical Code
- 2000 National Fire Protection Act 101

4. 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 modernized department will be designed to meet the UPS 797 standards. That will increase the safety of the intravenous medications and safety of the pharmacy staff that prepare them.

By being located in a more efficient site with newer technology such as a carousel, the new pharmacy location will help hold down the staff time to fill an order, and thus reduce the cost of service, which in turn will reduce healthcare costs.

By relocating the pharmacy to a part of the hospital where the intensive care unit is located, and closer to the emergency department, it will be more accessible for the pharmacists to respond quickly to the emergency codes.

By having larger, temperature controlled storage, it will be possible to keep a better inventory of dialysis fluids and other medications, and purchase them in better quantities. The storage and close proximity of pharmacy would improve the ability to procure and stock appropriate inventory and assure its stability.

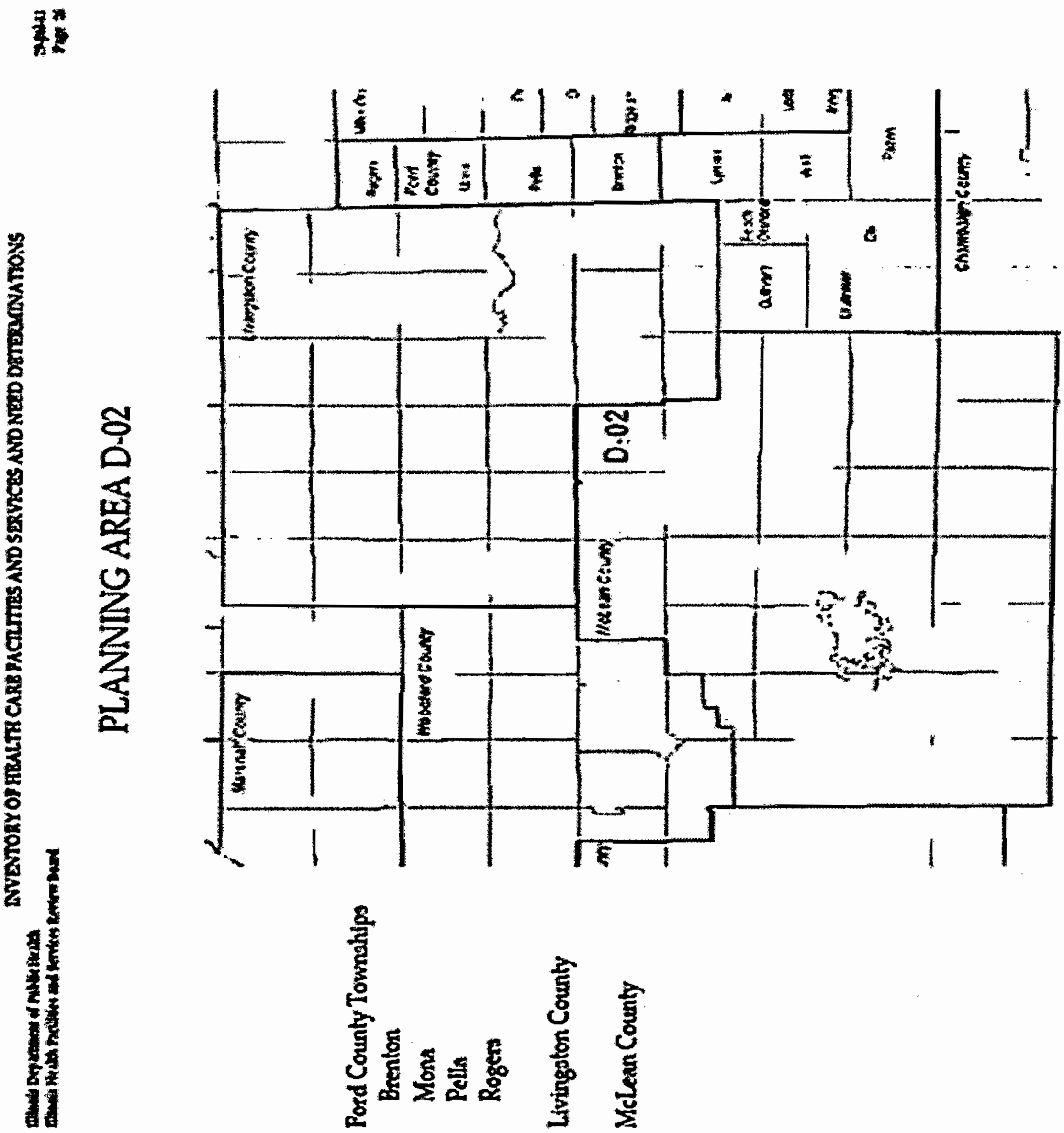
Through a new design, the walk-up window will be placed in a location that affords better visibility and more security for the staff when responding to a request at the window.

5. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.

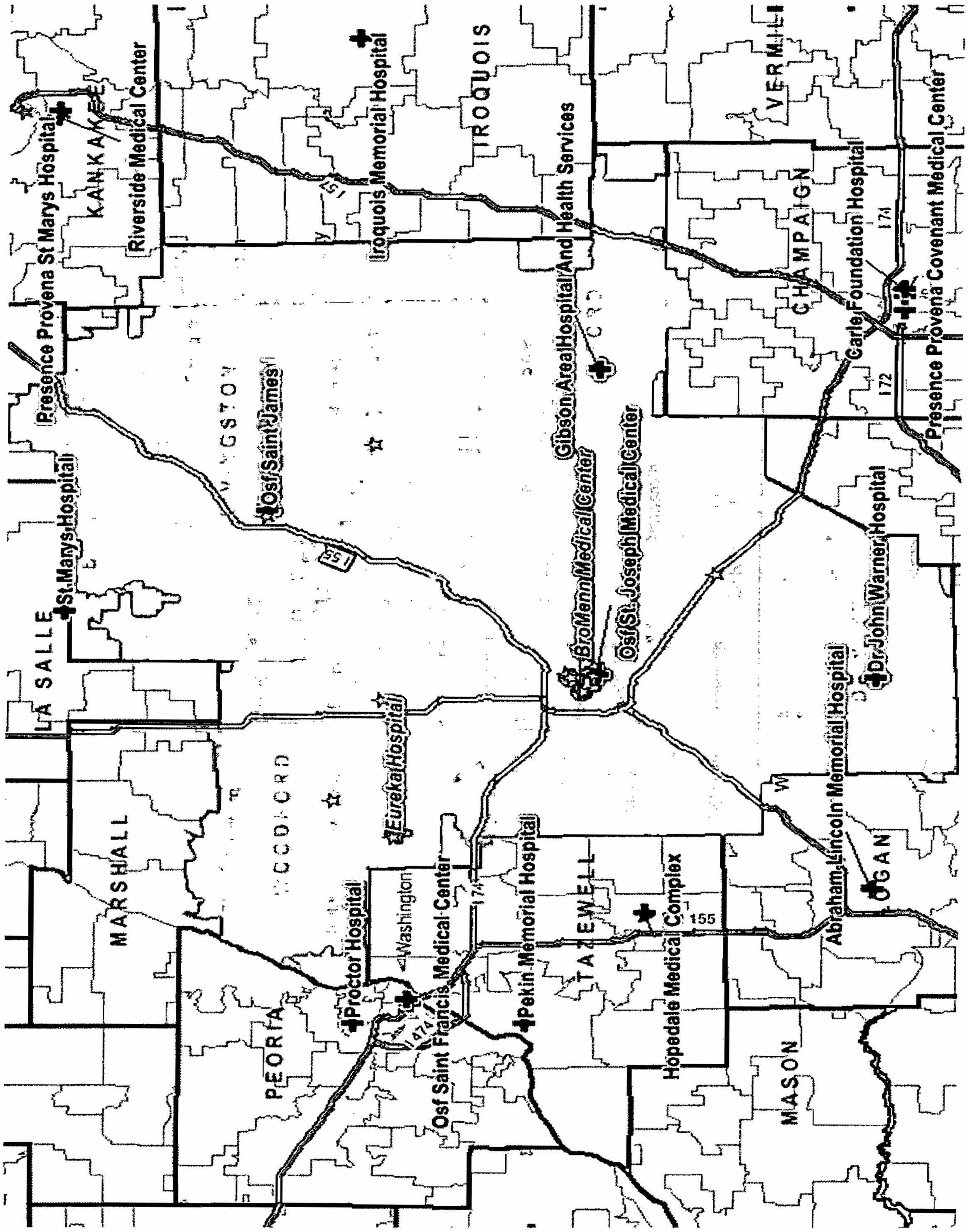
Goal 1 – Implement a careful conceived plan to build the new pharmacy.
Goal 2 – Train staff on the use of the carousel
Goal 3 – Revise all the policies and procedures to fit operations within the USP 797 guidelines.
Goal 4 – Engage the suppliers in new delivery procedures for the dialysis fluid and medications.

Goal 5 – Plan a transition process engaging the pharmacy, nursing and support departments in 2015.
Goal 6 – Relocate the pharmacy by early 2016.

IHFSRB Planning Area D-02 Map



Advocate BroMenn Medical Center — Service Area Map



Advocate BroMenn Medical Center Patient Origin

Health Planning Area	Zip Code	Patient Volume, 2012	% of Total Patient Volume
D-02	61701	2,094	21.9%
D-02	61761	2,027	21.2%
D-02	61704	1,354	14.1%
D-02	61705	379	4.0%
D-02	61752	248	2.6%
D-02	61753	150	1.6%
D-02	61726	145	1.5%
D-02	61745	140	1.5%
D-02	61748	124	1.3%
D-02	61728	98	1.0%
D-02	61732	82	0.9%
D-02	61744	76	0.8%
D-02	61725	54	0.6%
D-02	61754	54	0.6%
D-02	61776	48	0.5%
D-02	61736	45	0.5%
D-02	61774	37	0.4%
D-02	61770	30	0.3%
D-02	61722	23	0.2%
D-02	61772	21	0.2%
D-02	61737	16	0.2%
D-02	61731	14	0.1%
D-02	61720	12	0.1%
D-02	61730	6	0.1%
D-02	61724	3	0.0%
	Subtotal	7,280	76.2%
Other PSA/SSA	61738	265	2.8%
Other PSA/SSA	61727	210	2.2%
Other PSA/SSA	61764	158	1.7%
Other PSA/SSA	61739	153	1.6%
Other PSA/SSA	61530	83	0.9%
Other PSA/SSA	60936	72	0.8%
Other PSA/SSA	61760	66	0.7%
Other PSA/SSA	61842	57	0.6%
Other PSA/SSA	61561	47	0.5%
Other PSA/SSA	61777	31	0.3%
Other PSA/SSA	61740	26	0.3%
Other PSA/SSA	61729	26	0.3%
Other PSA/SSA	61741	25	0.3%

Other PSA/SSA	60921	24	0.3%
Other PSA/SSA	61778	22	0.2%
Other PSA/SSA	60957	15	0.2%
Other PSA/SSA	60460	15	0.2%
Other PSA/SSA	61516	11	0.1%
Other PSA/SSA	61319	10	0.1%
Other PSA/SSA	61735	10	0.1%
Other PSA/SSA	61771	9	0.1%
Other PSA/SSA	61749	9	0.1%
Other PSA/SSA	60420	9	0.1%
Other PSA/SSA	60929	9	0.1%
Other PSA/SSA	60959	7	0.1%
Other PSA/SSA	61742	6	0.1%
Other PSA/SSA	60952	6	0.1%
Other PSA/SSA	61548	6	0.1%
Other PSA/SSA	61769	6	0.1%
Other PSA/SSA	61775	5	0.1%
Other PSA/SSA	61743	4	0.0%
Other PSA/SSA	61333	4	0.0%
Other PSA/SSA	61882	3	0.0%
Other PSA/SSA	61311	3	0.0%
Other PSA/SSA	61773	2	0.0%
Other PSA/SSA	60946	2	0.0%
Other PSA/SSA	60962	2	0.0%
Other PSA/SSA	61570	1	0.0%
Other PSA/SSA	60934	1	0.0%
Other PSA/SSA	60919	-	0.0%
		1,420	15.2%
Other		870	8.6%
Grand Total		9,570	100.0%

PSA=Primary Service Area SSA=Secondary Service Area
Source: COMPdata (Market Expert)
Note: These are inpatient discharges, which may vary from admissions during the same period

Criterion 1110.230 – Background, Purpose of the Project, and Alternatives

READ THE REVIEW CRITERION and provide the following required information:

ALTERNATIVES

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

Alternative options **must** include:

A) Proposing a project of greater or lesser scope and cost;

B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;

C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and

D) Provide the reasons why the chosen alternative was selected.

2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**

3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

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

Advocate BroMenn Medical Center has known for several years that the configuration of the current pharmacy was problematic regarding work flow and efficiency. The urgency to resolve that was heightened when the code US Pharmacopeia (USP) #797 became the standard that hospitals were to follow.

1. Expand the pharmacy by incorporation of nearby existing locker rooms was considered. While the cost would have been lower, the additional 800 sf would have been set apart from the rest of the pharmacy creating inefficiencies with the workflow of the overall pharmacy.

Estimate of the cost was: $671,945

2. Relocate the pharmacy to the lower level of an adjoining medical office building was an option. The space has not become available in time to meet the timing requirements of the USP #797 code. Furthermore, it would need to be extensively remodeled. The distance across the corridors to the hospital would decrease the response time to the Intensive Care Unit or the Emergency Department.

Early estimate of the cost was: $3,000,000

3. Move the pharmacy to vacated space such as the former site of the ICU or OB department. This option would have saved construction costs but would have resulted in

the pharmacy split up into too many rooms, severely decreasing the economy of operation. On the evening and night shift, it is critical that the staff can easily see each other to provide the flexibility of workflow. That would also put the pharmacy farther from all the new inpatient units and the physicians that care for those patients. The pharmacy would also be farther away from the emergency department and intensive care unit, slowing the time to respond to codes.

Cost for this option: $1,500,000

4. Pursue a joint venture or use another outside provider for pharmacy services. This option is not feasible. The service needs to be provided within the hospital. Even if the service was contracted out, the provider would still need different space within the hospital to meet the USP #797 code.

Cost: No estimate was possible.

5. Relocate the pharmacy to the lower level of the new patient tower, into the shell space. This option was selected as the best option. This will allow the space and configuration needed to meet USP #797 code. This will result in quicker access to the Intensive Care Unit and Emergency Department. This option improves travel time to the patients, the workflow efficiencies, and access to physicians. Further, this will get the pharmacy relocated more quickly than other options. That is important because there is time pressure from the FDA to meet the USP #797 code. Since the shell space is open, it will not need to be reconfigured and can be designed with the best workflow for current practices.

Proposed cost: $2,031,564

	Description	Patient Access	Quality	Cost	Financial Benefit, Short Range	Financial Benefit, Long Range	Conclusion
1.	Incorporate nearby locker rooms into the pharmacy	Would not improve access to patients	Would result in workflow inefficiencies	$671,945	Save on capital costs	Would cost more in staff time	Rejected
2.	Relocate the pharmacy to an adjoining medical office building was an early plan; however, the space has not been vacated as expected.	Would be farther for the staff to travel to inpatients	Would be farther for the physicians to go to meet with pharmacists and thus unlikely to happen.	$3,000,000 (Cost was a preliminary estimate and not pursued because not a viable option).	Had the space become available, would have relocated earlier to meet the USP #797 code	Would have incurred the added travel time to get to the inpatients.	Rejected
3	Relocate the pharmacy to the area vacated by the ICU or Obstetrics department	Would be farther for the staff to travel to the new growth area for inpatients	Could have larger space than current, but would be split up into many rooms making problems for the evening and night staff	$1,500,000	The project would not have required a CON	Would have incurred the added travel time to get to the inpatients and harder for physicians to access the pharmacy	Rejected
4.	Utilize a joint venture or contract out the pharmacy services	Patients might not realize a big change	Reduced communication with attending physicians by going through an outside management service.	No operating cost to Advocate BroMenn	Would still need to provide space, regardless of who operates it	Physician and nursing rapport is so important to pharmacy, that this is not an option	Rejected
5.	Relocate the pharmacy to shell space in the new patient tower.	Improved by being closer to growing inpatient area of the hospital.	Will bring pharmacists and staff closer to attending physicians making rounds.	$2,031,564	Will get operations in a site with better work flow efficiency	Will be closer to patients and physicians, improving timeliness that will improve the financial operation.	✓ **Accepted**

<u>Quality Outcomes</u>

The research conducted by the FDA that led to the development of the US Pharmacopeia #797 is well documented. The results indicate that following the standards for how and where intravenous fluids and chemotherapy drugs are prepared will reduce the risk of cross contamination, and is safer for the pharmacy staff. The Advocate quality program monitors hospital acquired infections closely.

Criterion 1110.234 - 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.**

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;

   b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;

   c. The project involves the conversion of existing space that results in excess square footage.

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.

Size of the Project

The sizes of pharmacies today vary with the complexity of the work done onsite and the amount and size of the equipment. There is no state standard for pharmacy size.

SIZE OF PROJECT				
DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?
Pharmacy	3,854	None	N/A	N/A

The American Institute of Architects Academy of Architecture for Health has a Facility Guidelines Institute (FGI). In conjunction with the US Department of Health and Human Services, FGI periodically publishes Guidelines for Design and Construction of Health Care Facilities. They note the "size and type of services to be provided in the pharmacy will depend upon the type of drug distribution system used, number of patients to be served and extent of shared or purchased services."

To make some comparison with other pharmacies, Advocate hospital pharmacies were considered. They range in size from 2,845-7,000 sf. The proposed Advocate BroMenn pharmacy will be 3,854 sf. That is at the 24th percentile in the range.

7,000 – 2,845 = 4,155 range from smallest to largest
3,854 Proposed – 2,845 = 1,009 larger than the smallest
1,009 ÷ 4,155 = 24 percentile between smallest and largest pharmacies

With this comparison, it appears that the proposed Advocate BroMenn Medical Center pharmacy is well within the size of other hospitals' pharmacies.

PROJECT SERVICES UTILIZATION:

Not applicable. The Review Board has no established standards for square footage or utilization of pharmacies.

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.

R. Criterion 1110.3030 - 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
☒ **Pharmacy**	**NA**	**NA**

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-34,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Pharmacy Services

c) Service Modernization

The applicant shall document that the proposed project meets one of the following:

1. Deteriorated Equipment or Facilities

The existing Advocate BroMenn Medical Center pharmacy department facilities do not meet the standard designated US Pharmacopeia 797. The Illinois Pharmacy Practice Act is making these standards enforceable in 2014 and will look for evidence that pharmacies are in process of complying. The new guidelines call for separate compounding rooms with new hoods and airflow for 1) chemotherapy and 2) standard intravenous preparation, both separated by an ante-room with support equipment there. The proposed relocation of the pharmacy services within the hospital addresses these needs and many other operational improvements.

2. Necessary Expansion

The history of automation continues in healthcare and now has made a presence in the pharmacy with carousel automation, a medication storage cabinet with rotating shelves used to automate medication distribution. The carousel must be interfaced with the pharmacy information system. The carousel uses bar coding and light finding to improve efficiency and accuracy of selecting the right medication (referred to as picking) and restocking. The rotating shelves within the carousel bring medications at one working level, where a light identifies the exact location from which the medication is to be selected by the person filling the order. The medications do not have to be stored alphabetically. They may be arranged in such a manner that sound-alike, look-alike medications are not next each other. This reduces picking errors and improves patient safety. It is also ergonomic, reducing bending and reaching during the medication picking process. The rotating shelves also allow use of rarely used vertical space to store medications more efficiently.

The bar code technology compliments the current bedside bar coding. It also allows performing perpetual inventory tracking and tracking expiration dates. The perpetual inventory and par levels allow automation of reordering. Keeping expiration dates accurate, carousels can improve efficiency with which expired medications can be removed from inventory. Integrated software within the carousel allows pharmacies to work more efficiently, prioritizing workflow and processing the most important orders first. This allows pharmacists time to work on patient care units with physicians and nurses to construct the most appropriate drug regimen. This is a plan that is best practice, safe and cost effective, so the use of a carousel has become an Advocate standard.

The Project proposes to accommodate the use of a carousel. The carousel is approximately 12 ft wide by 4 ft deep, and requires similar additional space for the pharmacists to operate it.

3. Utilization

A) Major Medical Equipment

N/A. There is no piece of pharmacy equipment in this Project that meets or exceeds the major medical equipment threshold.

B) Service or Facility

There are no standards for utilization of the pharmacy. It is important to note that the historical volume of medication doses dispensed is increasing. The pattern of doses from the past is as follows:

	Historical Utilization				
	2011	2012	2013	% change 2011-2013	Compound Annual Growth Rate
Doses Dispensed	969,984	976,785	985,936	1.64%	0.82%

Source: Department Records

When the compound annual growth rate is projected forward, the use in 2018 is shown below:

		Projected Utilization				
	Compound Annual Growth Rate	2014	2015	2016	2017	2018
Doses Dispensed	0.82%	994,010	1,002,150	1,010,357	1,018,631	1,026,973

That change represents another 4.2% increase in output:

1,026,973 doses in 2018 – 985,936 doses in 2013 = 41,037 more doses dispensed

41,037 ÷ 985,936 = 4.2% increase

Therefore, in addition to the need for space for the separate rooms for intravenous and chemotherapy preparation, and the space for the carousel automation, the anticipated increase in volume of doses supports the need for this project.

The need for this project has been justified.

Non-Clinical Service Areas

While this information is not required, it is included to provide a better understanding of the non-clinical areas of the Project.

Conference Rooms

Two proposed conference rooms will be used by physicians, staff, and medical students. Advocate is a teaching hospital for Family Practice, Neurology and Neurosurgery residents. The need for meeting space is critical for these programs. There are clinical trials underway, managed by government agencies, educational institutions, private corporations, and pharmaceutical companies to evaluate the effectiveness of new therapies and medications. The need for meeting space for these programs has been growing. The two new conference rooms total 972 sf.

Corridor and Public Toilets

A public corridor is proposed to go across all the north side of the lower level of the 2012 patient tower, adjoining the planned location for the pharmacy. This corridor will make it easier for patients and those accompanying them to find the outpatient pharmacy window and for staff and physicians to find the conference rooms. This category of space includes nearby toilets. A connection from the existing 2004 hospital addition to the lower level of the 2012 patient tower permits unimpeded movement of patients, physicians, and other clinical support staff between the two buildings. The new corridor and toilets will total 4,976 sf.

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)**

VIII. - 1120.120 - Availability of Funds

This section is not applicable. Advocate Health Care Network bonds have been rated by Fitch as AA, Moody's as Aa2, and Standard and Poor's as AA, which qualifies the applicants for the waiver. See Attachment 37, Exhibits 1-3.

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 time table 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 time table 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 ATTACHMENT-36, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

IX. 1120.130 - Financial Viability

This section is not applicable. Advocate Health Care Network bonds have been rated by Fitch as AA, Moody's as Aa2, and Standard and Poor's as AA, which qualifies the applicants for the waiver. See Attachment 37, Exhibits 1-3.

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:

5. All of the projects capital expenditures are completely funded through internal sources
6. 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
7. 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-37, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

FitchRatings

FITCH RATES ADVOCATE HEALTH CARE'S (IL) SERIES 2013A BONDS 'AA'; OUTLOOK STABLE

Fitch Ratings-Chicago-11 July 2013: Fitch Ratings has assigned an 'AA' rating to the following Illinois Finance Authority revenue bonds to be issued on behalf of Advocate Health Care (Advocate):

--$75 million revenue bonds, series 2013A.

In addition, Fitch affirms the 'AA' rating on approximately $1.3 billion of revenue bonds issued by the Illinois Health Facilities Authority and the Illinois Finance Authority on behalf of Advocate. Fitch also affirms the 'F1+' short-term ratings on the following Illinois Finance Authority bonds based upon self-liquidity provided by Advocate:

--$47.6 million put bonds, series 2003A&C;
--$21.9 million put bonds, series 2008C-3B;
--$70 million variable rate demand bonds, series 2011B.

This issuance is part of Advocate's plan of finance that will also include a variable rate component, which will be used to refinance Sherman Health System's debt and fund approximately $100 million of future capital projects. The series 2013A fixed rate bonds are expected to price the week of July 30, 2013 via negotiated sale.

Fitch also withdraws the short-term 'F1+' rating on the following bonds:

--$40 million series 2008A-1 (new long-term interest rate period effective Jan. 24, 2013 to Jan. 15, 2020);
--$35.5 million series 2008A-2 (new long-term interest rate period effective Feb. 1, 2013 to Feb. 12, 2020);
--$42.8 million series 2008A-3 (new long-term interest rate period effective May 1 2012 to May 1, 2019).

The long-term rating on these bonds is 'AA'.

The Rating Outlook is Stable.

SECURITY

The bonds are unsecured obligations of the obligated group.

KEY RATING DRIVERS

LIGHT DEBT BURDEN: The rating affirmation at 'AA' incorporates Advocate's 2013 financing, which will seek to refinance the newly-affiliated Sherman Health System's debt and provide Advocate with $100 million in new money for capital needs. The additional debt will not impact Advocate's relatively low burden, and Advocate covers pro forma maximum annual debt service (MADS) of $95 million at 7.0x by EBITDA at March 31, 2013. Pro forma debt to capitalization was relatively light at 26.6% for the same time frame.

CONSISTENT PROFITABILITY SUPPORTS LIQUIDITY: Advocate's strong operating cash flow generation continues to support substantial balance sheet strength and steady capital investment. Its liquidity indicators consistently exceed Fitch's 'AA' category median ratios. Further, Advocate consistently maintains ample liquidity to meet Fitch's criteria for the 'F1+' short-term rating against its mandatory put exposure.

STEADY MARKET SHARE POSITION: Advocate maintains a leading position within its Chicago metropolitan service area, and remains the largest provider in the state. Its recent merger with Sherman Health System's (Elgin, IL) should further bolster its market position. Still, Fitch notes the service area remains highly competitive, and the regulatory environment in Illinois remains challenging.

STRONG CLINICAL INTEGRATION: Advocate's high level of integration with its clinicians has produced better care coordination, operating efficiencies, effective contracting, and physician engagement, should position it well to navigate continued pressures on reimbursement and focus on improved clinical quality metrics.

RATING SENSITIVITIES

FINANCIAL CUSHION: Advocate's overall financial profile is strong for its rating level and provides some cushion against industry challenges.

CREDIT PROFILE

Advocate is an integrated health care system serving the Chicago metropolitan area and central Illinois. With the merger of Sherman Health Systems, the system is now composed of 11 acute care hospitals and a children's hospital (totaling approximately 3,500 licensed beds), primary and specialty physician services, home health, hospice, and outpatient centers serving the Chicago metropolitan area and central Illinois. Total revenues in audited fiscal 2012 (Dec. 31 fiscal year end) were $4.6 billion.

SHERMAN HEALTH SYSTEMS MERGER

Effective June 1, 2013, Sherman Health Systems joined the Advocate Health system. Sherman Health Systems (now Advocate Sherman Hospital, ASH) is a 255-bed hospital located in Elgin, IL and had $307.6 million in fiscal 2012 revenues (year-end April 30). The merger should help bolster Advocate's market position within the northwest suburbs, and includes a $200 million financial commitment over five years by Advocate, for various capital and operating projects at ASH. ASH built a replacement facility in December 2009. Fitch believes the merger will be de minimus to Advocate's overall financial profile given the size of ASH compared to the entire system.

DEBT PLANS

The series 2013 bonds will also provide $100 million in new money for various projects at Advocate, including a $247 million campus renovation at Advocate Good Shepherd and a $40 million emergency room and surgery expansion at Advocate Lutheran Hospital, and an $18 million intensive care unit project at Advocate Trinity Hospital. Total debt will equal approximately $1.6 billion post issuance, of which 52% will be fixed rate.

The series 2013A bonds will also be issued in part to refinance all or part of ASH's existing debt equaling $170 million in series 2007A bonds as of March 31, 2013. The final plan of finance will be dependent upon the market tender of those bonds. Over the longer term, it is expected that ASH will join the Advocate obligated group, but any 2007A bonds left outstanding at bond closing will remain obligations of ASH.

SELF-LIQUIDITY

The 'F1+' rating reflects Advocate's availability of highly liquid resources to cover the mandatory tender on its put bonds. At March 31, 2013, Advocate's eligible cash and investment position available for same-day settlement would cover the cost of the maximum mandatory put on any given date well in excess of Fitch's criteria of 1.25x. Advocate provided Fitch with an internal procedures letter outlining the procedures to meet any un-remarketed puts. In addition, Advocate provides monthly liquidity reports to Fitch to monitor the sufficiency of Advocate's cash and investment position relative to its mandatory put exposure.

OPERATING PERFORMANCE

Robust operating profitability has resulted in operating EBITDA of over $500 million (11.6%

operating EBITDA margin) and EBITDA over $700 million (15.2% EBITDA margin) in fiscal 2012. Robust performance continued through March 2013, with 9.3% operating EBITDA and 14.1% EBITDA margins. The series 2013A bonds will be used to finance some of Advocate's capital plans, which are manageable through 2017, but will require continued strength in cash flow and perhaps additional debt issuance. Further, Advocate's defined benefit pension is well funded at 92% as of Dec. 31, 2012.

SERVICE AREA
Fitch views Advocate's leading market share position and integrated clinical platform in the very competitive and fragmented Chicago metropolitan market as a credit strength. Of some concern is the legislative environment in Illinois, including ongoing pressure and delays in Medicaid reimbursement. Advocate's receivables have been negatively impacted by delayed Medicaid payment. This concern is mitigated by Advocate's somewhat limited (9% of net patient revenue) reliance on Medicaid and its robust advocacy efforts at the state level.

STRONG LIQUIDITY
At March 31, 2013, Advocate's unrestricted cash and investments totaled over $3.7 billion. Liquidity metrics were strong with 330.7 days cash on hand (DCOH), a pro forma cushion ratio of 39.2x and cash and investments equating to 240.6% of pro forma long-term debt; all of which exceed Fitch's respective 'AA' category medians of 241.1, 24.1x and 169.4%.

DISCLOSURE
Advocate's disclosure includes annual audited financial statements as well as quarterly unaudited balance sheet, income statement, cash flow statement, an extensive MD&A, and utilization statistics. The information is posted to the Municipal Securities Rulemaking Board's EMMA system. In addition, management holds routine calls with rating agencies and with investors. Fitch considers Advocate's disclosure standards to be best practice.

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Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:
--'Revenue-Supported Rating Criteria', dated June 3, 2013.
--'Nonprofit Hospitals and Health Systems Rating Criteria', dated May 20, 2013.
--'Criteria for Assigning Short-Term Ratings Based on Internal Liquidity', dated June 13, 2013.

Applicable Criteria and Related Research:

Revenue-Supported Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=709499
U.S. Nonprofit Hospitals and Health Systems Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=708361
Criteria for Assigning Short-Term Ratings Based on Internal Liquidity
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=708640

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MOODY'S
INVESTORS SERVICE

7 World Trade Center
250 Greenwich Street
New York, NY 10007
www.moodys.com

July 11, 2013

Mr. Dominic H. Nakis
Senior Vice President – Chief Financial Officer
Advocate Health Care Network
2025 Windsor Drive
Oak Brook, IL 60521-0222

Dear Mr. Nakis:

I wish to inform you that Moody's Investors Service has assigned an Aa2 rating to Advocate Health Care Network's Series 2013A fixed rate bonds. The rating outlook remains stable. At this time, we are affirming the Aa2, Aa2/VMIG 1 and Aa2/P-1 ratings on Advocate's outstanding bonds.

Moody's will monitor these ratings and reserves the right, at its sole discretion, to revise or withdraw these ratings at any time.

The ratings as well as any other revisions or withdrawals thereof will be publicly disseminated by Moody's through the normal print and electronic media and in response to verbal requests to Moody's rating desk.

In order for us to maintain the currency of our rating, we request that you provide ongoing disclosure, including annual and quarterly financial and statistical information.

Should you have any questions regarding the above, please do not hesitate to contact me.

Sincerely,

Lisa Martin

Lisa Martin
Senior Vice President
Phone: 212-553-1423
Fax: 212-298-7145
Email: lisa.martin@moodys.com

LM:rl

cc: Mr. Jim Blake, Kaufman, Hall & Associates, Inc.
Mr. Timothy Wons, J.P. Morgan

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RATINGS SERVICES

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Illinois Finance Authority Advocate Health Care Network; System

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Table Of Contents

Illinois Finance Authority
Advocate Health Care Network; System

Credit Profile

US$75.0 mil hosp rev bnds (Advocate Hlth Care Network) ser 2013A due 08/01/2043		
Long Term Rating	AA/Stable	New

Rationale

Standard & Poor's assigned its 'AA' long-term rating to the Illinois Finance Authority's $75 million series 2013A fixed-rate bonds issued for Advocate Health Care Network (AHCN). Standard & Poor's also affirmed its 'AA' long-term rating and, where applicable, its 'AA/A-1+' and 'AA/A-1' ratings on various other series of bonds issued by the authority on behalf of AHCN. The outlook on all ratings is stable.

The 'A-1+' short-term component of the rating on the series 2003A, 2003C, and 2008C-3B mandatory tender bonds and 2011B windows bonds reflects the credit strength inherent in the 'AA' long-term rating on AHCN's debt and the sufficiency of AHCN's unrestricted assets to provide liquidity support for the aforementioned bonds. Standard & Poor's Fund Ratings and Evaluations Group assesses the liquidity of AHCN's unrestricted investment portfolio to determine the adequacy and availability of these funds to guarantee the timely purchase of the bonds tendered in the event of a failed remarketing. We monitor the liquidity and sufficiency of AHCN's investment portfolio on a monthly basis.

The 'A-1+' short-term component of the rating on the issuer's series 2008C-2A and 2008C-3A bonds and the 'A-1' short-term component of the rating on the series 2008C-1 and 2008C-2B bonds reflect the standby bond purchase agreements (SBPAs) in effect from various financial institutions. They further reflect our view of the likelihood of payment of tenders and our view of liquidity facilities that cover all of the bond series. (For more information, see the Financial Profile section.

As of June 1, 2013, Sherman Health Systems completed an affiliation with AHCN. As part of this affiliation, Sherman Health Systems (the parent) was dissolved and merged into Sherman Hospital and the hospital's name was changed to Advocate Sherman Hospital. Over the next month, AHCN anticipates redeeming Advocate Sherman's $105 million series 1997 bonds and is evaluating a tender offer for Advocate Sherman's remaining $170 million series 2007A bonds. If the series 2007A bonds are refinanced (or redeemed), Advocate Sherman will become part of AHCN's obligated group. Otherwise, Advocate Sherman's series 2007A bonds will remain obligations of Advocate Sherman only.

The 'AA' long-term rating reflects our view of AHCN's strength as the Chicago area's largest health system (with total operating revenue of $4.6 billion in 2012 and a balance sheet with $7.8 billion of total assets) as well as its good operating performance, strong and consistent coverage, and stable and healthy unrestricted reserves with moderate debt for the rating. In addition, AHCN's strong physician relationships and practice in managing care under capitated risk and through shared savings programs, including the Medicare accountable care organization demonstration project, are credit strengths in light of some of the anticipated changes related to health care reform. Given the

Sherman transaction as well as increased capital spending during the next few years, we anticipate possible declines in operational liquidity and in absolute levels of reserves, but within the range of medians for the rating. Although the series 2013A new money debt was not anticipated, it's absorbable at the current rating given ACHN's balance sheet strength and historically good cash flow and healthy pro forma coverage. We are seeing signs of operating margin pressure, as more one-time items supported revenue last year, and we believe AHCN's focus on managing expenses and backfilling volumes that may be lost as a result of lower utilization (linked to both better care management and fewer readmissions) is important to maintaining health cash flow and coverage levels.

The 'AA' long-term rating further reflects our view of AHCN's:

- Good financial profile, with operating margins of more than 4% for the past four years but with a slightly lighter unaudited operating margin of 2.7% through the first three months of fiscal 2013, and consistently strong pro forma maximum annual debt service (MADS) coverage of 6x or greater for the past several years (although Advocate Sherman's coverage is weaker, it is in the 2x area);
- Robust balance sheet measures, as demonstrated by still light pro forma leverage of 25% and by solid unrestricted reserves of 330 days' cash on hand and unrestricted reserves to pro forma debt of 261% as of March 31, 2013 (balance sheet ratios will be diluted slightly as Advocate Sherman's financials are incorporated into the credit profile, but will remain within the range of medians for the rating);
- Incremental growth in ACHN's leading market share through 2012, to 16.2% (which will likely increase with the Sherman merger complete); and
- Position as Chicago's largest and most successfully integrated health delivery system, with approximately 3,200 licensed beds and more than 5,600 physicians, 4,150 of whom are affiliated with Advocate Physician Partners, a joint venture between AHCN and clinically and financially aligned physicians with the purpose of providing cost-effective health care to patients in the communities AHCN serves.

Partly offsetting the above strengths, in our view, are:

- AHCN's very strong competition in the greater Chicago market -- other systems and large academic medical centers -- coupled with volume pressures related to both industry and economic issues as well as health care reform;
- Market consolidation that could affect AHCN as an acquirer or with new ownership at a competing facility; and
- AHCN's heightened capital spending during the next few years as a few major projects are started and completed, which could dampen unrestricted reserve growth during the short term.

Total long-term debt at Dec. 31, 2012 was $1.4 billion, which includes about $38 million of capital leases and other loans. Including Advocate Sherman debt and the series 2013A transaction, pro forma long-term debt increases to approximately $1.6 billion. This includes debt classified on the audited financial statements as a current liability subject to short-term remarketing agreements, which we treat as long-term debt for the purpose of our debt-related ratios. ACHN's rated bonds are the general, unsecured joint, and several obligations of the obligated group, which consists of the parent, AHCN; Advocate Health and Hospitals Corp., which includes most of AHCN's acute care facilities; Advocate North Side Health Network, which includes Advocate Illinois Masonic Center; and Advocate Condell Medical Center. However, this analysis reflects the system as a whole.

The $75 million series 2013A proceeds, along with about $25 million proceeds of series 2013B bonds that will be issued during the next month or two, will be used for future capital spending on a variety of projects during the next few years. These projects were included in AHCN's capital forecasts and are not new. The series 2013B bonds will likely be issued as variable rate, but the exact structure is still being determined.

Outlook

The stable outlook reflects our view of AHCN's continued market leadership, extensive physician network, and solid financial profile. Given the heightened capital spending during the next few years and industry pressures that could dampen AHCN's healthy margins, a higher rating is unlikely.

However, we could consider raising the rating if management maintains strong operations and unrestricted reserves of roughly 325 days' cash on hand after the higher levels of capital spending during the next few years (as the service area is highly competitive).

Given our view of AHCN's strong market position, consistent financial profile, and good financial flexibility, we are also unlikely to lower the rating during the next year or two. However, we could consider lowering the rating if AHCN's debt service coverage declines to and remains at approximately 4x or if unrestricted reserves decrease to and stabilize at about 200 days' cash. We do not anticipate any additional new money debt issuances during the next one to two years.

Enterprise Profile

Market position and organizational profile

With the inclusion of Advocate Sherman, AHCN has a total of 11 acute care hospitals (including an integrated children's hospital operating mainly on two campuses), mostly in the greater Chicagoland market; 834 employed full-time equivalent (FTE) physicians through Advocate Medical Group (AMG) and BroMenn's Hospital's medical group; seven home health offices (six of which are in the Chicago market); pharmacies, clinic, and outpatient sites; and several joint venture operations. AHCN maintains a professional services agreement with Dreyer Medical Group, a 150 FTE multispecialty physician group in the western suburbs of Chicago. AHCN also has long-term teaching affiliations with the University of Illinois at Chicago Health Sciences Center, Rosalind Franklin University, and Midwestern University. As part of these affiliations, AHCN trains about 600 residents in 31 AHCN residency programs. In addition, the wide geographic reach of both AHCN's acute care and non-acute care services helps support its strong business position in the very competitive Chicagoland market. This purchase further expands AMG's geographic and service line reach. Although we anticipate that AMG will continue to grow, we understand that management is also focused on optimizing and running the group more efficiently.

AHCN's inpatient market share (including observation visits) in the Chicago metropolitan area was a leading 16.2% at Dec. 31, 2012. Including Advocate Sherman, management estimates that market share could increase to around 17%. Moreover, AHCN's percentage has increased during the past few years because of physician recruitment and despite a general softness in the market for inpatient admissions. The next highest market share in that large geographic area is about 10.5%, held by Presence Health (the system formed by Resurrection Health Care and Provena Health). In addition to having a good presence in the Chicago metropolitan area, AHCN has established a presence in the central Illinois market with its acquisition of BroMenn Hospital in January 2010. AHCN continues to evaluate acquisition likely be issued as variable rate, but the exact structure is still being determined.

Outlook

The stable outlook reflects our view of AHCN's continued market leadership, extensive physician network, and solid financial profile. Given the heightened capital spending during the next few years and industry pressures that could dampen AHCN's healthy margins, a higher rating is unlikely.

However, we could consider raising the rating if management maintains strong operations and unrestricted reserves of roughly 325 days' cash on hand after the higher levels of capital spending during the next few years (as the service area is highly competitive).

Given our view of AHCN's strong market position, consistent financial profile, and good financial flexibility, we are also unlikely to lower the rating during the next year or two. However, we could consider lowering the rating if AHCN's debt service coverage declines to and remains at approximately 4x or if unrestricted reserves decrease to and stabilize at about 200 days' cash. We do not anticipate any additional new money debt issuances during the next one to two years.

Enterprise Profile

Market position and organizational profile

With the inclusion of Advocate Sherman, AHCN has a total of 11 acute care hospitals (including an integrated children's hospital operating mainly on two campuses), mostly in the greater Chicagoland market; 834 employed full-time equivalent (FTE) physicians through Advocate Medical Group (AMG) and BroMenn's Hospital's medical group; seven home health offices (six of which are in the Chicago market); pharmacies, clinic, and outpatient sites; and several joint venture operations. AHCN maintains a professional services agreement with Dreyer Medical Group, a 150 FTE multispecialty physician group in the western suburbs of Chicago. AHCN also has long-term teaching affiliations with the University of Illinois at Chicago Health Sciences Center, Rosalind Franklin University, and Midwestern University. As part of these affiliations, AHCN trains about 600 residents in 31 AHCN residency programs. In addition, the wide geographic reach of both AHCN's acute care and non-acute care services helps support its strong business position in the very competitive Chicagoland market. This purchase further expands AMG's geographic and service line reach. Although we anticipate that AMG will continue to grow, we understand that management is also focused on optimizing and running the group more efficiently.

AHCN's inpatient market share (including observation visits) in the Chicago metropolitan area was a leading 16.2% at Dec. 31, 2012. Including Advocate Sherman, management estimates that market share could increase to around 17%. Moreover, AHCN's percentage has increased during the past few years because of physician recruitment and despite a general softness in the market for inpatient admissions. The next highest market share in that large geographic area is about 10.5%, held by Presence Health (the system formed by Resurrection Health Care and Provena Health). In addition to having a good presence in the Chicago metropolitan area, AHCN has established a presence in the central Illinois market with its acquisition of BroMenn Hospital in January 2010. AHCN continues to evaluate acquisition opportunities, but nothing is pending. We believe that overall competition in the market could increase because Presence Health is restructuring its organization and because Centegra Health System plans to build a new hospital about 16 miles from Advocate Good Shepherd (and about 10 miles from Advocate Sherman) during the next few years.

Volumes

Like those of many systems and hospitals in the market, AHCN's inpatient admissions continued to decline in fiscal 2012, by 1% to 165,238 after a decline of 2% to 166,756 in fiscal 2011. Partially offsetting this decline were a year-over-year increase in observation and overall growth in the level of acuity of services provided, as measured by case mix index. In addition, the decline is also partly due to better-quality metrics and therefore fewer readmissions. As better quality of care reduces length of stay and admissions (as well as readmissions), management is strategically focused on backfilling patient volumes through physician growth as well as capturing additional market share. Outpatient visits rebounded slightly in 2012, increasing 1.3% to 1,684,445 after decreasing 1.2% to 1,662,327 in fiscal 2011. Through the first quarter of fiscal 2013 ended March 31, inpatient admissions were down 5.9% and observation visits continued to increase, with some softness in outpatient visits. Management aims to modestly increase inpatient (including observation visits) and outpatient volumes during the next few years, but we believe, given market and industry dynamics, that growth may be more dependent on AHCN's ability to capture additional market share. Advocate Sherman's admissions base is around 14,000 and has grown somewhat during the past year.

Management

AHCN has generally had a very strong and stable management team, in our view. CEO James Skogsbergh has been with the organization for 11 years, and many of the other key senior management positions have had limited turnover, with certain positions being filled internally. We believe the management team is forward-thinking as relates to physician employment and integration through both its employed AMG physicians and its relationship with many of its independent physicians. Many of these independent physicians, along with AMG physicians, are part of Advocate Physician Partners, a joint venture between AHCN and independent physicians that aligns these parties both clinically and financially through a focus on quality and efficiencies. In addition, we believe that AHCN's participation in both capitated contracts and some risk-sharing programs with certain payors will likely position AHCN well for the anticipated changes evolving out of health care reform.

Financial Profile

Bad debt accounting change

In accordance with the publication of our report "New Bad Debt Accounting Rules Will Alter Some U.S. Not-for-Profit Health Care Ratios But Won't Affect Ratings," published Jan. 19, 2012 on RatingsDirect, we recorded AHCN's 2012 audit, including the adoption of Financial Accounting Standards Board Accounting Standards Update No. 2011-07 in 2012 but not in prior periods. The new accounting treatment means that AHCN's fiscal 2012 and subsequent financial statistics are directly comparable neither with the results for 2011 and prior years, nor with the 2011 median ratios. For an explanation of how the change in accounting for bad debt affects each financial measure, including the direction and size of the change, please see the above report.

Income statement

AHCN's operating margin continued to be strong, in our view, in fiscal 2012 and has attenuated slightly for the first quarter of fiscal 2013 ended March 31. Historically, AHCN's first quarter has generally been softer and AHCN's year-end operating margins generally improve over the first quarter. In addition, fiscal 2012 had a few one-time-type revenue items that, if excluded, would have softened margins compared with prior years' levels. For fiscal 2012 (ended Dec. 31), AHCN posted an operating income of $232 million (5.1% margin), on par with fiscal 2011's operating income of $230 million (5.0% margin). (Standard & Poor's operating income is adjusted to exclude investment income on self-insurance trust assets, joint venture income, and unrestricted contributions – all of which are included in non-operating income.) Management attributes the margins to continued outpatient volume growth, a structured focus on expenses (part of a multiyear systemwide effort to reduce cost structure), and more one-time revenue benefits, including federal reimbursement for electronic health records ($32 million) and a settlement from the federal government that included 2,200 hospitals nationwide ($29.3 million). Revenue (including bad debt adjustment as an operating expense) continued to increase, growing 4.3% in fiscal 2012, while expenses grew at a slightly higher rate of 4.5%. Through the first quarter of fiscal 2013 ended March 31, operating income was $30 million (2.8% margin) and on par with that of the prior-year period, but net patient revenue was flat for the first time in many years. Reimbursement pressures related to sequestration, incorporation of state Medicaid cuts (from July 2012), and continued volume pressures are dampening margins. Management budgeted an operating margin of 4% (which includes certain investment income that we consider non-operating income) in fiscal 2013 and aims to remain in that area during the next few years. The slight decrease in margins in comparison with recent years is related to a number of assumptions, including continued reimbursement and volume pressures as well as other expense assumptions and physician investment.

In fiscal 2012, excess income (excluding unrealized gains and adjustments on investments and changes in swap valuation) continued to be very strong, in our view, at $494 million (10.3% margin), contributing to very robust 7.6x pro forma MADS coverage (and 4.8x operating lease-adjusted pro forma MADS coverage). Pro forma MADS includes all of ACHN's and Advocate Sherman's debt but excludes ACHN's $38.6 million of other capital leases and loans. Excess margins have varied, predominantly because of investment market fluctuations, but have historically been in the 5% to 7% range. AHCN's coverage calculations are aided by a pro forma debt burden that we consider low, at 2%, though slightly increased with recent debt issuances.

Balance sheet

AHCN's balance sheet is consistent with the rating, in our view, and has been relatively stable during the past few years despite the current new money debt issuance as well as the new money issuance in late 2012. Unrestricted reserve levels have continued to strengthen during the past few years, increasing by 20.4% from year-end 2011 to March 31, 2013 to $3.7 billion, or about 330 days' cash on hand. On a pro forma basis, cash will likely become diluted with the addition of Advocate Sherman, but would likely still be above 300 days. At March 31, 2013, debt levels remained light, in our view, with pro forma leverage at 25% (slightly higher if including Advocate Sherman) and unrestricted reserves to pro forma long-term debt of 260% (and slightly lighter if including Advocate Sherman). Of recent debt issuances, about $171.8 million remains in the project fund for future capital spending. Average age of plant has decreased slightly to 10.8 years at March 31, 2013, just slightly above rating medians. After capital spending in 2012 that was just under budget but still healthy at $281 million (or 150% annual depreciation expense), management anticipates that capital expenditures will continue at a fairly healthy clip during the next few years, with capital spending budgeted at $466 million for 2013 and remaining at similar levels for the next few years before decreasing to more typical levels. Larger capital projects include a new ambulatory tower at Advocate Christ Medical Center (partially supported by bond proceeds) to open in spring 2014, an inpatient tower at Advocate Christ Medical Center, an outpatient center at Advocate Illinois Masonic Center (which will include an ambulatory surgery center), modernization and expansion efforts at Advocate Good Shepherd Hospital, and some smaller projects at Advocate Trinity Hospital and Advocate Lutheran General Hospital. We also understand that most of that capital spending will be funded by cash flow as well as proceeds from previously issued bonds and the series 2013A and 2013B bonds. AHCN's target investment portfolio is reasonable, in our opinion, given AHCN's unrestricted liquidity levels, with a target allocation of 30% equities; 25% of hedge funds, real assets, and private equity; 35% fixed income; and 10% cash. AHCN has unfunded commitments of about $442 million for its private equity investments. AHCN also maintains two pension plans, of which one is frozen, and together they were funded at about 92% at Dec. 31, 2012.

Debt structure and contingent liabilities

On a pro forma basis and including Advocate Sherman's series 2007A bonds as well as AHCN's series 2013A and 2013B bonds, total debt is approximately $1.6 billion. On a pro forma basis, slightly more than 50% is fixed, with the remainder in some type of variable-rate mode. The split of the variable-rate debt is:

- $128.065 million in long-term interest rate mode that goes out five-plus years before a mandatory tender;
- $69.535 million in long-term interest rate mode that has a mandatory tender in one year;
- $70.000 million in windows mode that provides about 210 days' notice before a mandatory tender would occur;
- $100.000 million in direct placement bonds; and
- $321.295 million in weekly variable-rate demand mode backed by various liquidity facilities.

Specifically, the providers of the liquidity facilities of the $321.295 million as of this report are as follows:

- Series 2008C-1: JPMorgan Chase Bank (A-1), Aug. 1, 2016;
- Series 2008C-2A: Wells Fargo Bank, N.A. (A-1+), Aug. 1, 2015;
- Series 2008C-2B: JPMorgan Chase Bank, Aug. 1, 2017; and
- Series 2008C-3A: Northern Trust (A-1+), Aug. 1, 2017.

AHCN provides liquidity support for the abovementioned variable-rate debt that is not backed by bank liquidity facilities. Based on AHCN's liquidity analysis provided to Standard & Poor's Funds Group, AHCN can amply cover its mandatory tenders within the year, totaling $139 million. (As of May 31, 2013, AHCN had unrestricted reserves of $1.2 billion based on the funds group analysis.) In addition, management maintains about $200 million of available lines of credit, on which there were no draws as of March 31, 2013.

AHCN also maintains three floating- to fixed-rate swaps with a total notional amount of $326.3 million. The counterparties are Wells Fargo Bank N.A. and PNC Bank N.A. As of March 31, 2013, the liability on the swaps was $80.8 million with no collateral posting required.

Advocate Health Care Network and Subsidiaries Financial Summary

	--Three-month interim ended March 31, 2013--	--Fiscal year ended Dec. 31--		
	2013*	2012*	2011	2010
Financial performance				
Net patient revenue ($000s)	956,494	3,897,166	3,949,129	3,885,322
Total operating revenue ($000s)	1,108,671	4,533,016	4,547,855	4,436,287
Total operating expenses ($000s)	1,078,932	4,300,858	4,317,915	4,170,641
Operating income ($000s)	29,739	232,158	229,940	265,646
Operating margin (%)	2.68	5.12	5.06	5.99
Net non-operating income ($000s)	65,720	261,353	121,104	158,240
Excess Income ($000s)	95,459	493,511	351,044	423,886
Excess margin (%)	8.13	10.29	7.52	9.23
Operating EBIDA margin (%)	8.15	10.28	9.83	10.73
EBIDA margin (%)	13.29	15.17	12.17	13.80
Net available for debt service ($000s)	156,079	727,206	568,069	635,169
Maximum annual debt service ($000s)	95,252	95,252	95,252	95,252
Maximum annual debt service coverage (x)	6.55	7.63	5.96	6.67
Operating lease-adjusted coverage (x)	N.A.	4.82	3.74	4.02
Liquidity and financial flexibility				
Unrestricted cash and investments ($000s)	3,728,058	3,663,273	3,096,469	2,707,357
Unrestricted days' cash on hand	330	325.1	272.6	246.7
Unrestricted cash/total long-term debt (%)	281	275.4	258.4	264.6
Average age of plant (years)	10.8	10.8	11.2	10.8
Capital expenditures/Depreciation and amortization (%)	217.4	149.6	145.8	107.6
Debt and liabilities				
Total long-term debt ($000s)	1,326,672	1,330,253	1,198,391	1,023,151
Long-term debt/capitalization (%)	23.7	24.4	25.8	23.2
Contingent liabilities ($000s)	N.A.	705,542	750,921	588,372
Contingent liabilities/total long-term debt (%)	N.A.	53.0	62.7	57.5
Debt burden (%)	2.03	1.98	2.03	2.07
Defined benefit plan funded status (%)	N.A.	92.01	85.78	95.15

*FASB 2011-07 adopted related to the treatment of bad debt. Standard & Poor's recorded bad debt expense as if FASB 2011-07 were adopted related to the treatment of bad debt beginning in fiscal 2012. N.A.--Not available.

Related Criteria And Research

- USPF Criteria: Not-For-Profit Health Care, June 14, 2007
- USPF Criteria: Contingent Liquidity Risks, March 5, 2012
- USPF Criteria: Commercial Paper, VRDO, And Self-Liquidity, July 3, 2007
- USPF Criteria: Bank Liquidity Facilities, June 22, 2007

Ratings Detail (As Of July 10, 2013)

Ratings Detail (As Of July 10, 2013) (cont.)		
Illinois Fin Auth, Illinois		
Advocate Hlth Care Network, Illinois		
Illinois Fin Auth (Advocate Hlth Care Network) hosp rev bnds (Advocate Hlth Care Network), 2008A-1/A-2/A-3		
Long Term Rating	AA/Stable	Affirmed
Illinois Fin Auth (Advocate Hlth Care Network) var rate dem bnds (Advocate Hlth Care Network) ser 2008C-2A dtd 04/23/2008 due 11/01/2038		
Long Term Rating	AA/A-1+/Stable	Affirmed
series 2003A & C, 2008C-3B, 2011B windows		
Long Term Rating	AA/A-1+/Stable	Affirmed
Series 2008D, 2010A-D, 2011A & 2012		
Long Term Rating	AA/Stable	Affirmed
Series 2008C-1, 2008C-2B		
Long Term Rating	AA/A-1/Stable	Affirmed
Series 2008C-3A		
Long Term Rating	AA/A-1+/Stable	Affirmed

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McGRAW-HILL

This section is not applicable. Advocate Health Care Network bonds have been rated by Fitch as AA, Moody's as Aa2, and Standard and Poor's as AA, which qualifies the applicants for the waiver. See Attachment 37, Exhibits 1-3.

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.

Provide Data for Projects Classified as:	**Category A or Category B (last three years)**			**Category B (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				

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

2. Variance

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

APPEND DOCUMENTATION AS <u>ATTACHMENT 38,</u> IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

X. 1120.140 - Economic Feasibility

This section is applicable to all projects subject to Part 1120

A. Reasonableness of Financing Arrangements

This section is not applicable. Advocate Health Care Network bonds have been rated by Fitch as AA, Moody's as Aa2, and Standard and Poor's as AA, which qualifies the applicants for the waiver. See Attachment 37, Exhibits 1-3.

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

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

B. Conditions of Debt Financing

This 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									
	A	B	C	D	E	F	G	H	
Department (list below)	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. $ (A x C)	Mod. $ (B x E)	Total Cost (G + H)
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.

F. 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 -39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

A letter attesting to the conditions of debt financing follows as Attachment 39, Exhibit 1.

Advocate BroMenn Medical Center

1304 Franklin Avenue || Normal, IL 61761 || T 309.454.1400 || advocatehealth.com
Mailing Address: P.O. Box 2850 || Bloomington, IL 61702-2850

June 11, 2014

Ms. Kathryn J. Olson
Chair
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, Second Floor
Springfield, IL 62761

Dear Ms. Olson:

This letter is to attest to the fact that the selected form of debt financing for the proposed Advocate BroMenn Medical Center project will be at the lowest net cost available, or if a more costly form of financing is selected, that form is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional debt, term financing costs, and other factors.

Sincerely,

Colleen

Colleen L. Kannaday
President

Subscribed and sworn before me this 11th day of June, 2014.

Vivian L. Downing
Notary Public

OFFICIAL SEAL
VIVIAN L DOWNING
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES 12/31/16

Cost & Gross Square Feet by Department or Service									
	A	B	C	D	E	F	G	H	
Dept. / Area	Cost/Sq Ft		Gross Sq Ft		Gross Sq Ft		Const. $	Mod. $	Total Cost
	New	Mod	New	Circ	Mod.	Circ.	A x C	B x E	G + H
Reviewable									
Pharmacy	$ -	$ 267.83	0	0	3,854	15%	$ -	$ 1,032,235	$ 1,032,235
Contingency									$ 91,800
Non Reviewable									
Conference Rooms	$ -	$ 36.61	0	0	972	0	$ -	$ 35,583	$ 35,583
Corridors, Toilets	$ -	$ 36.61	0	0	4,004	90%	$ -	$ 146,576	$ 146,576
Total Non Reviewable	$ -		0	0	4,976		$ -	$ 182,159	$ 182,159
Contingency									$ 10,200
Total Modernization + Contingency									$ 1,316,394

Projected Operating Costs

Projected Operating Costs		
	2016	Cost per EPD
Operating Cost	$8,884,997	$226.91

Note These are the anticipated operating costs of salaries, benefits, and supplies for the Pharmacy; they are not costs made essential by relocating the department.

Impact of Project on Capital Costs

Impact of Project on Capital Costs		
	2016	Cost per EPD
Capital Costs	$74,177	$1.89

XI. Safety Net Impact Statement

SAFETY NET IMPACT STATEMENT that describes all of the following must be submitted for ALL SUBSTANTIVE AND DISCONTINUATION PROJECTS: Not applicable as this in a non-substantive project.

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 40.

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

APPEND DOCUMENTATION AS ATTACHMENT-40, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

XII. Charity Care Information

Charity Care information MUST be furnished for ALL projects.

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.

2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.

3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer. (20 ILCS 3960/3) Charity Care must be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 41.

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

APPEND DOCUMENTATION AS ATTACHMENT-41, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Charity Care for Advocate BroMenn Medical Center

	2011	2012	2013
Net patient revenue	$ 155,470,000	$ 159,546,000	$ 158,083,408
Amount of Charity Care (charges)	$ 23,592,439	$ 14,056,480	$ 18,470,054
Cost of Charity	$ 7,993,118	$ 4,394,056	$ 5,700,000
Charity Care as % of Net Revenue	5.1%	2.8%	3.6%

Appendix

Background on United States Pharmacopeia Chapter 797

The United States Pharmacopeia (USP) sets the standards by which prescription and over-the-counter medicine is prepared. The Food and Drug Administration (FDA) uses the standards to ensure products are of the appropriate strength, quality, purity, and consistency, as well as appropriately identified.

Chapter 797 (also known as USP 797) evolved over a number of years as a means of addressing compounding practices as a source of infections. The FDA has become aware of problems associated with compounded preparations, some of which have resulted in recalls and patient injuries.

USP 797 addresses the preparation of compounded sterile products. The standards specifically address pharmacy-prepared, as opposed to manufacturer-prepared, compounds. A multifactorial approach to sterile compounding is required. The USP 797 addresses all the necessary factors including the environmental and facilities requirements.

Objectives of USP 797 are to prevent harm, including death, to patients resulting from 1) microbial contamination (non-sterility), 2) excessive bacterial endotoxins, 3) variability in intended strength of correct ingredients, 4) unintended chemical and physical contaminants, and 5) ingredients of inappropriate quality in compounded sterile preparations.

The responsibility of compounding personnel includes 14 objectives:

1. Personnel are adequately skilled, educated, instructed and trained to perform and document their functions.
2. Ingredients have their correct identity, quality and purity.
3. Open or partially used containers are properly stored.
4. Water - containing nonsterile compounded sterile products are sterilized within 6 hours.
5. Proper and adequate sterilization is used.
6. Components are clean, accurate and appropriate.
7. Potential harm from added substances is evaluated prior to dispensing.
8. Appropriate packaging is selected for sterility and stability.
9. Compounding environment maintains the sterility or purity of items.
10. Labels are appropriate and complete.
11. Beyond-use dates are appropriate and based on valid scientific criteria.
12. Correct compounding procedures are used.
13. Deficiencies in compounding can be rapidly identified and corrected.
14. Compounding is separate from quality evaluations.

Personnel Training:
Compounding personnel need to perform didactic review and are required annually to pass written and media fill testing of their skills for low and medium-risk compounding and semiannually for high-risk level compounding.

Single-Dose and Multiple-Dose Containers:
Single dose containers must be discarded within 6 hours. Multiple dose containers have a 28-day expiration.

Hazardous Drugs: Training should include the following:
1. Didactic review of hazardous drugs and their properties
2. Proper aseptic manipulation techniques
3. Appropriate techniques for compounding within a biological safety cabinet
4. Proper use of closed system transfer device
5. Containment, cleanup, and disposal techniques for breakage and spills
6. Procedures for treating personnel who have been exposed to hazardous drugs

Environmental Quality and Control:
1. Must have an ISO Class 5 environment (biological) safety cabinet.
2. Must have ISO Class 7 environment for buffer area.
3. Must have an ISO Class 7 environment for ante areas.
4. Buffer areas are physically separated from ante areas, and must have a positive pressure differential
5. Must have adequate air changes per hour to maintain appropriate ISO Class.

Environmental Testing
1. Monitoring must be conducted routinely performed and documented to prove compounding environment is properly maintained.
2. Nonviable and viable airborne particle testing programs are part of facilities quality management program.
3. Total particle counts must be conducted at a minimum every 6 months.
4. Semiannual viable airborne particle sampling plans must be developed and adhered to using electronic volumetric collection devices.
5. Conduct regular surface sampling.
6. Follow growth media specifications and incubation times specific to type of sampling. Corrective actions should be based on microbial contamination action levels and microorganism identification.

Cleaning Procedures:
1. Detailed cleaning and sanitizing procedures for cleaning ISO Class 5 biological safety cabinet
2. Buffer area and ante area ceilings, walls and shelving must be cleaned monthly, while counters, work surfaces, and floors must be cleaned daily.

Personnel Garbing:
Compounding personnel must be properly garbed according to risk level (e.g., shoe covers, head and facial covers, face mask/eye shield, non-shedding gown, sterile gloves).

Personnel Training and Competency:
In addition to media fill testing, subject matter area of garbing, aseptic technique, achieving and maintaining ISO Class conditions, cleaning and disinfection techniques must be included in training procedures and competency evaluations.

Gloved Fingertip Sampling
Completion and documentation of sampling must occur prior to compounding personnel preparing compounded sterile products.

Standard Operating Procedures:
1. Finished product release checks and tests
2. Beyond Use Dating after compounding is appropriately determined, and contained on label
3. Physical, visual inspection for preparation integrity

Consolidated Financial Statements and Supplementary Information

Advocate Health Care Network and Subsidiaries
Years Ended December 31, 2013 and 2012
With Reports of Independent Auditors

Ernst & Young LLP

Building a better working world

Advocate Health Care Network and Subsidiaries

Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2013 and 2012

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Report of Independent Auditors

The Board of Directors
Advocate Health Care Network

We have audited the accompanying consolidated financial statements of Advocate Health Care Network and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Advocate Health Care Network and subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

March 7, 2014

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Advocate Health Care Network and Subsidiaries

Consolidated Balance Sheets
(Dollars in Thousands)

	December 31 2013	December 31 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 563,229	$ 397,945
Short-term investments	19,401	21,528
Assets limited as to use	89,660	76,841
Patient accounts receivable, less allowances for uncollectible accounts of $181,254 in 2013 and $153,943 in 2012	567,033	530,719
Amounts due from primary third-party payors	10,107	11,294
Prepaid expenses, inventories, and other current assets	256,322	233,653
Collateral proceeds received under securities lending program	19,165	20,794
Total current assets	1,524,917	1,292,774
Assets limited as to use:		
Internally and externally designated investments limited as to use	4,715,519	4,224,383
Investments under securities lending program	19,013	21,014
	4,734,532	4,245,397
Prepaid pension expense and other noncurrent assets	132,382	116,305
Interest in health care and related entities	152,103	135,676
Reinsurance receivable	172,318	175,975
Deferred costs and intangible assets, less allowances for amortization	51,231	47,378
	5,242,566	4,720,731
Property and equipment – at cost:		
Land and land improvements	251,296	189,226
Buildings	2,514,922	2,209,485
Movable equipment	1,358,608	1,262,737
Construction-in-progress	313,065	136,740
	4,437,891	3,798,188
Less allowances for depreciation	2,155,428	2,034,494
	2,282,463	1,763,694
	$ 9,049,946	$ 7,777,199

	December 31 2013	December 31 2012
Liabilities and net assets/shareholders' equity		
Current liabilities:		
Current portion of long-term debt	$ 17,810	$ 19,103
Long-term debt subject to short-term remarketing arrangements	135,130	187,795
Accounts payable	291,306	227,882
Accrued salaries and employee benefits	423,897	347,617
Accrued expenses	120,526	117,962
Amounts due to primary third-party payors	274,780	240,192
Current portion of accrued insurance and claims costs	112,412	95,093
Obligations to return collateral under securities lending program	19,440	21,069
Total current liabilities	1,395,301	1,256,713
Noncurrent liabilities:		
Long-term debt, less current portion	1,452,109	1,142,458
Pension plan liability	23,737	66,716
Accrued insurance and claims cost, less current portion	678,470	661,395
Accrued losses subject to reinsurance recovery	172,318	175,975
Obligations under swap agreements, net of collateral posted	47,908	84,814
Other noncurrent liabilities	151,668	124,215
	2,526,210	2,255,573
Total liabilities	3,921,511	3,512,286
Net assets/shareholders' equity:		
Unrestricted	4,968,578	4,128,166
Temporarily restricted	111,335	90,351
Permanently restricted	47,566	45,414
	5,127,479	4,263,931
Non-controlling interest	956	982
Total net assets/shareholders' equity	5,128,435	4,264,913
	$ 9,049,946	$ 7,777,199

See accompanying notes to consolidated financial statements.

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Advocate Health Care Network and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets
(Dollars in Thousands)

	Year Ended December 31	
	2013	**2012**
Unrestricted revenues, gains, and other support		
Net patient service revenue	**$ 4,468,468**	$ 4,105,671
Provision for uncollectible accounts	**(253,989)**	(212,305)
	4,214,479	3,893,366
Capitation revenue	**389,516**	390,985
Other revenue	**334,007**	311,347
	4,938,002	4,595,698
Expenses		
Salaries, wages, and employee benefits	**2,510,470**	2,349,690
Purchased services and operating supplies	**1,211,483**	1,127,788
Contracted medical services	**135,570**	149,009
Insurance and claims costs	**108,349**	99,892
Other	**404,988**	337,349
Depreciation and amortization	**211,648**	187,742
Interest	**55,299**	45,953
	4,637,807	4,297,423
Operating income	**300,195**	298,275
Nonoperating income (loss)		
Investment income	**287,727**	380,749
Change in fair value of interest rate swaps	**41,236**	(52)
Fair value of net assets acquired	**151,663**	–
Loss on refinancing of debt	**(46)**	(24)
Other nonoperating items, net	**(15,455)**	(7,292)
	465,125	373,381
Revenues in excess of expenses	**765,320**	671,656

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Advocate Health Care Network and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets (continued)
(Dollars in Thousands)

	Year Ended December 31 2013	2012
Unrestricted net assets		
Revenues in excess of expenses	$ 765,320	$ 671,656
Net assets released from restrictions and used for capital purchases	4,201	7,378
Postretirement benefit plan adjustments	70,912	4,444
Other	(21)	(57)
Increase in unrestricted net assets	840,412	683,421
Temporarily restricted net assets		
Contributions for medical education programs, capital purchases, and other purposes	27,778	21,869
Contribution of net assets of Sherman Hospital	719	–
Realized gains on investments	2,959	2,580
Unrealized gains on investments	3,768	6,304
Net assets released from restrictions and used for operations, medical education programs, capital purchases, and other purposes	(14,240)	(15,733)
Increase in temporarily restricted net assets	20,984	15,020
Permanently restricted net assets		
Contributions for medical education programs, capital purchases, and other purposes	1,889	6,951
Contribution of net assets of Sherman Hospital	263	–
Increase in permanently restricted net assets	2,152	6,951
Increase in net assets	863,548	705,392
Change in non-controlling interest	(26)	16
Net assets/shareholders' equity at beginning of year	4,264,913	3,559,505
Net assets/shareholders' equity at end of year	$ 5,128,435	$ 4,264,913

See accompanying notes to consolidated financial statements.

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Advocate Health Care Network and Subsidiaries

Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Year Ended December 31 2013	2012
Operating activities		
Increase in net assets	$ 863,522	$ 705,408
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation, amortization, and accretion	208,828	187,956
Provision for uncollectible accounts	253,989	212,305
Change in deferred income taxes	(5,893)	(1,044)
Losses on disposal of property and equipment	5,909	1,088
Loss on refinancing of debt	46	24
Change in fair value of interest rate swaps	(41,236)	52
Postretirement benefit plan adjustments	(70,912)	(4,444)
Contribution of certain net assets of Sherman Hospital, net of $12,280 cash received	(152,645)	–
Restricted contributions and gains on investments, net of assets released from restrictions used for operations	(10,039)	(8,355)
Changes in operating assets and liabilities:		
Trading securities	(476,014)	(538,587)
Patient accounts receivable	(243,799)	(233,392)
Amounts due to/from primary third-party payors	5,035	20,618
Accounts payable, accrued salaries and employee benefits, accrued expenses, and other noncurrent liabilities	160,561	(65,307)
Other assets	409	24,398
Accrued insurance and claims cost	9,393	9,451
Net cash provided by operating activities	507,154	310,171
Investing activities		
Purchases of property and equipment	(385,695)	(280,863)
Proceeds from sale of property and equipment	2,590	7,431
Cash acquired in the acquisition of Sherman Hospital	12,280	–
Purchases of investments designated as non-trading	(352,931)	(970,653)
Sales of investments designated as non-trading	431,263	887,970
Other	(66,043)	(21,925)
Net cash used in investing activities	(358,536)	(378,040)
Financing activities		
Proceeds from issuance of debt	119,956	162,881
Payments of long-term debt	(144,014)	(33,237)
Collateral received (posted) under swap agreements	4,330	(4,330)
Proceeds from restricted contributions and gains on investments	36,394	37,704
Net cash provided by financing activities	16,666	163,018
Increase in cash and cash equivalents	165,284	95,149
Cash and cash equivalents at beginning of year	397,945	302,796
Cash and cash equivalents at end of year	$ 563,229	$ 397,945

See accompanying notes to consolidated financial statements.

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Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements
(Dollars in Thousands)

December 31, 2013

1. Organization and Summary of Significant Accounting Policies

Organization

Advocate Health Care Network (the System) is a nonprofit, faith-based health care organization dedicated to providing comprehensive health care services, including inpatient acute and non-acute care, primary and specialty physician services, and various outpatient services to communities in northern and central Illinois. Additionally, through long-term academic and teaching affiliations, the System trains resident physicians. The System is affiliated with the United Church of Christ and Evangelical Lutheran Church of America. Substantially all expenses of the System are related to providing health care services.

On June 1, 2013, the System and Sherman Hospital completed an affiliation agreement pursuant to which the System became the sole corporate member of Sherman Hospital. Additionally, on June 1, 2013, the name of Sherman Hospital was changed to Advocate Sherman Hospital (Sherman). Sherman is the sole member of various not-for-profit corporations or the shareholder of various business corporations engaged in the delivery of health care services or the provision of goods and services ancillary thereto, which include a rehabilitation and skilled nursing facility (Sherman West Court), a home health care company, and an employed physician medical group. The affiliation has been accounted for as an acquisition in accordance with the authoritative guidance on not-for-profit mergers and acquisitions and is described in Note 13. The operations of Sherman have been included in the System's consolidated financial statements since the affiliation date.

Mission and Community Benefit

As a faith-based health care organization, the mission, values, and philosophy of the System form the foundation for its strategic priorities. The System's mission is to serve the health care needs of individuals, families, and communities through a holistic philosophy rooted in the fundamental understanding of human beings as created in the image of God. The System's core values of compassion, equality, excellence, partnership, and stewardship guide its actions to provide health care services to its communities. Consistent with the values of compassion and stewardship, the System makes a major commitment to patients in need, regardless of their ability to pay. This care is provided to patients who meet the criteria established under the System's charity care policy. Patients eligible for consideration can earn up to 600% of the federal poverty level. Qualifying patients can receive up to 100% discounts from charges and extended payment plans. In 2013 and 2012, $475,849 and $396,815, respectively, of patient

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

charges were forgone under this policy. The System's cost of providing charity care in 2013 and 2012, as determined using the 2012 Medicare cost-to-charge ratio, was $126,502 and $103,636, respectively.

The System is also involved in other numerous wide-ranging community benefit activities that include providing health education, immunizations for children, support groups, health screenings, health fairs, pastoral care, home-delivered meals, transportation services, seminars and speakers, crisis lines, publication of health magazines, medical residency and internships, research and language assistance, and other subsidized health services. These activities are provided free of charge or at a fee that is below the cost of providing them. The cost of these activities and the costs of uncompensated care for 2013 will be included in a community benefit report that will be filed with the Office of the Attorney General for the State of Illinois in June 2014.

Principles of Consolidation

Included in the System's consolidated financial statements are all of its wholly owned or controlled subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates, assumptions, and judgments that affect the reported amounts of assets and liabilities and amounts disclosed in the notes to the consolidated financial statements at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Although estimates are considered to be fairly stated at the time made, actual results could differ materially from those estimates.

Cash Equivalents

The System considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Investments

The System has designated substantially all of its investments as trading. Certain debt-related investments are designated as non-trading. Investments in debt and equity securities with readily determinable fair values are measured at fair value using quoted market prices or other observable inputs. The non-trading portfolio consists mainly of cash equivalents, money market, and commercial paper. Investments in limited partnerships that invest in marketable securities and derivative products (hedge funds) are reported using the equity method of accounting based on information provided by the respective partnership. Investments in private equity limited partnerships with ownership percentages of 5% or greater are recorded on the equity method of accounting, while those with ownership percentages of 5% or less are recorded on the cost method of accounting. Investment income or loss (including realized gains and losses, interest, dividends, changes in equity of limited partnerships, and unrealized gains and losses) is included in investment income unless the income or loss is restricted by donor or law or is related to assets designated for self-insurance programs. Investment income on self-insurance trust funds is reported in other revenue. Unrealized gains and losses that are restricted by donor or law are reported as a change in temporarily restricted net assets.

Assets Limited as to Use

Assets limited as to use consist of investments set aside by the Board of Directors for future capital improvements and certain medical education and health care programs. The Board of Directors retains control of these investments and may, at its discretion, subsequently use them for other purposes. Additionally, assets limited as to use include investments held by trustees under debt agreements and self-insurance trusts.

Patient Service Revenue and Accounts Receivable

Patient accounts receivable are stated at net realizable value. The System evaluates the collectibility of its accounts receivable based on the length of time the receivable is outstanding, major payor sources of revenue, historical collection experience, and trends in health care insurance programs to estimate the appropriate allowance and provision for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the System analyzes contractually due amounts and provides an allowance for contractual allowances and an allowance and a provision for uncollectible accounts for patient

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

responsibilities under such contracts that are deemed not realizable. For receivables associated with self-pay patients, the System records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients do not pay the portion of their bill for which they are financially responsible. These adjustments are accrued on an estimated basis and are adjusted as needed in future periods.

The allowance for uncollectible accounts as a percentage of accounts receivable increased from 23% in 2012 to 24% in 2013 primarily due to an increase in self-pay accounts receivables compounded by decreases in Medicaid accounts receivables, net of contractual allowances. The decrease in Medicaid receivables was primarily due to the increased cash collections received from the State of Illinois during 2013. The System's combined allowance for uncollectible accounts receivable, uninsured discounts, and charity care covered 100% of self-pay accounts receivable at December 31, 2013 and 2012.

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. For uninsured patients who do not qualify for charity care, the System recognizes revenue at the time of service on the basis of its standard rates less the self-pay discount. Patient service revenue, net of contractual allowances, the provision for charity care, and other discounts (but before the provision for uncollectible accounts), is reported at the estimated net realizable amounts from patients, third-party payors, and others for service rendered, including estimated adjustments under reimbursement agreements with third-party payors, certain of which are subject to audit by administering agencies. These adjustments are accrued on an estimated basis and are adjusted as needed in future periods.

Patient service revenue, net of the provision for charity care, contractual allowances, and other discounts (but before the provision for uncollectible accounts), recognized in the period from these major payor sources is as follows for the years ended December 31:

Patient Service Revenue (Net of Contractual Allowances and Discounts)

	2013	2012
Third-party payors	**$ 4,040,300**	$ 3,708,644
Self-pay	**428,168**	397,027
Total all payors	**$ 4,468,468**	$ 4,105,671

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Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost (first-in, first-out) or market value.

Reinsurance Receivables

Reinsurance receivables are recognized in a manner consistent with the liabilities relating to the underlying reinsured contracts.

Deferred Costs

Deferred costs consist primarily of noncurrent deferred tax assets and deferred bond issuance costs. Deferred bond issuance costs are amortized over the life of the bonds using the effective interest method.

Asset Impairment

The System considers whether indicators of impairment are present and performs the necessary tests to determine if the carrying value of an asset is appropriate. Impairment write-downs, except for those related to investments, are recognized in operating income at the time the impairment is identified.

Property and Equipment

Provisions for depreciation of property and equipment are based on the estimated useful lives of the assets ranging from 3 to 80 years using the straight-line method.

Asset Retirement Obligations

The System recognizes its legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, or normal operations of long-lived assets when these obligations are incurred. The obligations are recorded as a noncurrent liability and are accreted to present value at the end of each period. When the obligation is incurred, an amount equal to the present value of the liability is added to the cost of the related asset and is

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

depreciated over the life of the related asset. The obligations at December 31, 2013 and 2012, were $19,197 and $19,249, respectively.

Derivative Financial Instruments

The System has entered into derivative transactions to manage its interest rate risk. Derivative instruments are recorded as either assets or liabilities at fair value. Subsequent changes in a derivative's fair value are recognized in nonoperating income (loss).

General and Professional Liability Risks

The provision for self-insured general and professional liability claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the System has been limited by donors to a specific time period or purpose. Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity. Temporarily restricted net assets and earnings on permanently restricted net assets are used in accordance with the donor's wishes primarily to purchase property and equipment or to fund medical education or other health care programs.

Assets released from restriction to fund purchases of property and equipment are reported in the consolidated statements of operations and changes in net assets as increases to unrestricted net assets. Those assets released from restriction for operating purposes are reported in the consolidated statements of operations and changes in net assets as other revenue. When restricted, earnings are recorded as temporarily restricted net assets until amounts are expended in accordance with the donor's specifications.

Capitation Revenue

The System has agreements with various managed care organizations under which the System provides or arranges for medical care to members of the organizations in return for a monthly payment per member. Revenue is earned each month as a result of agreeing to provide or arrange for their medical care.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Other Nonoperating Items, Net

Other nonoperating items, net primarily consist of provisions for environmental remediation, contributions to charitable organizations, valuation adjustments for investments on the equity method of accounting, and income taxes.

Revenues in Excess of Expenses and Changes in Net Assets

The consolidated statements of operations and changes in net assets include revenues in excess of expenses as the performance indicator. Changes in unrestricted net assets, which are excluded from revenues in excess of expenses, primarily include contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets) and postretirement benefit adjustments.

Grants

Grant revenue is recognized in the period it is earned based on when the applicable project expenses are incurred and project milestones are achieved. Grant payments received in advance of related project expenses are recorded as deferred revenue until the expenditure has been incurred. The System records grant revenue in other revenue in the consolidated statements of operations and changes in net assets.

Under certain provisions of the American Recovery and Reinvestment Act of 2009, federal incentive payments are available to hospitals, physicians, and certain other professionals when they adopt certified electronic health record (EHR) technology or become "meaningful users" of EHRs in ways that demonstrate improved quality, safety, and effectiveness of care. These incentive payments are being accounted for in the same manner as grant revenue.

New Accounting Pronouncement

In December 2011, the Financial Accounting Standards Board issued guidance that enhances disclosures about financial and derivative instruments that are either offset on the consolidated balance sheet or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset on the consolidated balance sheet. Adoption of this new guidance on January 1, 2013, did not have a material effect on the System's consolidated financial statements.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Reclassifications in the Consolidated Financial Statements

Certain reclassifications were made to the 2012 consolidated financial statements to conform to the classifications used in 2013. There was no impact on previously reported 2012 net assets or revenues in excess of expenses.

2. Contractual Arrangements With Third-Party Payors

The System provides care to certain patients under payment arrangements with Medicare, Medicaid, Health Care Service Corporation, d/b/a Blue Cross and Blue Shield of Illinois (Blue Cross), and various other health maintenance and preferred provider organizations. Services provided under these arrangements are paid at predetermined rates and/or reimbursable costs, as defined. Reported costs and/or services provided under certain of the arrangements are subject to audit by the administering agencies. Changes in Medicare and Medicaid programs and reduction of funding levels could have a material adverse effect on the future amounts recognized as patient service revenue.

Amounts earned from the above payment arrangements accounted for 94% and 92% of the System's net patient service revenue in 2013 and 2012, respectively. For the years ended December 31, 2013 and 2012, the System earned 30% of net patient service revenue from Blue Cross; 11% and 10%, respectively, from the Medicaid program; and 25% and 26%, respectively, from the Medicare program. Provision has been made in the consolidated financial statements for contractual adjustments, representing the difference between the established charges for services and actual or estimated payment. The extreme complexity of laws and regulations governing the Medicare and Medicaid programs renders at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Changes in the estimates that relate to prior years' third-party payment arrangements resulted in increases in net patient service revenue of $20,899 and $1,510 for the years ended December 31, 2013 and 2012, respectively.

Also, in 2013 the Centers for Medicare and Medicaid Services approved the enhanced Medicaid assessment system retroactive to June 10, 2012. In 2013 the System recognized $26,601 in net patient service revenue and $15,871 in other operating expenses for the first 18 months covered by this system.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

2. Contractual Arrangements With Third-Party Payors (continued)

In connection with the State of Illinois' Hospital Assessment Program, including the enhanced Medicaid assessment system, the System recognized $224,082 and $145,198 of net patient service revenue and $154,873 and $106,219 of program assessment expense in other expense in 2013 and 2012, respectively.

In 2012, as part of the Medicare Rural Floor Budget Neutrality Act settlement, the System recognized $29,302 in net patient service revenue and $2,930 in operating expenses as part of purchased services and operating supplies. The System's concentration of credit risk related to accounts receivable is limited due to the diversity of patients and payors. The System grants credit, without collateral, to its patients, most of whom are local residents and insured under third-party payor arrangements. The System has established guidelines for placing patient balances with collection agencies, subject to terms of certain restrictions on collection efforts as determined by the System. Amounts due to/from primary third-party payors in the consolidated balance sheets primarily relate to the Blue Cross, Medicare, or Medicaid programs. At December 31, 2013 and 2012, 16% and 17%, respectively, of net patient accounts receivable were due under contracts with Blue Cross and 14% were due from the Medicaid program. Net patient accounts receivable due from the Medicare program were 11% and 10% at December 31, 2013 and 2012, respectively.

The System has entered into various capitated physician provider agreements, including Humana Health Plan, Inc. and Humana Insurance Company and their affiliates (collectively, Humana); Cigna-HealthSpring; and WellCare Health Plans, Inc. Capitation revenues received under the agreements with Humana amounted to 38% of the System's capitation revenue for the years ended December 31, 2013 and 2012. Capitation revenues received under Cigna-HealthSpring and WellCare Health Plans, Inc. agreements amounted to 26% of the System's capitation revenue for the years ended December 31, 2013 and 2012.

Provision has been made in the consolidated financial statements for the estimated cost of providing certain medical services under the aforementioned capitated arrangements. The System accrues a liability for reported, as well as an estimate for incurred but not recorded (IBNR), contracted medical services. The liability represents the expected ultimate cost of all reported and unreported claims unpaid at year-end. The System uses the services of a consulting actuary to determine the estimated cost of the IBNR claims. Adjustments to the estimates are

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

2. Contractual Arrangements With Third-Party Payors (continued)

reflected in current year operations. At December 31, 2013 and 2012, the liabilities for unpaid medical claims amounted to $21,107 and $20,621, respectively, and are included in accrued expenses in the consolidated balance sheets.

3. Cash and Cash Equivalents and Investments (Including Assets Limited as to Use)

Investments (including assets limited as to use) and other financial instruments at December 31 are summarized as follows:

	2013	2012
Assets limited as to use:		
Designated for self-insurance programs	$ **807,145**	$ 839,810
Internally and externally designated for capital improvements, medical education, and health care programs	**3,836,378**	3,243,800
Externally designated under debt agreements	**161,656**	217,614
Investments under securities lending program	**19,013**	21,014
	4,824,192	4,322,238
Other financial instruments:		
Cash and cash equivalents and short-term investments	**582,630**	419,473
	$ **5,406,822**	$ 4,741,711

The composition and carrying value of assets limited as to use, short-term investments, and cash and cash equivalents at December 31 are set forth in the following table:

	2013	2012
Cash and short-term investments	$ **956,883**	$ 648,201
Corporate bonds and other debt securities	**326,163**	426,203
United States government obligations	**199,689**	151,743
Government mutual funds	**502,072**	643,506
Bond and other debt security mutual funds	**479,855**	513,124
Commodity mutual funds	**4,631**	4,666
Hedge funds	**895,222**	695,862
Private equity limited partnership funds	**336,536**	289,820
Equity securities	**1,083,000**	1,028,242
Equity mutual funds	**605,553**	340,344
Guaranteed investment contract	**17,218**	–
	$ **5,406,822**	$ 4,741,711

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

3. Cash and Cash Equivalents and Investments (Including Assets Limited as to Use) (continued)

The System regularly compares the net asset value (NAV), which is a proxy for the fair value of its private equity investments, to the recorded cost for potential other-than-temporary impairment. The NAV of these investments based on estimates determined by the investments' management was $378,429 and $310,837 at December 31, 2013 and 2012, respectively. In 2013 and 2012, the System identified and recorded $5,381 and $6,100, respectively, of impairment losses that are included in investment income in the consolidated statements of operations and changes in net assets.

At December 31, 2013 and 2012, the System has commitments to fund private equity investments an additional $364,934 and $442,301, respectively. The unfunded commitments at December 31, 2013, are expected to be funded over the next seven years.

Investment returns for assets limited as to use, cash and cash equivalents, and short-term investments comprise the following for the years ended December 31:

	2013	2012
Interest and dividend income	$ 151,877	$ 160,350
Net realized gains	121,330	93,763
Net unrealized gains	69,520	184,525
	$ 342,727	$ 438,638

Investment returns are included in the consolidated statements of operations and changes in net assets for the years ended December 31 as follows:

	2013	2012
Other revenue	$ 48,273	$ 49,005
Investment income	287,727	380,749
Realized and unrealized gains on investments – temporarily restricted net assets	6,727	8,884
	$ 342,727	$ 438,638

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

3. Cash and Cash Equivalents and Investments (Including Assets Limited as to Use) (continued)

As part of the management of the investment portfolio, the System has entered into an arrangement whereby securities owned by the System are loaned primarily to brokers and investment banks. The loans are arranged through a bank. Borrowers are required to post collateral in the form of highly rated government securities for securities borrowed equal to approximately 102% and 100% in 2013 and 2012, respectively, of the value of the security on a daily basis at a minimum. The bank is responsible for reviewing the creditworthiness of the borrowers. The System has also entered into an arrangement whereby the bank is responsible for the risk of borrower bankruptcy and default. At December 31, 2013 and 2012, the System loaned $19,013 and $21,014, respectively, in securities and accepted collateral for these loans in the amount of $19,440 and $21,069, respectively, of which $19,165 and $20,794, respectively, represent cash collateral and are included in current liabilities and current assets, respectively, in the accompanying consolidated balance sheets.

4. Fair Value Measurements

The System accounts for certain assets and liabilities at fair value. The hierarchy below lists three levels of fair value based on the extent to which inputs used in measuring fair value are observable in active markets. The System categorizes each of its fair value measurements in one of the three levels based on the highest level of input that is significant to the fair value measurement in its entirety. These levels are:

Level 1: Quoted prices in active markets for identified assets or liabilities.

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly.

Level 3: Unobservable inputs in which there is little or no market data, which then requires the reporting entity to develop its own assumptions about what market participants would use in pricing the asset or liability.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

4. Fair Value Measurements (continued)

The following section describes the valuation methodologies the System uses to measure financial assets and liabilities at fair value. In general, where applicable, the System uses quoted prices in active markets for identical assets and liabilities to determine fair value. This pricing methodology applies to Level 1 investments such as domestic and international equities, United States Treasuries, exchange-traded mutual funds, and agency securities. If quoted prices in active markets for identical assets and liabilities are not available to determine fair value, then quoted prices for similar assets and liabilities or inputs other than quoted prices that are observable either directly or indirectly are used. These investments are included in Level 2 and consist primarily of corporate notes and bonds, foreign government bonds, mortgage-backed securities, commercial paper, and certain agency securities. The fair value for the obligations under swap agreements included in Level 2 is estimated using industry standard valuation models. These models project future cash flows and discount the future amounts to a present value using market-based observable inputs, including interest rate curves. The fair values of the obligation under swap agreements include fair value adjustments related to the System's credit risk.

The guaranteed investment contract (GIC) is included as a Level 2 investment. As described in Note 6, the Sherman Series 2007A Bonds require a debt service reserve fund that is invested in a GIC. This investment represents a privately negotiated agreement between Sherman and various banks. Although the investment is not traded on any market and is nontransferable for the duration of the bonds, the underlying assets are traded in active markets.

The System's investments are exposed to various kinds and levels of risk. Equity securities and equity mutual funds expose the System to market risk, performance risk, and liquidity risk for both domestic and international investments. Market risk is the risk associated with major movements of the equity markets. Performance risk is the risk associated with a company's operating performance. Fixed income securities and fixed income mutual funds expose the System to interest rate risk, credit risk, and liquidity risk. As interest rates change, the value of many fixed income securities is affected, including those with fixed interest rates. Credit risk is the risk that the obligor of the security will not fulfill its obligations. Liquidity risk is affected by the willingness of market participants to buy and sell particular securities. Liquidity risk tends to be higher for equities related to small capitalization companies and certain alternative investments. Due to the volatility in the capital markets, there is a reasonable possibility of subsequent changes in fair value resulting in additional gains and losses in the near term.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

4. Fair Value Measurements (continued)

The following are assets and liabilities measured at fair value on a recurring basis at December 31, 2013:

		Fair Value Measurements at Reporting Date Using		
Description	**2013**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
Cash and short-term investments	$ 956,883	$ 952,558	$ 4,325	$ –
Corporate bonds and other debt securities	326,163	–	326,163	–
United States government obligations	199,689	–	199,689	–
Government mutual funds	502,072	410,712	91,360	–
Bond and other debt security mutual funds	479,855	290,815	189,040	–
Commodity mutual funds	4,631	–	4,631	–
Equity securities	1,083,000	1,083,000	–	–
Equity mutual funds	605,553	463,931	141,622	–
Guaranteed investment contract	17,218	–	17,218	–
Investments at fair value	4,175,064	$ 3,201,016	$ 974,048	$ –
Investments not at fair value	1,231,758			
Total investments	$ 5,406,822			
Collateral proceeds received under securities lending program	$ 19,165		$ 19,165	
Liabilities				
Obligations under swap agreements	$ (47,908)		$ (47,908)	
Net liability under swap agreements	$ (47,908)		$ (47,908)	
Obligations to return collateral under securities lending program	$ (19,440)		$ (19,440)	

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Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

4. Fair Value Measurements (continued)

The following are assets and liabilities measured at fair value on a recurring basis at December 31, 2012:

		Fair Value Measurements at Reporting Date Using		
Description	**2012**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
Cash and short-term investments	$ 648,201	$ 646,169	$ 2,032	$ –
Corporate bonds and other debt securities	426,203	–	426,203	–
United States government obligations	151,743	–	151,743	–
Government mutual funds	643,506	535,188	108,318	–
Bond and other debt security mutual funds	513,124	289,388	223,736	–
Commodity mutual funds	4,666	–	4,666	–
Equity securities	1,028,242	1,028,242	–	–
Equity mutual funds	340,344	248,234	92,110	–
Investments at fair value	3,756,029	$ 2,747,221	$ 1,008,808	$ –
Investments not at fair value	985,682			
Total investments	$ 4,741,711			
Collateral proceeds received under securities lending program	$ 20,794		$ 20,794	
Liabilities				
Obligations under swap agreements	$ (89,144)		$ (89,144)	
Collateral under swap agreements	4,330		4,330	
Net liability under swap agreements	$ (84,814)		$ (84,814)	
Obligations to return collateral under securities lending program	$ (21,069)		$ (21,069)	

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

4. Fair Value Measurements (continued)

The carrying values of cash and cash equivalents, accounts receivable and payable, accrued expenses, and short-term borrowings are reasonable estimates of their fair values due to the short-term nature of these financial instruments.

Investments not at fair value include hedge funds and private equity limited partnerships (alternative investments). The fair values of the alternative investments that do not have readily determinable fair values are determined by the general partner or fund manager taking into consideration, among other things, the cost of the securities or other investments, prices of recent significant transfers of like assets, and subsequent developments concerning the companies or other assets to which the alternative investments relate. Based on the inputs in determining the estimated fair value of these investments, these assets would be considered Level 3.

The valuation for the estimated fair value of long-term debt is completed by a third-party service and takes into account a number of factors including, but not limited to, any one or more of the following: (i) general interest rate and market conditions; (ii) macroeconomic and/or deal-specific credit fundamentals; (iii) valuations of other financial instruments that may be comparable in terms of rating, structure, maturity, and/or covenant protection; (iv) investor opinions about the respective deal parties; (v) size of the transaction; (vi) cash flow projections, which in turn are based on assumptions about certain parameters that include, but are not limited to, default, recovery, prepayment, and reinvestment rates; (vii) administrator reports, asset manager estimates, broker quotations, and/or trustee reports, and (viii) comparable trades, where observable. Based on the inputs in determining the estimated fair value of debt, this liability would be considered Level 2. The estimated fair value of long-term debt based on quoted market prices for the same or similar issues was $1,573,401 and $1,385,228 at December 31, 2013 and 2012, respectively, which included consideration of third-party credit enhancements, of which there was no effect.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

5. Interest in Health Care and Related Entities

During 2000, in connection with the acquisition of a medical center, the System acquired an interest in the net assets of the Masonic Family Health Foundation (the Foundation), an independent organization, under the terms of an asset purchase agreement (the Agreement). The use of substantially all of the Foundation's net assets is designated to support the operations and/or capital needs of one of the System's medical facilities. Additionally, 90% of the Foundation's investment yield, net of expenses, on substantially all of the Foundation's investments is designated for the support of one of the System's medical facilities. The Foundation must pay the System, annually, 90% of the investment yield or an agreed-upon percentage of the beginning of the year net assets.

The interest in the net assets of this organization amounted to $91,400 and $82,700 as of December 31, 2013 and 2012, respectively, which is reflected in interest in health care and related entities in the consolidated balance sheets. The System's interest in the investment yield is reflected in the consolidated statements of operations and changes in net assets and amounted to $13,348 and $8,959 for the years ended December 31, 2013 and 2012, respectively. Cash distributions received by the System from the Foundation under terms of the Agreement amounted to $4,531 and $3,998 during the years ended December 31, 2013 and 2012, respectively. In addition to the amounts distributed under the Agreement, the Foundation contributed $931 and $445 to the System for program support of one of its medical facilities during the years ended December 31, 2013 and 2012, respectively.

The System has a 50% membership and governance interest in Advocate Health Partners (d/b/a Advocate Physician Partners) (APP), which has been accounted for on an equity basis. The System's carrying value in this interest was $0 at December 31, 2013 and 2012. Financial information relating to this interest as of and for the years ended December 31, 2013 and 2012, is as follows:

	2013	2012
Assets	$ 144,491	$ 162,604
Liabilities	145,085	158,888
Revenues in excess of expenses	–	–

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Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

5. Interest in Health Care and Related Entities (continued)

The System contracts with APP for certain operational and administrative services. Total expenses incurred for these services were $25,291 and $22,271 in 2013 and 2012, respectively, which is included in purchased services and operating supplies and other in the consolidated statements of operations and changes in net assets. At December 31, 2013 and 2012, the System had an accrued liability to APP for those services for $1,226 and $1,703, respectively, which is included in accrued expenses in the consolidated balance sheets.

APP purchased claims processing and certain management services from the System in the amounts of $8,810 and $7,773 in 2013 and 2012, respectively, which is included in other revenue in the consolidated statements of operations and changes in net assets. Under terms of an agreement with the System, APP reimburses the System for salaries, benefits, and other expenses that are incurred by the System on APP's behalf. The amount billed for these services in 2013 and 2012 was $23,018 and $20,775, respectively, which is included in other revenue in the consolidated statements of operations and changes in net assets. The System had a receivable from APP at December 31, 2013 and 2012, for claims processing and management services of $5,155 and $4,557, respectively, which is included in prepaid expenses, inventories, and other current assets in the consolidated balance sheets.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

6. Long-Term Debt

Long-term debt, net of unamortized original issue discount or premium, consisted of the following at December 31:

	2013	2012
Revenue bonds and revenue refunding bonds, Illinois Finance Authority Series:		
1993C, 6.00% to 7.00%, principal payable in varying annual installments through April 2018	$ **19,857**	$ 22,298
2003A (weighted-average rate of 4.38% during 2013 and 2012), principal payable in varying annual installments through November 2022; interest based on prevailing market conditions at time of remarketing	**21,930**	24,130
2003C (weighted-average rate of 0.22% and 0.30% during 2013 and 2012, respectively), principal payable in varying annual installments through November 2022; interest based on prevailing market conditions at time of remarketing	**21,225**	23,430
2007A Sherman, 5.50%, principal payable in varying annual installments through August 2037	**176,970**	–
2008A (weighted-average rate of 4.76% and 2.03% during 2013 and 2012, respectively), principal payable in varying annual installments through November 2030; interest based on prevailing market conditions at time of remarketing	**141,306**	144,712
2008C (weighted-average rate of 0.37% and 0.45% during 2013 and 2012, respectively), principal payable in varying annual installments through November 2038; interest based on prevailing market conditions at time of remarketing	**343,270**	343,270
2008D, 5.00% to 6.50%, principal payable in varying annual installments through November 2038	**156,125**	160,107
2010A, 5.50%, principal payable in varying annual installments through April 2044	**37,277**	37,287
2010B, 5.38%, principal payable in varying annual installments through April 2044	**52,192**	52,186
2010C, 5.38%, principal payable in varying annual installments through April 2044	**25,536**	25,533

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Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

6. Long-Term Debt (continued)

	2013	2012
Revenue bonds and revenue refunding bonds, Illinois Finance Authority Series (continued):		
2010D, 4.00% to 5.25%, principal payable in varying annual installments through April 2038	$ 110,289	$ 116,464
2011A, 3.00% to 5.00%, principal payable in varying annual installments through April 2041	38,511	41,366
2011B (weighted-average rate of 0.21% and 0.28% during 2013 and 2012, respectively), principal payable in varying annual installments through April 2051, subject to a put provision that provides for a cumulative seven-month notice and remarketing period; interest tied to a market index plus a spread	70,000	70,000
2011C (weighted-average rate of 0.83% and 0.87% during 2013 and 2012, respectively), principal payable in varying annual installments through April 2049, subject to a put provision at the end of the initial seven-year period; interest tied to a market index plus a spread	50,000	50,000
2011D (weighted-average rate of 0.93% and 0.97% during 2013 and 2012, respectively), principal payable in varying annual installments through April 2049, subject to a put provision at the end of the initial 10-year period; interest tied to a market index plus a spread	50,000	50,000
2012, 4.00% to 5.00%, principal payable in varying annual installments through June 2047	149,852	149,991
2013A, 3.00% to 5.00%, principal payable in varying annual installments through June 2031	102,946	–
Capital lease obligations	30,711	31,113
Other	7,052	7,469
	1,605,049	1,349,356
Less current portion of long-term debt	17,810	19,103
Less long-term debt subject to short-term remarketing arrangements	135,130	187,795
	$ 1,452,109	$ 1,142,458

Maturities of long-term debt, capital leases, and sinking fund requirements, assuming remarketing of the variable rate demand revenue refunding bonds, for the five years ending December 31, 2018, are as follows: 2014 – $17,810; 2015 – $20,074; 2016 – $19,722; 2017 – $20,933; and 2018 – $23,082.

The System's unsecured variable rate revenue bonds, Series 2003A of $21,930, Series 2003C of $21,225, Series 2008C-3B of $21,975, and Series 2011B of $70,000, while subject to a long-term amortization period, may be put to the System at the option of the bondholders in

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

6. Long-Term Debt (continued)

connection with certain remarketing dates. To the extent that bondholders may, under the terms of the debt, put their bonds within a maximum of 12 months after December 31, 2013, the principal amount of such bonds has been classified as a current obligation in the accompanying consolidated balance sheets. Management believes the likelihood of a material amount of bonds being put to the System is remote. However, to address this possibility, the System has taken steps to provide various sources of liquidity, including assessing alternate sources of financing, including lines of credit and/or unrestricted assets as a source of self-liquidity.

The System has standby bond purchase agreement with banks to provide liquidity support for the Series 2008C Bonds. In the event of a failed remarketing of a Series 2008C Bond upon its tender by an existing holder and subject to compliance with the terms of the standby bond purchase agreement, the standby bank would provide the funds for the purchase of such tendered bonds, and the System would be obligated to repay the bank for the funds it provided for such bond purchase (if such bond is not subsequently remarketed), with the first installment of such repayment commencing on the date one year and one day after the bank purchases the bond. As of December 31, 2013 and 2012, there were no bank purchased bonds outstanding. The agreements expire in August 2015, August 2016, and August 2017.

All System outstanding bonds are secured by obligations issued under the Amended and Restated Master Trust Indenture dated as of September 1, 2011, with Advocate Health Care Network, Advocate Health and Hospitals Corporation, Advocate Condell, and Advocate North Side (the Obligated Group or Restricted Affiliates) and U.S. Bank National Association, as master trustee (the System Master Indenture). Under the terms of the bond indentures and other arrangements, various amounts are to be on deposit with trustees, and certain specified payments are required for bond redemption and interest payments. The System Master Indenture and other debt agreements, including a bank credit agreement, also place restrictions on the System and require the System to maintain certain financial ratios.

On August 8, 2013, the Illinois Finance Authority, for the benefit of the System, issued its Revenue Bonds, Series 2013A, in the amount of $96,905. The proceeds of the Series 2013A Bonds were used, together with other funds available to the System, to finance, refinance, or reimburse the System for a portion of the costs related to the acquisition, construction, renovation, and equipping of certain capital projects and to pay certain costs of issuing the Series 2013A Bonds.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

6. Long-Term Debt (continued)

On November 29, 2012, the Illinois Finance Authority, for the benefit of the System, issued its Revenue Bonds, Series 2012, in the amount of $145,620. The proceeds of the Series 2012 Bonds were used, together with other funds available to the System, to finance, refinance, or reimburse the System for a portion of the costs related to the acquisition, construction, renovation, and equipping of certain capital projects and to pay certain costs of issuing the Series 2012 Bonds.

In 2013, the Series 2008A-1 Bonds and Series 2008A-2 Bonds, which currently bear interest at a fixed interest rate set for a specified period, were remarketed at a premium for an approximate seven-year period, and a portion of the outstanding par was redeemed in the amount of $9,095 and $7,735, respectively.

The System maintains an interest rate swap program on certain of its variable rate debt as described in Note 7.

Neither Sherman, Sherman West Court, nor any other of the subsidiaries of Sherman are members of the Obligated Group or Restricted Affiliates under the System Master Indenture. Sherman and Sherman West Court are the members of an obligated group (Sherman Obligated Group) created pursuant to a master trust indenture dated as of August 1, 1991, as supplemented and amended (Sherman Master Indenture) with The Bank of New York Mellon Trust Company, N.A., as master trustee. As part of the affiliation with the System on June 1, 2013, the System did not assume the liability for or otherwise guarantee any bonds (Sherman Bonds) previously issued for the benefit of the Sherman Obligated Group.

On July 5, 2013, Sherman retired $105,700 of the Sherman Bonds (Series 1997 bonds) with proceeds of an intercompany loan from the System. Sherman remains obligated for the repayment of $170,000 Illinois Finance Authority Revenue Bonds, Series 2007A issued for its benefit and evidenced by and secured as provided under the Sherman Master Indenture.

The Sherman Series 2007A Bonds are secured by a direct note obligation issued by Sherman under the Sherman Master Indenture, a mortgage and security agreement on certain of Sherman's real and personal property, as well as a security interest in unrestricted receivables of Sherman. The related bond indenture requires a debt service reserve fund, which is held by the bond trustee for the benefit of the Sherman Series 2007A Bonds. The debt service reserve fund had a balance of $17,218 at December 31, 2013, and is presented as assets limited as to use on the consolidated balance sheet.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

6. Long-Term Debt (continued)

Interest paid, net of capitalized interest, amounted to $56,038 and $42,726 in 2013 and 2012, respectively. The System capitalized interest of $5,065 and $2,621 in 2013 and 2012, respectively.

At December 31, 2013, the System had lines of credit with banks aggregating to $200,000. These lines of credit provide for various interest rates and payment terms and expire as follows: $25,000 in February 2014, $50,000 in December 2014, $75,000 in March 2015, and $50,000 in November 2016. These lines of credit may be used to redeem bonded indebtedness, to pay costs related to such redemptions, for capital expenditures, or for general working capital purposes. At December 31, 2013, no amounts were outstanding on these lines of credit.

In February 2014, a $25,000 line of credit was extended to February 2015.

7. Derivatives

The System has interest rate-related derivative instruments to manage exposure of its variable rate debt instruments and does not enter into derivative instruments for any purpose other than risk management purposes. By using derivative financial instruments to manage the risk of changes in interest rates, the System exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes the System, which creates credit risk for the System. When the fair value of a derivative contract is negative, the System owes the counterparty, and therefore, it does not possess credit risk. The System minimizes the credit risk in derivative instruments by entering into transactions that require the counterparty to post collateral for the benefit of the System based on the credit rating of the counterparty and the fair value of the derivative contract. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. The System also mitigates risk through periodic reviews of its derivative positions in the context of its total blended cost of capital.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

7. Derivatives (continued)

At December 31, 2013, the System maintains an interest rate swap program on its Series 2008C variable rate demand revenue bonds. These bonds expose the System to variability in interest payments due to changes in interest rates. The System believes that it is prudent to limit the variability of its interest payments. To meet this objective and to take advantage of low interest rates, the System entered into various interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk. These swaps convert the variable rate cash flow exposure on the variable rate demand revenue bonds to synthetically fixed cash flows. The notional amount under each interest rate swap agreement is reduced over the term of the respective agreement to correspond with reductions in the principal outstanding under various bond series. The following is a summary of the outstanding positions under these interest rate swap agreements at December 31, 2013 and 2012:

Bond Series	Notional Amount	Maturity Date	Rate Received	Rate Paid
2008C-1	$ 129,900	November 1, 2038	61.7% of LIBOR + 26 bps	3.60%
2008C-2	108,425	November 1, 2038	61.7% of LIBOR + 26 bps	3.60
2008C-3	88,000	November 1, 2038	61.7% of LIBOR + 26 bps	3.60

The swaps are not designated as hedging instruments, and therefore, hedge accounting has not been applied. As such, unrealized changes in fair value of the swaps are included as a component of nonoperating income (loss) in the consolidated statements of operations and changes in net assets as changes in the fair value of interest rate swaps. The net cash settlement payments, representing the realized changes in fair value of the swaps, are included as interest expense in the consolidated statements of operations and changes in net assets.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

7. Derivatives (continued)

The fair value of derivative instruments is as follows:

	December 31 2013	December 31 2012
Consolidated balance sheet location		
Obligations under swap agreements	$ **(47,908)**	$ (89,144)
Collateral posted under swap agreements	**–**	4,330
Obligations under swap agreements, net	$ **(47,908)**	$ (84,814)

Amounts recorded in the consolidated statements of operations and changes in net assets for the derivatives are as follows:

	Year Ended December 31 2013	Year Ended December 31 2012
Consolidated statement of operations and changes in net assets location		
Net cash payments on interest rate swap agreements (interest expense)	$ **10,518**	$ 10,359
Change in the fair value of interest rate swaps (nonoperating)	$ **41,236**	$ (52)

The aggregate fair value of all swap instruments with credit risk-related contingent features that are in a liability position was $47,908 and $89,144 at December 31, 2013 and 2012, respectively, for which the System has posted collateral of $0 and $4,330 at December 31, 2013 and 2012, respectively. The swap instruments contain provisions that require the System's debt to maintain an investment grade credit rating from certain major credit rating agencies. If the System's debt were to fall below investment grade on the valuation date, it would be in violation of these provisions and the counterparty to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. If the credit risk-related contingent features underlying these swap agreements were triggered on December 31, 2013, the System would be required to post $47,908 in collateral with the counterparties.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

8. Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31:

	2013	2012
Net assets currently available for:		
Purchases of property and equipment	$ **10,617**	$ 6,120
Medical education and other health care programs	**70,757**	67,111
Net assets available for future periods:		
Purchases of property and equipment	**17,598**	5,723
Medical education and other health care programs	**12,363**	11,397
	$ **111,335**	$ 90,351

Permanently restricted net assets generate investment income, which is used to benefit the following purposes at December 31:

	2013	2012
Net assets currently producing investment income:		
Purchases of property and equipment	$ **1,000**	$ 1,000
Medical education and other health care programs	**36,558**	35,166
Net assets available to produce investment income in future periods:		
Medical education and other health care programs	**10,008**	9,248
	$ **47,566**	$ 45,414

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

9. Retirement Plans

The System maintains defined benefit pension plans, the Advocate Health Care Network Pension Plan and Condell Health Network Retirement Plan (the Plans), which cover a majority of its employees (associates). The Condell Health Network Retirement Plan was frozen effective January 1, 2008, to new participants, and participants ceased to accrue additional pension benefits. The System may elect to terminate the Condell Health Network Retirement Plan in the future subject to the provisions set forth in Employee Retirement Income Security Act of 1974.

A summary of changes in the plan assets, projected benefit obligation, and the resulting funded status of the Advocate Health Care Network Pension Plan is as follows:

	2013	2012
Change in plan assets:		
Plan assets at fair value at beginning of year	$ 727,394	$ 609,722
Actual return on plan assets	77,242	84,756
Employer contributions	31,680	63,550
Benefits paid	(35,847)	(30,634)
Plan assets at fair value at end of year	$ 800,469	$ 727,394
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 761,361	$ 687,118
Service cost	43,989	38,541
Interest cost	30,183	33,401
Actuarial (loss) gain	(24,999)	32,935
Benefits paid	(35,847)	(30,634)
Projected benefit obligation at end of year	$ 774,688	$ 761,361
Plan assets greater (less) than projected benefit obligation	$ 25,781	$ (33,967)
Accumulated benefit obligation at end of year	$ 702,689	$ 685,791

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

9. Retirement Plans (continued)

A summary of changes in the plan assets, projected benefit obligation, and the resulting funded status of the Condell Health Network Retirement Plan is as follows:

	2013	2012
Change in plan assets:		
Plan assets at fair value at beginning of year	$ 40,720	$ 43,796
Actual return on plan assets	3,909	5,383
Employer contributions	270	5,465
Benefits paid	(5,231)	(13,924)
Plan assets at fair value at end of year	$ 39,668	$ 40,720
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 73,469	$ 74,772
Interest cost	2,726	3,417
Actuarial (loss) gain	(7,559)	9,203
Benefits paid	(5,231)	(13,923)
Projected benefit obligation at end of year	$ 63,405	$ 73,469
Plan assets less than projected benefit obligation	$ (23,737)	$ (32,749)
Accumulated benefit obligation at end of year	$ 63,405	$ 73,469

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

9. Retirement Plans (continued)

The Condell Health Network Retirement Plan paid lump sums totaling $3,864 and $12,421 in 2013 and 2012, respectively. These amounts are greater than the sum of the plan's service cost and interest cost for 2013 and 2012. As a result, the System recognized a settlement charge in the amount of $771 and $4,101 in 2013 and 2012, respectively.

	2013	2012
Net Plans' pension expense consists of the following for the years ended December 31:		
Service cost	$ 43,989	$ 38,541
Interest cost	32,909	36,818
Expected return on plan assets	(55,734)	(54,706)
Amortization of:		
Prior service credit	(4,823)	(4,823)
Recognized actuarial loss	17,412	12,496
Settlement/curtailment	771	4,101
Net Plans' pension expense	$ 34,524	$ 32,427

The amount of actuarial loss and prior service cost (credit) included in other changes in unrestricted net assets expected to be recognized in net periodic pension cost during the fiscal year ending December 31, 2014, is $10,284 and $4,823, respectively.

For the defined benefit plans previously described, changes in plans assets and benefit obligations recognized in unrestricted net assets during 2013 and 2012 include an actuarial loss of $76,159 and $9,891, respectively, and net prior service credit of $4,823 in both years.

Included in unrestricted net assets at December 31 are the following amounts that have not yet been recognized in net pension expense:

	2013	2012
Unrecognized prior credit	$ (23,417)	$ (28,240)
Unrecognized actuarial loss	161,366	237,525
	$ 137,949	$ 209,285

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

9. Retirement Plans (continued)

Employer contributions were paid from employer assets. No plan assets are expected to be returned to the employer. All benefits paid under the Plans were paid from the Plans' assets. The System anticipates making $18,650 in contributions to the Plans' assets during 2014. Expected associate benefit payments are 2014 – $50,330; 2015 – $53,920; 2016 – $60,910; 2017 – $62,440; 2018 – $67,770; and 2019 through 2023 – $378,900.

The Plans' asset allocation and investment strategies are designed to earn returns on plan assets consistent with a reasonable and prudent level of risk. Investments are diversified across classes, economic sectors, and manager style to minimize the risk of loss. The System uses investment managers specializing in each asset category and, where appropriate, provides the investment manager with specific guidelines that include allowable and/or prohibited investment types. The System regularly monitors manager performance and compliance with investment guidelines.

The System's target and actual pension asset allocations for the Advocate Health Care Network Pension Plan are as follows:

		Actual Asset Allocation	
Asset Category	**Target**	**2013**	**2012**
Domestic and international equity securities	**42.5%**	**47.5%**	44.6%
Private equity limited partnerships and hedge funds	**17.5**	**17.2**	16.5
Fixed income securities	**30.0**	**25.6**	29.3
Real estate	**10.0**	**8.7**	8.5
Cash and cash equivalents	**–**	**1.0**	1.1
	100.0%	**100.0%**	100.0%

Within the domestic and international equity portfolio, investments are diversified among large and mid-capitalizations (15%), non-large capitalizations (2.5%), and international and emerging markets (25%).

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

9. Retirement Plans (continued)

Employer contributions were paid from employer assets. No plan assets are expected to be returned to the employer. All benefits paid under the Plans were paid from the Plans' assets. The System anticipates making $18,650 in contributions to the Plans' assets during 2014. Expected associate benefit payments are 2014 – $50,330; 2015 – $53,920; 2016 – $60,910; 2017 – $62,440; 2018 – $67,770; and 2019 through 2023 – $378,900.

The Plans' asset allocation and investment strategies are designed to earn returns on plan assets consistent with a reasonable and prudent level of risk. Investments are diversified across classes, economic sectors, and manager style to minimize the risk of loss. The System uses investment managers specializing in each asset category and, where appropriate, provides the investment manager with specific guidelines that include allowable and/or prohibited investment types. The System regularly monitors manager performance and compliance with investment guidelines.

The System's target and actual pension asset allocations for the Advocate Health Care Network Pension Plan are as follows:

		Actual Asset Allocation	
Asset Category	**Target**	**2013**	**2012**
Domestic and international equity securities	**42.5%**	**47.5%**	44.6%
Private equity limited partnerships and hedge funds	**17.5**	**17.2**	16.5
Fixed income securities	**30.0**	**25.6**	29.3
Real estate	**10.0**	**8.7**	8.5
Cash and cash equivalents	**–**	**1.0**	1.1
	100.0%	**100.0%**	100.0%

Within the domestic and international equity portfolio, investments are diversified among large and mid-capitalizations (15%), non-large capitalizations (2.5%), and international and emerging markets (25%).

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

9. Retirement Plans (continued)

Fair value methodologies for Level 1 and Level 2 are consistent with the inputs described in Note 4. Real estate commingled funds for which an active market exists are included in Level 2. Fair value for Level 3 represents the Plans' ownership interests in the NAVs of the respective private equity partnerships, hedge funds, and real estate commingled funds for which active markets do not exist. The System opted to use the NAV per share, or its equivalent, as a practical expedient for fair value of the Plans' interest in hedge funds and private equity funds. The alternative investment assets consist of marketable securities as well as securities and other assets that do not have readily determinable fair values. The fair values of the alternative investments that do not have readily determinable fair values are determined by the general partner or fund manager taking into consideration, among other things, the cost of the securities or other investments, prices of recent significant transfers of like assets, and subsequent developments concerning the companies or other assets to which the alternative investments relate. There is inherent uncertainty in such valuations, and the estimated fair values may differ from the values that would have been used had a ready market for these investments existed. Private equity partnerships and real estate commingled funds typically have finite lives ranging from 5 to 10 years, at the end of which all invested capital is returned. For hedge funds the typical lockup period is one year, after which invested capital can be redeemed on a quarterly basis with at least 30 days' but no more than 90 days' notice. The Plans' investment assets are exposed to the same kinds and levels of risk as described in Note 4.

At December 31, 2013 and 2012, the System, on behalf of the Plans, has commitments to fund private equity investments an additional $56,196 and $48,974, respectively. The unfunded commitments at December 31, 2013, are expected to be funded over the next seven years.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

9. Retirement Plans (continued)

The following are the Plans' financial instruments at December 31, 2013, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 4:

		Fair Value Measurements at Reporting Date Using		
Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 10,133	$ 8,119	$ 2,014	$ –
Equity securities:				
Small cap	2,442	–	2,442	–
Large cap	66,677	57,074	9,603	–
Value equity	43,439	43,261	178	–
Growth equity	58,214	58,214	–	–
U.S. equity	14,655	13,683	972	–
International equity	154,819	53,793	101,026	–
International equity – emerging	64,609	61,005	3,604	–
Fixed income securities:				
Core plus bonds	157,704	144,985	12,719	–
Long duration bonds	57,534	–	57,534	–
High-yield bonds	1,823	–	1,823	–
Emerging market bonds	990	–	990	–
Other types of investments:				
Hedge funds	69,639	–	–	69,639
Private equity funds	67,541	–	–	67,541
Real estate	69,918	–	52,405	17,513
Total	$ 840,137	$ 440,134	$ 245,310	$ 154,693

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

9. Retirement Plans (continued)

The table below sets forth a summary of changes in the fair value of the Plans' Level 3 assets for 2013:

	Hedge Funds	Private Equity	Real Estate
Fair value at January 1, 2013	$ 50,201	$ 68,868	$ 17,207
Net purchases and sales	12,604	(9,558)	(8)
Realized gains and losses	–	6,213	891
Unrealized gains and losses	6,834	2,018	(577)
Fair value at December 31, 2013	$ 69,639	$ 67,541	$ 17,513

The following are the Plans' financial instruments at December 31, 2012, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 4:

	Fair Value Measurements at Reporting Date Using			
Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 13,053	$ 8,403	$ 4,650	$ –
Equity securities:				
Small cap	2,450	–	2,450	–
Large cap	52,555	42,842	9,713	–
Value equity	39,673	37,887	1,786	–
Growth equity	54,226	52,176	2,050	–
U.S. equity	17,613	16,862	751	–
International equity	117,811	39,984	77,827	–
International equity – emerging	64,885	60,983	3,902	–
Fixed income securities:				
Core plus bonds	159,168	145,930	13,238	–
Long duration bonds	62,987	–	62,987	–
High-yield bonds	1,831	–	1,831	–
Emerging market bonds	1,018	–	1,018	–
Other types of investments:				
Hedge funds	50,201	–	–	50,201
Private equity funds	68,868	–	–	68,868
Real estate	61,775	–	44,568	17,207
Total	$ 768,114	$ 405,067	$ 226,771	$ 136,276

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Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

9. Retirement Plans (continued)

The table below sets forth a summary of changes in the fair value of the Plans' Level 3 assets for 2012:

	Hedge Funds	Private Equity	Real Estate
Fair value at January 1, 2012	$ 43,083	$ 53,737	$ 16,130
Net purchases and sales	4,256	8,269	(370)
Realized gains and losses	–	3,017	275
Unrealized gains and losses	2,862	3,845	1,172
Fair value at December 31, 2012	$ 50,201	$ 68,868	$ 17,207

Assumptions used to determine benefit obligations at the measurement date are as follows:

	2013	2012
Discount rate	**4.70%**	3.85%
Assumed rate of return on assets	**7.25**	7.50
Weighted-average rate of increase in future compensation (age-based table)	**4.15**	4.15

Assumptions used to determine net pension expense for the fiscal years are as follows:

	2013	2012
Discount rate	**3.85%**	4.75%
Assumed rate of return on assets	**7.50**	7.75
Weighted-average rate of increase in future compensation (age-based table)	**4.15**	4.80

The assumed rate of return on plan assets is based on historical and projected rates of return for asset classes in which the portfolio is invested. The expected return for each asset class was then weighted based on the target asset allocation to develop the overall expected rate of return on assets for the portfolio. This resulted in the selection of the 7.25% and 7.50% assumption for 2013 and 2012, respectively.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

9. Retirement Plans (continued)

In addition to the defined benefit pension plans, the System sponsors various defined contribution plans. The System contributed $40,641 and $34,797 in 2013 and 2012, respectively, which are included in salaries, wages, and employee benefits expense in the consolidated statements of operations and changes in net assets.

10. General and Professional Liability Risks

The System is self-insured for substantially all general and professional liability risks. The self-insurance programs combine various levels of self-insured retention with excess commercial insurance coverage. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits. Revocable trust funds, administered by a trustee and a captive insurance company, have been established for the self-insurance programs. Actuarial consultants have been retained to determine the estimated cost of claims, as well as to determine the amount to fund into the irrevocable trust and captive insurance company.

The estimated cost of claims is actuarially determined based on past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. Accrued insurance liabilities and contributions to the revocable trust were determined using a discount rate of 3.50% for 2013 and 2012. Accrued insurance liabilities for the System's captive insurance company were determined using a discount rate of 3.00% for 2013 and 2012. Total accrued insurance liabilities would have been $60,048 and $53,308 greater at December 31, 2013 and 2012, respectively, had these liabilities not been discounted.

The System is a defendant in certain litigation related to professional and general liability risks. Although the outcome of the litigation cannot be determined with certainty, management believes, after consultation with legal counsel, that the ultimate resolution of this litigation will not have any material adverse effect on the System's operations or financial condition.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

11. Legal, Regulatory, and Other Contingencies and Commitments

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. During the last few years, as a result of nationwide investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, exclusion from the Medicare and Medicaid programs, and revocation of federal or state tax-exempt status. Moreover, the System expects that the level of review and audit to which it and other health care providers are subject will increase.

Various federal and state agencies have initiated investigations, which are in various stages of discovery, relating to reimbursement, billing practices, and other matters of the System. There can be no assurance that regulatory authorities will not challenge the System's compliance with these laws and regulations, and it is not possible to determine the impact, if any, such claims or penalties would have on the System. As a result, there is a reasonable possibility that recorded amounts will change by a material amount in the near term. To foster compliance with applicable laws and regulations, the System maintains a compliance program designed to detect and correct potential violations of laws and regulations related to its programs.

In 2013 four desktop computers were stolen during a burglary at one of the System's administrative support locations. The computers did not contain patient medical records but did contain certain patient information, including names, addresses, Social Security numbers, and limited billing and clinical information. Affected patients were notified and offered free credit monitoring and identify theft protection. This matter is under investigation by various government agencies, and the System has received notice that it has been named in certain lawsuits regarding this matter. The System continues to monitor and investigate these matters. Although the outcome of these investigations and litigation cannot be determined with certainty, management is not in possession of any information to suggest that the costs relating to the resolution of this incident will have a material adverse effect on the System's operations or financial condition.

The System is committed to constructing additions and renovations to its medical facilities and implementing information technology projects, which are expected to be completed in future years. The estimated cost of these commitments is \$638,828, of which \$378,391 has been incurred as of December 31, 2013.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

11. Legal, Regulatory, and Other Contingencies and Commitments (continued)

Future minimum rental commitments at December 31, 2013, for all noncancelable leases with original terms of more than one year are $40,374, $35,837, $29,987, $26,380, and $19,804 for the years ending December 31, 2014 through 2018, respectively, and $75,650 thereafter.

Rent expense, which is included in other expenses, amounted to $69,340 and $70,077 in 2013 and 2012, respectively.

12. Income Taxes and Tax Status

Certain subsidiaries of the System are for-profit corporations. Significant components of the for-profit subsidiaries' deferred tax (liabilities) assets are as follows at December 31:

	2013	2012
Deferred tax assets		
Allowance for uncollectible accounts	$ 6,654	$ 4,346
Other accrued expenses	39	39
Reserves for incurred but not reported claims	76	255
Accrued insurance	6,028	7,699
Accrued compensation and employee benefits	2,862	4,745
Third-party settlements	848	848
Prepaid and other assets	380	380
Net operating losses	27,602	15,078
Total deferred tax assets	44,489	33,390
Less valuation allowance	26,074	12,354
Net deferred tax assets, included in deferred costs and intangible assets and prepaid expenses, inventories, and other assets	18,415	21,036
Deferred tax liabilities		
Property and equipment	(6,316)	(7,165)
Other accrued expenses	(7,208)	(3,647)
Deferred gain on acquisition	(5,736)	(4,827)
Total deferred tax liabilities, included in other noncurrent liabilities	(19,260)	(15,639)
Net deferred tax (liability) asset	$ (845)	$ 5,397

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Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

12. Income Taxes and Tax Status (continued)

As of December 31, 2013, the for-profit corporations had $63,314 of federal and $77,020 of state net operating loss carryforwards with unutilized amounts expiring between 2019 and 2033.

During 2013 the valuation allowance increased by $13,720. This change is due to additional net operating loss carryforwards from the acquisition of a for-profit entity. The valuation allowance as of the end of 2013 primarily consists of net operating losses that are unlikely to be realized.

Significant components of the for-profit subsidiaries' provision (credit) for income taxes are as follows for the years ended December 31:

	2013	2012
Current:		
Federal	$ 784	$ (1,012)
State	240	(309)
Deferred	6,242	(1,144)
	$ 7,266	$ (2,465)

Federal and state income taxes paid relating to the System's for-profit corporations were $2,392 and $7,284 in 2013 and 2012, respectively.

The System and all other controlled or wholly owned subsidiaries are exempt from income taxes under Internal Revenue Code Section 501(c)(3). They do, however, operate certain programs that generate unrelated business income. The current tax (credit) provision recorded on this income was $(3,030) and $1,378 for the years ended December 31, 2013 and 2012, respectively. Federal, state, and local governments are increasingly scrutinizing the tax status of not-for-profit hospitals and health care systems.

13. Sherman Affiliation

Sherman owns and operates a 255-bed acute care hospital located in Elgin, Illinois. Sherman is the sole member of various not-for-profit corporations or the shareholder of various business corporations engaged in the delivery of health care services or the provision of goods and services ancillary thereto, which include a rehabilitation and skilled nursing facility (Sherman West Court), a home health care company, and an employed physician medical group with approximately 35 physicians.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

13. Sherman Affiliation (continued)

The Sherman affiliation was accounted for under the purchase accounting guidance and a contribution of $151,663 was recorded in the consolidated statement of operations and changes in net assets for the year ended December 31, 2013. This contribution reflected the fair value of the unrestricted net assets of Sherman on the date of the affiliation. The total increase in net assets attributable to the affiliation, which included the fair value of temporarily and permanently restricted net assets contributed, was $152,645. No goodwill was recorded as a result of this transaction. In valuing these assets and liabilities, fair values were based on, but not limited to professional appraisals, discounted cash flows, replacement costs, and actuarially determined values.

The fair value of assets and liabilities of Sherman contributed at June 1, 2013, consists of the following:

Cash and cash equivalents	$ 12,280
Investments	123,355
Other current assets	65,949
Property and equipment	318,398
Other long-term assets	29,601
Total assets	549,583
Current liabilities, excluding the current portion of long-term debt	69,412
Long-term debt	284,217
Other long-term liabilities	43,309
Total liabilities	396,938
Increase in net assets	$ 152,645

Total operating revenue and operating income from the date of affiliation for Sherman of $170,246 and $5,033, respectively, have been included in the consolidated statements of operations and changes in net assets.

Advocate Health Care Network and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

13. Sherman Affiliation (continued)

Following are the unaudited pro forma results for the year ended December 31, 2013 and 2012. These results reflect the addition of Sherman's unaudited results for the period January 1 to May 31, 2013, and the year ended December 31, 2012, to the System's results for the years ended December 31, 2013 and 2012, respectively. These results do not include the addition to revenues in excess of expenses that would have occurred on January 1, 2012, for the contribution of Sherman's unrestricted net assets.

	December 31	
	2013	**2012**
Total operating revenue	**$ 5,062,920**	$ 4,886,189
Operating income	**301,479**	298,380
Revenues in excess of expenses	**771,600**	677,360

The pro forma information provided is a compilation of results only and should not be construed to accurately reflect what the actual results would have been had the affiliation been consummated on January 1, 2012, and is not intended to project the System's results of operations for any future periods.

14. Subsequent Events

The System evaluated events occurring between January 1, 2014 and March 7, 2014, which is the date when the consolidated financial statements were issued.

Supplementary Information

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Building a better working world

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Report of Independent Auditors on Supplementary Information

The Board of Directors
Advocate Health Care Network

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statement as a whole. The accompanying details of consolidated balance sheet and details of consolidated statement of operations and changes in net assets and shareholders' equity are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst + Young LLP

March 7, 2014

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A member firm of Ernst & Young Global Limited

Advocate Health Care Network and Subsidiaries

Details of Consolidated Balance Sheet
(Dollars in Thousands)

December 31, 2013

	Consolidated	Eliminations	Advocate Health Care Network	Advocate Health and Hospitals Corporation and Subsidiaries	Advocate Network Services, Incorporated and Subsidiaries	Advocate Charitable Foundation	Advocate Insurance SPC	Sherman Health Insurance Co.	Advocate Sherman Hospital and Subsidiaries
Assets									
Current assets:									
Cash and cash equivalents	$ 563,229	$ –	$ 30,949	$ 478,172	$ 37,527	$ 1	$ 69	$ 395	$ 16,116
Short-term investments	19,401	–	–	–	–	19,401	–	–	–
Assets limited as to use	89,660	–	–	76,933	139	–	12,588	–	–
Patient accounts receivable, less allowances for uncollectible accounts	567,033	(564)	–	506,802	23,875	–	–	–	36,920
Amounts due from primary third-party payors	10,107	–	–	10,107	–	–	–	–	–
Intercompany accounts receivable	–	(88,198)	7,126	45,005	8,532	638	257	21,101	5,539
Prepaid expenses, inventories, and other current assets	256,322	–	–	158,422	29,566	37,334	13,676	11	17,313
Collateral proceeds received under securities lending program	19,165	–	–	19,165	–	–	–	–	–
Total current assets	1,524,917	(88,762)	38,075	1,294,606	99,639	57,374	26,590	21,507	75,888
Assets limited as to use:									
Internally and externally designated investments limited as to use	4,715,519	–	309,470	3,995,215	72,523	122,629	89,669	–	126,013
Investments under securities lending program	19,013	–	–	19,013	–	–	–	–	–
Investment in subsidiaries	–	(184,316)	184,316	–	–	–	–	–	–
Accounts receivable from Advocate Health Care Network and subsidiaries	–	(91,380)	91,380	–	–	–	–	–	–
Prepaid pension expense and other noncurrent assets	132,382	(943)	–	128,818	–	4,507	–	–	–
Interest in health care and related entities	152,103	–	–	124,833	24,624	–	–	–	2,646
Reinsurance receivable	172,318	–	–	8,064	–	–	151,805	–	12,449
Deferred costs and intangible assets, less allowances for amortization	51,231	(5,414)	–	41,036	11,598	–	–	–	4,011
	5,242,566	(282,053)	585,166	4,316,979	108,745	127,136	241,474	–	145,119
Property and equipment – at cost:									
Land and land improvements	251,296	–	–	203,561	13,117	–	–	–	34,618
Buildings	2,514,922	–	–	2,207,731	60,990	355	–	–	245,846
Movable equipment	1,358,608	–	–	1,256,761	62,891	1,444	–	–	37,512
Construction-in-progress	313,065	–	–	309,790	516	–	–	–	2,759
	4,437,891	–	–	3,977,843	137,514	1,799	–	–	320,735
Less allowances for depreciation	2,155,428	–	–	2,056,331	85,674	1,637	–	–	11,786
	2,282,463	–	–	1,921,512	51,840	162	–	–	308,949
	$ 9,049,946	$ (370,815)	$ 623,241	$ 7,533,097	$ 260,224	$ 184,672	$ 268,064	$ 21,507	$ 529,956

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Advocate Health Care Network and Subsidiaries

Details of Consolidated Balance Sheet (continued)
(Dollars in Thousands)

	Consolidated	Eliminations	Advocate Health Care Network	Advocate Health and Hospitals Corporation and Subsidiaries	Advocate Network Services, Incorporated and Subsidiaries	Advocate Charitable Foundation	Advocate Insurance SPC	Sherman Health Insurance Co.	Advocate Sherman Hospital and Subsidiaries
Liabilities and net assets and shareholders' equity									
Current liabilities:									
Current portion of long-term debt	$ 17,810	$ –	$ –	$ 17,285	$ 359	$ –	$ –	$ –	$ 166
Long-term debt subject to short-term remarketing arrangements	135,130	–	–	135,130	–	–	–	–	–
Accounts payable	291,306	–	–	277,372	6,189	142	55	–	7,548
Accrued salaries and employee benefits	423,897	–	–	394,146	12,962	1,689	–	–	15,100
Accrued expenses	120,526	(564)	–	94,999	4,769	286	11,822	1	9,213
Amounts due to primary third-party payors	274,780	–	–	242,138	2,612	–	–	–	30,030
Current portion of accrued insurance and claims costs and subsidiaries	112,412	–	–	78,614	1,881	–	26,068	–	5,849
Notes and accounts payable to Advocate Health Care Network and subsidiaries	–	(88,198)	21,009	14,304	10,455	2,961	1,215	13,864	24,390
Obligations to return collateral under securities lending program	19,440	–	–	19,440	–	–	–	–	–
Total current liabilities	1,395,301	(88,762)	21,009	1,273,428	39,227	5,078	39,160	13,865	92,296
Noncurrent liabilities:									
Long-term debt, less current portion	1,452,109	–	–	1,268,612	5,458	–	–	–	178,039
Notes and accounts payable to Advocate Health Care Network and subsidiaries	–	(91,380)	–	–	–	–	–	–	91,380
Pension plan liability	23,737	–	–	23,737	–	–	–	–	–
Accrued insurance and claims cost, less current portion	678,470	–	–	633,425	8,775	–	35,716	–	554
Accrued losses subject to reinsurance recovery	172,318	–	–	8,064	–	–	151,805	–	12,449
Obligations under swap agreements, net of collateral posted	47,908	–	–	47,908	–	–	–	–	–
Other noncurrent liabilities	151,668	(943)	124	105,225	44,156	2,697	–	–	409
	2,526,210	(92,323)	124	2,086,971	58,389	2,697	187,521	–	282,831
Total liabilities	3,921,511	(181,085)	21,133	3,360,399	97,616	7,775	226,681	13,865	375,127
Net assets/shareholders' equity:									
Unrestricted	4,968,578	13,425	602,108	4,171,618	–	19,281	–	7,522	154,624
Temporarily restricted	111,335	–	–	1,080	–	110,050	–	–	205
Permanently restricted	47,566	–	–	–	–	47,566	–	–	–
Common stock	–	(13)	–	–	1	–	–	12	–
Additional paid-in capital	–	(177,271)	–	–	177,163	–	–	108	–
Non-controlling interest	956	–	–	–	956	–	–	–	–
Retained (deficit) earnings/partnership losses	–	(25,871)	–	–	(15,512)	–	41,383	–	–
Total net assets/shareholders' equity	5,128,435	(189,730)	602,108	4,172,698	162,608	176,897	41,383	7,642	154,829
	$ 9,049,946	$ (370,815)	$ 623,241	$ 7,533,097	$ 260,224	$ 184,672	$ 268,064	$ 21,507	$ 529,956

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Advocate Health Care Network and Subsidiaries

Details of Consolidated Statement of Operations and Changes in Net Assets and Shareholders' Equity

(Dollars in Thousands)

December 31, 2013

	Consolidated	Eliminations	Advocate Health Care Network	Advocate Health and Hospitals Corporation and Subsidiaries	Advocate Network Services, Incorporated and Subsidiaries	Advocate Charitable Foundation	Advocate Insurance SPC	Sherman Health Insurance Co.	Advocate Sherman Hospital and Subsidiaries
Unrestricted revenues, gains, and other support									
Net patient service revenue	$ 4,468,468	$ (8,041)	$ -	$ 4,092,747	$ 205,705	$ -	$ -	$ -	$ 178,057
Provision for uncollectible accounts	(253,989)	-	-	(225,401)	(13,296)	-	-	-	(15,292)
	4,214,479	(8,041)	-	3,867,346	192,409	-	-	-	162,765
Capitation revenue	389,516	-	-	325,415	64,101	-	-	-	-
Other revenue	334,007	(68,344)	1,582	307,377	52,342	1,561	31,359	649	7,481
	4,938,002	(76,385)	1,582	4,500,138	308,852	1,561	31,359	649	170,246
Expenses									
Salaries, wages, and employee benefits	2,510,470	-	6	2,298,349	126,121	7,882	-	-	78,112
Purchased services and operating supplies	1,211,483	(42,735)	-	1,057,398	145,344	1,133	191	31	50,121
Contracted medical services	135,570	(8,027)	-	131,886	11,711	-	-	-	-
Insurance and claims costs	108,349	(21,974)	(2)	119,135	(428)	6	9,492	-	2,120
Other	404,988	(2,077)	-	365,616	19,886	2,736	3,309	14	15,504
Depreciation and amortization	211,648	(1,299)	-	193,290	7,414	60	-	-	12,183
Interest	55,299	(1,362)	-	49,258	230	-	-	-	7,173
	4,637,807	(77,474)	4	4,214,932	310,278	11,817	12,992	45	165,213
Operating income (loss)	300,195	1,089	1,578	285,206	(1,426)	(10,256)	18,367	604	5,033
Nonoperating income (loss)									
Investment income (loss)	287,727	(1,306)	17,297	252,832	12,098	-	2,019	(430)	5,217
Change in fair value of interest rate swaps	41,236	-	-	41,236	-	-	-	-	-
Fair value of net assets acquired	151,663	(1,701)	-	2,167	-	-	-	7,348	143,849
Loss on refinancing of debt	(46)	-	-	(46)	-	-	-	-	-
Other nonoperating items, net	(15,455)	(3,496)	1,500	(7,970)	(5,418)	(38)	-	-	(33)
Revenues in excess of (less than) expenses	765,320	(5,414)	20,375	573,425	5,254	(10,294)	20,386	7,522	154,066
Unrestricted net assets									
Net assets released from restrictions and used for capital purchases	3,054	-	-	2,809	-	-	-	-	245
Net assets released from grants used for capital purposes	1,147	-	-	834	-	-	-	-	313
Contribution of net assets of Sherman Hospital	-	(120)	-	-	-	-	-	120	-
Transfers to/from Advocate Health Care Network and subsidiaries	-	-	194,200	(170,000)	-	10,800	(35,000)	-	-
Postretirement benefit plan adjustments	70,912	-	-	70,912	-	-	-	-	-
Other	(21)	-	-	(2)	1	(20)	-	-	-
Increase (decrease) in unrestricted net assets	840,412	(5,534)	214,575	477,978	5,255	486	(14,614)	7,642	154,624

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Advocate Health Care Network and Subsidiaries

Details of Consolidated Statement of Operations and Changes in Net Assets and Shareholders' Equity (continued)

(Dollars in Thousands)

	Consolidated	Eliminations	Advocate Health Care Network	Advocate Health and Hospitals Corporation and Subsidiaries	Advocate Network Services, Incorporated and Subsidiaries	Advocate Charitable Foundation	Advocate Insurance SPC	Sherman Health Insurance Co.	Advocate Sherman Hospital and Subsidiaries
Temporarily restricted net assets									
Contributions for medical education programs, capital purchases, and other purposes	$ 27,778	$ –	$ –	$ (13)	$ –	$ 27,791	$ –	$ –	$ –
Contribution of net assets of Sherman Hospital	719	–	–	–	–	514	–	–	205
Realized gains on investments	2,959	–	–	15	–	2,944	–	–	–
Unrealized gains on investments	3,768	–	–	5	–	3,763	–	–	–
Net assets released from restriction and used for operations, medical education programs, capital purchases, and other purposes	(14,240)	–	–	–	–	(14,240)	–	–	–
Increase in temporarily restricted net assets	20,984	–	–	7	–	20,772	–	–	205
Permanently restricted net assets									
Contributions for medical education programs, capital purchases, and other purposes	1,889	–	–	–	–	1,889	–	–	–
Contribution of net assets of Sherman Hospital	263	–	–	–	–	263	–	–	–
Increase in permanently restricted net assets	2,152	–	–	–	–	2,152	–	–	–
Increase (decrease) in net assets	863,548	(5,534)	214,575	477,985	5,255	23,410	(14,614)	7,642	154,829
Change in non-controlling interest	(26)	–	–	–	(26)	–	–	–	–
Net assets/shareholders' equity at beginning of year	4,264,913	(184,196)	387,533	3,694,713	157,379	153,487	55,997	–	–
Net assets/shareholders' equity at end of year	$ 5,128,435	$ (189,730)	$ 602,108	$ 4,172,698	$ 162,608	$ 176,897	$ 41,383	$ 7,642	$ 154,829

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Advocate Health and Hospitals Corporation and Subsidiaries

Details of Consolidated Balance Sheet
(Dollars in Thousands)

December 31, 2013

	Consolidated	Eliminations	Advocate Health and Hospitals Corporation	Advocate Northside Health System	Advocate Condell Medical Center	Midwest Heart Specialists	EHS Home Health Care Services, Inc. and Subsidiary	Eliminations	EHS Home Health Care Service, Inc.	Advocate Hospice
Assets										
Current assets:										
Cash and cash equivalents	$ 478,172	$ –	$ 384,503	$ 32,983	$ 44,230	$ 3,033	$ 13,423	$ –	$ 10,904	$ 2,519
Assets limited as to use	76,933	–	76,933	–	–	–	–	–	–	–
Patient accounts receivable, less allowances for uncollectible accounts	506,802	(105)	411,649	60,017	29,409	–	5,832	–	3,422	2,410
Amounts due from primary third-party payors	10,107	–	7,111	1,930	1,066	–	–	–	–	–
Accounts receivable from Advocate Health Care Network and subsidiaries	45,005	–	41,745	2,046	167	–	1,047	–	1,041	6
Intercompany accounts receivable	–	(63,421)	38,095	20,019	4,793	52	462	(330)	676	116
Prepaid expenses, inventories, and other current assets	158,422	–	131,025	20,271	6,403	484	239	–	219	20
Collateral proceeds received under securities lending program	19,165	–	19,165	–	–	–	–	–	–	–
Total current assets	1,294,606	(63,526)	1,110,226	137,266	86,068	3,569	21,003	(330)	16,262	5,071
Assets limited as to use:										
Internally and externally designated investments limited as to use	3,995,215	–	3,885,355	51,990	41,658	6,163	10,049	–	7,349	2,700
Investments under securities lending program	19,013	–	19,013	–	–	–	–	–	–	–
Prepaid pension expense and other noncurrent assets	128,818	–	128,818	–	–	–	–	–	–	–
Interest in health care and related entities	124,833	(15,869)	48,170	92,455	–	77	–	–	–	–
Reinsurance receivable	8,064	–	7,602	–	462	–	–	–	–	–
Deferred costs and intangible assets, less allowances for amortization	41,036	–	39,580	104	–	1,352	–	–	–	–
	4,316,979	(15,869)	4,128,538	144,549	42,120	7,592	10,049	–	7,349	2,700
Property and equipment – at cost:										
Land and land improvements	203,561	–	107,227	41,430	54,904	–	–	–	–	–
Buildings	2,207,731	–	1,833,786	136,202	236,899	–	844	–	844	–
Movable equipment	1,256,761	–	1,135,113	64,322	52,965	–	4,361	–	4,296	65
Construction-in-progress	309,790	–	258,094	49,138	2,558	–	–	–	–	–
	3,977,843	–	3,334,220	291,092	347,326	–	5,205	–	5,140	65
Less allowances for depreciation	2,056,331	–	1,865,835	112,654	73,296	–	4,546	–	4,510	36
	1,921,512	–	1,468,385	178,438	274,030	–	659	–	630	29
	$ 7,533,097	$ (79,395)	$ 6,707,149	$ 460,253	$ 402,218	$ 11,161	$ 31,711	$ (330)	$ 24,241	$ 7,800

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Advocate Health and Hospitals Corporation and Subsidiaries

Details of Consolidated Balance Sheet (continued)
(Dollars in Thousands)

	Consolidated	Eliminations	Advocate Health and Hospitals Corporation	Advocate Northside Health System	Advocate Condell Medical Center	Midwest Heart Specialists	EHS Home Health Care Services, Inc. and Subsidiary	Eliminations	EHS Home Health Care Service, Inc.	Advocate Hospice
Liabilities and net assets										
Current liabilities:										
Current portion of long-term debt	$ 17,285	$ –	$ 16,785	$ –	$ 500	$ –	$ –	$ –	$ –	$ –
Long-term debt subject to short-term remarketing arrangements	135,130	–	135,130	–	–	–	–	–	–	–
Accounts payable	277,372	–	231,202	27,725	13,297	455	4,693	–	3,247	1,446
Accrued salaries and employee benefits	394,146	–	350,553	22,934	14,680	–	5,979	–	5,120	859
Accrued expenses	94,999	(105)	84,377	7,270	2,359	292	806	–	701	105
Amounts due to primary third-party payors	242,138	–	165,604	33,491	36,428	–	6,615	–	6,580	35
Current portion of accrued insurance and claims costs	78,614	–	78,614	–	–	–	–	–	–	–
Notes and accounts payable to Advocate Health Care Network and subsidiaries	14,304	–	10,724	2,112	390	–	1,078	–	1,002	76
Intercompany payables	–	(63,421)	25,256	28,435	8,278	105	1,347	(330)	977	700
Obligations to return collateral under securities lending program	19,440	–	19,440	–	–	–	–	–	–	–
Total current liabilities	1,273,428	(63,526)	1,117,685	121,967	75,932	852	20,518	(330)	17,627	3,221
Noncurrent liabilities:										
Long-term debt, less current portion	1,268,612	–	1,238,432	–	30,180	–	–	–	–	–
Pension plan liability	23,737	–	–	–	23,737	–	–	–	–	–
Accrued insurance and claims cost, less current portion	633,425	–	633,425	–	–	–	–	–	–	–
Accrued losses subject to reinsurance recovery	8,064	–	7,602	–	462	–	–	–	–	–
Obligations under swap agreements, net of collateral posted	47,908	–	47,908	–	–	–	–	–	–	–
Other noncurrent liabilities	105,225	–	100,038	4,748	108	331	–	–	–	–
	2,086,971	–	2,027,405	4,748	54,487	331	–	–	–	–
Total liabilities	3,360,399	(63,526)	3,145,090	126,715	130,419	1,183	20,518	(330)	17,627	3,221
Net assets:										
Unrestricted	4,171,618	–	3,560,979	333,538	271,799	(5,891)	11,193	–	6,614	4,579
Temporarily restricted	1,080	–	1,080	–	–	–	–	–	–	–
Additional paid-in capital	–	(15,869)	–	–	–	15,869	–	–	–	–
Total net assets	4,172,698	(15,869)	3,562,059	333,538	271,799	9,978	11,193	–	6,614	4,579
	$ 7,533,097	$ (79,395)	$ 6,707,149	$ 460,253	$ 402,218	$ 11,161	$ 31,711	$ (330)	$ 24,241	$ 7,800

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Advocate Health and Hospitals Corporation and Subsidiaries

Details of Consolidated Statement of Operations and Changes in Net Assets and Shareholders' Equity

(Dollars in Thousands)

December 31, 2013

	Consolidated	Eliminations	Advocate Health and Hospitals Corporation	Advocate Northside Health System	Advocate Condell Medical Center	Midwest Heart Specialists	EHS Home Health Care Services, Inc. and Subsidiary	Eliminations	EHS Home Health Care Service, Inc.	Advocate Hospice
Unrestricted revenues, gains, and other support										
Net patient service revenue	$ 4,092,747	$ (1,333)	$ 3,218,111	$ 465,980	$ 326,385	$ –	$ 83,604	$ –	$ 64,503	$ 19,101
Provision for uncollectible accounts	(225,401)	–	(173,912)	(30,585)	(19,896)	–	(1,008)	–	(1,024)	16
	3,867,346	(1,333)	3,044,199	435,395	306,489	–	82,596	–	63,479	19,117
Capitation revenue	325,415	–	323,156	1,890	–	–	369	–	369	–
Other revenue	307,377	(61,632)	319,240	29,301	15,232	857	4,379	(2,097)	6,379	97
	4,500,138	(62,965)	3,686,595	466,586	321,721	857	87,344	(2,097)	70,227	19,214
Expenses										
Salaries, wages, and employee benefits	2,298,349	–	1,893,953	214,169	128,778	–	61,449	–	52,082	9,367
Purchased services and operating supplies	1,057,398	(56,941)	860,161	123,078	116,220	390	14,490	(2,097)	8,925	7,662
Contracted medical services	131,886	(1,333)	133,219	–	–	–	–	–	–	–
Insurance and claims costs	119,135	(431)	99,759	14,720	4,879	8	200	–	134	66
Other	365,616	(4,260)	308,949	38,880	17,110	24	4,913	–	4,093	820
Depreciation and amortization	193,290	–	160,658	14,079	16,513	1,622	418	–	410	8
Interest	49,258	–	46,767	–	2,491	–	–	–	–	–
	4,214,932	(62,965)	3,503,466	404,926	285,991	2,044	81,470	(2,097)	65,644	17,923
Operating income (loss)	285,206	–	183,129	61,660	35,730	(1,187)	5,874	–	4,583	1,291
Nonoperating income (loss)										
Investment income	252,832	–	231,928	15,198	3,876	1,013	817	–	572	245
Change in fair value of interest rate swaps	41,236	–	41,236	–	–	–	–	–	–	–
Fair value of net assets acquired	2,167	–	1,701	–	–	–	466	–	466	–
Loss on refinancing of debt	(46)	–	(46)	–	–	–	–	–	–	–
Other nonoperating items, net	(7,970)	–	(7,225)	120	(958)	93	–	–	–	–
Revenues in excess of (less than) expenses	573,425	–	450,723	76,978	38,648	(81)	7,157	–	5,621	1,536
Unrestricted net assets										
Net assets released from restrictions and used for capital purposes	2,809	–	2,047	460	302	–	–	–	–	–
Net assets released from grants used for capital purposes	834	–	648	–	186	–	–	–	–	–
Transfers to/from Advocate Health Care Network and subsidiaries	(170,000)	–	(47,000)	(75,000)	(40,000)	–	(8,000)	–	(5,000)	(3,000)
Postretirement benefit plan adjustments	70,912	–	59,317	–	11,595	–	–	–	–	–
Other	(2)	–	(2)	–	–	–	–	–	–	–
Increase (decrease) in unrestricted net assets	477,978	–	465,733	2,438	10,731	(81)	(843)	–	621	(1,464)

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Advocate Health and Hospitals Corporation and Subsidiaries

Details of Consolidated Statement of Operations and Changes in Net Assets and Shareholders' Equity (continued)
(Dollars in Thousands)

	Consolidated	Eliminations	Advocate Health and Hospitals Corporation	Advocate Northside Health System	Advocate Condell Medical Center	Midwest Heart Specialists	EHS Home Health Care Services, Inc. and Subsidiary	Eliminations	EHS Home Health Care Service, Inc.	Advocate Hospice
Temporarily restricted net assets										
Contributions for medical education programs, capital purchases, and other purposes	$ (13)	$ –	$ (13)	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Realized gains on investments	15	–	15	–	–	–	–	–	–	–
Unrealized gains on investments	5	–	5	–	–	–	–	–	–	–
Increase in temporarily restricted net assets	7	–	7	–	–	–	–	–	–	–
Increase (decrease) in net assets	477,985	–	465,740	2,438	10,731	(81)	(843)	–	621	(1,464)
Net assets at beginning of year	3,694,713	(15,869)	3,096,319	331,100	261,068	10,059	12,036	–	5,993	6,043
Net assets at end of year	$ 4,172,698	$ (15,869)	$ 3,562,059	$ 333,538	$ 271,799	$ 9,978	$ 11,193	$ –	$ 6,614	$ 4,579

1312-1179290

Advocate Sherman Hospital and Subsidiaries

Details of Consolidated Balance Sheet
(Dollars in Thousands)

December 31, 2013

	Consolidated	Eliminations	Advocate Sherman Hospital	Sherman West Court	Health Visions, Inc.	Sherman Choice
Assets						
Current assets:						
Cash and cash equivalents	$ 16,116	$ –	$ 10,196	$ 2,021	$ 650	$ 3,249
Patient accounts receivable, less allowances for uncollectible accounts	36,920	–	35,939	981	–	–
Accounts receivable from Advocate Health Care Network and subsidiaries	5,539	–	2,289	13	3,237	–
Intercompany accounts receivable	–	(9,339)	9,299	40	–	–
Prepaid expenses, inventories, and other current assets	17,313	–	17,088	14	–	211
Total current assets	75,888	(9,339)	74,811	3,069	3,887	3,460
Assets limited as to use:						
Internally and externally designated investments limited as to use	126,013	–	125,953	60	–	–
Intercompany accounts receivable	–	(4,150)	4,150	–	–	–
Interest in health care and related entities	2,646	(2,130)	4,776	–	–	–
Reinsurance receivable	12,449	–	12,449	–	–	–
Deferred costs and intangible assets, less allowances for amortization	4,011	–	4,011	–	–	–
	145,119	(6,280)	151,339	60	–	–
Property and equipment – at cost:						
Land and land improvements	34,618	–	33,504	1,114	–	–
Buildings	245,846	–	243,330	2,516	–	–
Movable equipment	37,512	–	37,442	70	–	–
Construction-in-progress	2,759	–	2,759	–	–	–
	320,735	–	317,035	3,700	–	–
Less allowances for depreciation	11,786	–	11,675	111	–	–
	308,949	–	305,360	3,589	–	–
	$ 529,956	$ (15,619)	$ 531,510	$ 6,718	$ 3,887	$ 3,460

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Advocate Sherman Hospital and Subsidiaries

Details of Consolidated Balance Sheet (continued)

(Dollars in Thousands)

	Consolidated	Eliminations	Advocate Sherman Hospital	Sherman West Court	Health Visions, Inc.	Sherman Choice
Liabilities and net assets						
Current liabilities:						
Current portion of long-term debt	$ 166	$ –	$ 166	$ –	$ –	$ –
Current portion of intercompany long-term debt	–	(277)	–	277	–	–
Accounts payable	7,548	–	7,211	291	46	–
Accrued salaries and employee benefits	15,100	–	14,666	434	–	–
Accrued expenses	9,213	–	5,592	154	7	3,460
Amounts due to primary third-party payors	30,030	–	30,030	–	–	–
Current portion of accrued insurance and claims costs	5,849	–	5,849	–	–	–
Notes and accounts payable to Advocate Health Care Network and subsidiaries	24,390	–	22,723	2	1,663	2
Intercompany payables	–	(9,062)	40	510	8,496	16
Total current liabilities	92,296	(9,339)	86,277	1,668	10,212	3,478
Noncurrent liabilities:						
Long-term debt, less current portion	178,039	–	178,039	–	–	–
Long-term intercompany debt, less current portion	–	(4,150)	–	4,150	–	–
Notes and accounts payable to Advocate Health Care Network and subsidiaries	91,380	–	91,380	–	–	–
Accrued insurance and claims cost, less current portion	554	–	554	–	–	–
Accrued losses subject to reinsurance recovery	12,449	–	12,449	–	–	–
Other noncurrent liabilities	409	–	409	–	–	–
	282,831	(4,150)	282,831	4,150	–	–
Total liabilities	375,127	(13,489)	369,108	5,818	10,212	3,478
Net assets:						
Unrestricted	154,624	–	162,257	840	(8,455)	(18)
Temporarily restricted	205	–	145	60	–	–
Common stock	–	(1)	–	–	1	
Additional paid-in capital	–	(2,129)	–	–	2,129	–
Total net assets	154,829	(2,130)	162,402	900	(6,325)	(18)
	$ 529,956	$ (15,619)	$ 531,510	$ 6,718	$ 3,887	$ 3,460

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Advocate Sherman Hospital and Subsidiaries

Details of Consolidated Statement of Operations and Changes in Net Assets and Shareholders' Equity

(Dollars in Thousands)

December 31, 2013

	Consolidated	Eliminations	Advocate Sherman Hospital	Sherman West Court	Health Visions, Inc.	Sherman Choice
Unrestricted revenues, gains, and other support						
Net patient service revenue	$ 178,057	$ –	$ 171,879	$ 5,744	$ 434	$ –
Provision for uncollectible accounts	(15,292)	–	(15,213)	(103)	24	–
	162,765	–	156,666	5,641	458	–
Other revenue	7,481	(156)	7,600	37	–	–
	170,246	(156)	164,266	5,678	458	–
Expenses						
Salaries, wages, and employee benefits	78,112	–	73,898	3,525	689	–
Purchased services and operating supplies	50,121	(156)	48,909	1,110	240	18
Insurance and claims costs	2,120	–	1,856	201	63	–
Other	15,504	–	15,005	197	302	–
Depreciation and amortization	12,183	–	12,072	111	–	–
Interest	7,173	(37)	7,151	59	–	–
	165,213	(193)	158,891	5,203	1,294	18
Operating income (loss)	5,033	37	5,375	475	(836)	(18)
Nonoperating income (loss)						
Investment income (loss)	5,217	(37)	5,254	–	–	–
Fair value of net assets acquired	143,849	(2,130)	151,103	365	(5,489)	–
Other nonoperating items, net	(33)	–	(33)	–	–	–
Revenues in excess of (less than) expenses	154,066	(2,130)	161,699	840	(6,325)	(18)
Net assets released from restrictions and used for capital purposes	245	–	245	–	–	–
Net assets released from grants used for capital purposes	313	–	313	–	–	–
Increase (decrease) in unrestricted net assets	154,624	(2,130)	162,257	840	(6,325)	(18)
Temporarily restricted net assets						
Contribution of net assets of Sherman Hospital	205	–	145	60	–	–
Increase in temporarily restricted net assets	205	–	145	60	–	–
Increase (decrease) in net assets	154,829	(2,130)	162,402	900	(6,325)	(18)
Net assets at end of year	$ 154,829	$ (2,130)	$ 162,402	$ 900	$ (6,325)	$ (18)

1312-1179290

Advocate Northside Health System and Subsidiaries

Details of Consolidated Balance Sheet

(Dollars in Thousands)

December 31, 2013

	Consolidated	Eliminations	Advocate Northside Health System	HispanoCare, Inc.
Assets				
Current assets:				
Cash and cash equivalents	$ 32,983	$ –	$ 32,459	$ 524
Patient accounts receivable, less allowances for uncollectible accounts	60,017	–	60,017	–
Amounts due from primary third-party payors	1,930	–	1,930	–
Accounts receivable from Advocate Health Care Network and subsidiaries	2,046	–	573	1,473
Intercompany accounts receivable	20,019	(1,455)	21,474	–
Prepaid expenses, inventories, and other current assets	20,271	–	20,271	–
Total current assets	137,266	(1,455)	136,724	1,997
Assets limited as to use:				
Internally and externally designated investments limited as to use	51,990	–	51,990	–
Interest in health care and related entities	92,455	–	92,455	–
Deferred costs and intangible assets, less allowances for amortization	104	–	104	–
	144,549	–	144,549	–
Property and equipment – at cost:				
Land and land improvements	41,430	–	41,430	–
Buildings	136,202	–	136,202	–
Movable equipment	64,322	–	64,315	7
Construction-in-progress	49,138	–	49,138	–
	291,092	–	291,085	7
Less allowances for depreciation	112,654	–	112,649	5
	178,438	–	178,436	2
	$ 460,253	$ (1,455)	$ 459,709	$ 1,999

1312-1179290

Advocate Northside Health System and Subsidiaries

Details of Consolidated Balance Sheet (continued)

(Dollars in Thousands)

	Consolidated	Eliminations	Advocate Northside Health System	HispanoCare, Inc.
Liabilities and net assets				
Current liabilities:				
Accounts payable	$ 27,725	$ –	$ 27,715	$ 10
Accrued salaries and employee benefits	22,934	–	22,913	21
Accrued expenses	7,270	–	7,270	–
Amounts due to primary third-party payors	33,491	–	33,491	–
Notes and accounts payable to Advocate Health Care Network and subsidiaries	2,112	–	2,033	79
Intercompany payables	28,435	(1,455)	28,435	1,455
Total current liabilities	121,967	(1,455)	121,857	1,565
Noncurrent liabilities:				
Other noncurrent liabilities	4,748	–	4,748	–
	4,748	–	4,748	–
Total liabilities	126,715	(1,455)	126,605	1,565
Net assets:				
Unrestricted	333,538	–	333,104	434
Total net assets	333,538	–	333,104	434
	$ 460,253	$ (1,455)	$ 459,709	$ 1,999

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Advocate Northside Health System and Subsidiaries

Details of Consolidated Statement of Operations and Changes in Net Assets and Shareholders' Equity

(Dollars in Thousands)

December 31, 2013

	Consolidated	Eliminations	Advocate Northside Health System	HispanoCare, Inc.
Unrestricted revenues, gains, and other support				
Net patient service revenue	$ 465,980	$ –	$ 465,980	$ –
Provision for uncollectible accounts	(30,585)	–	(30,585)	–
	435,395	–	435,395	–
Capitation revenue	1,890	–	1,890	–
Other revenue	29,301	–	29,144	157
	466,586	–	466,429	157
Expenses				
Salaries, wages, and employee benefits	214,169	–	213,985	184
Purchased services and operating supplies	123,078	–	123,062	16
Insurance and claims costs	14,720	–	14,720	–
Other	38,880	–	38,741	139
Depreciation and amortization	14,079	–	14,078	1
	404,926	–	404,586	340
Operating income (loss)	61,660	–	61,843	(183)
Nonoperating income (loss)				
Investment income	15,198	–	15,197	1
Other nonoperating items, net	120	–	76	44
Revenues in excess of (less than) expenses	76,978	–	77,116	(138)
Unrestricted net assets				
Net assets released from restrictions and used for capital purposes	460	–	460	–
Transfers to/from Advocate Health Care Network and subsidiaries	(75,000)	–	(75,175)	175
Increase in unrestricted net assets	2,438	–	2,401	37
Unrestricted net assets at beginning of year	331,100	–	330,703	397
Unrestricted net assets at end of year	$ 333,538	$ –	$ 333,104	$ 434

1312-1179290

Evangelical Services Corporation and Subsidiaries
d/b/a Advocate Network Services, Inc. and Subsidiaries

Details of Consolidated Balance Sheet
(Dollars in Thousands)

December 31, 2013

	Consolidated	Eliminations	Advocate Network Services, Inc.	High Technology, Inc.	Advocate Home Care Products, Inc.	Dreyer Clinic, Inc.	Advocate Health Centers, Inc.	BroMenn Medical Group
Assets								
Current assets:								
Cash and cash equivalents	$ 37,527	$ –	$ 15,664	$ 3,054	$ 4,384	$ 9,312	$ 1,094	$ 4,019
Assets limited as to use	139	–	–	–	–	–	–	139
Patient accounts receivable, less allowances for uncollectible accounts	23,875	–	–	1,963	2,683	15,814	–	3,415
Accounts receivable from Advocate Health Care Network and subsidiaries	8,532	–	6,360	335	1,136	59	403	239
Intercompany accounts and notes receivable	–	(29,803)	20,842	536	7	6,595	1,763	60
Prepaid expenses, inventories, and other current assets	29,566	–	21,933	99	1,142	5,534	144	714
Total current assets	99,639	(29,803)	64,799	5,987	9,352	37,314	3,404	8,586
Assets limited as to use:								
Internally and externally designated investments limited as to use	72,523	–	16,564	24,709	18,765	–	10,048	2,437
Intercompany notes receivable	–	(48,965)	–	48,965	–	–	–	–
Investments and other noncurrent assets	–	(166,758)	166,758	–	–	–	–	–
Interest in health care and related entities	24,624	–	7,310	–	–	1,569	–	15,745
Deferred costs and intangible assets, less allowances for amortization	11,598	–	5,801	–	–	5,797	–	–
	108,745	(215,723)	196,433	73,674	18,765	7,366	10,048	18,182
Property and equipment – at cost:								
Land and land improvements	13,117	–	6,138	1,004	–	5,488	–	487
Buildings	60,990	–	2,382	9,717	428	46,219	–	2,244
Movable equipment	62,891	–	8,184	19,053	7,911	23,701	–	4,042
Construction-in-progress	516	–	–	196	–	309	–	11
	137,514	–	16,704	29,970	8,339	75,717	–	6,784
Less allowances for depreciation	85,674	–	11,089	22,789	6,002	43,643	–	2,151
	51,840	–	5,615	7,181	2,337	32,074	–	4,633
	$ 260,224	$ (245,526)	$ 266,847	$ 86,842	$ 30,454	$ 76,754	$ 13,452	$ 31,401

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1312-1179290

Evangelical Services Corporation and Subsidiaries
d/b/a Advocate Network Services, Inc. and Subsidiaries

Details of Consolidated Balance Sheet (continued)

(Dollars in Thousands)

	Consolidated	Eliminations	Advocate Network Services, Inc.	High Technology, Inc.	Advocate Home Care Products, Inc.	Dreyer Clinic, Inc.	Advocate Health Centers, Inc.	BroMenn Medical Group
Liabilities and shareholder's equity								
Current liabilities:								
Current portion of long-term debt	$ 359	$ –	$ –	$ –	$ –	$ 359	$ –	$ –
Current portion of intercompany long-term debt	–	(818)	–	–	–	283	–	535
Accounts payable	6,189	–	2,444	283	1,080	1,757	47	578
Accrued salaries and employee benefits	12,962	–	3,908	855	710	6,737	1	751
Accrued expenses	4,769	–	385	876	37	1,922	910	639
Amounts due to primary third-party payors	2,612	–	–	–	919	1,693	–	–
Current portion of accrued insurance and claims costs	1,881	–	–	–	–	–	1,742	139
Notes and accounts payable to Advocate Health Care Network and subsidiaries	10,455	–	6,140	601	1,228	1,029	32	1,425
Intercompany payables	–	(28,985)	8,424	671	792	19,006	42	50
Total current liabilities	39,227	(29,803)	21,301	3,286	4,766	32,786	2,774	4,117
Noncurrent liabilities:								
Long-term debt, less current portion	5,458	–	–	–	–	5,458	–	–
Long-term intercompany debt, less current portion	–	(48,965)	–	–	–	–	–	48,965
Accrued insurance and claims cost, less current portion	8,775	–	–	–	–	–	7,425	1,350
Other noncurrent liabilities	44,156	–	38,123	114	102	5,509	–	308
	58,389	(48,965)	38,123	114	102	10,967	7,425	50,623
Total liabilities	97,616	(78,768)	59,424	3,400	4,868	43,753	10,199	54,740
Shareholders' equity:								
Common stock	1	(5,163)	1	3,250	50	1,862	–	1
Additional paid-in capital	177,163	(193,581)	177,163	22,294	9,098	34,017	87,081	41,091
Non-controlling interest	956	–	–	–	–	956	–	–
Retained (deficit) earnings	(15,512)	31,986	30,259	57,898	16,438	(3,834)	(83,828)	(64,431)
Total shareholders' equity	162,608	(166,758)	207,423	83,442	25,586	33,001	3,253	(23,339)
	$ 260,224	$ (245,526)	$ 266,847	$ 86,842	$ 30,454	$ 76,754	$ 13,452	$ 31,401

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Evangelical Services Corporation and Subsidiaries
d/b/a Advocate Network Services, Inc. and Subsidiaries

Details of Consolidated Statement of Operations and Changes in Net Assets and Shareholders' Equity
(Dollars in Thousands)

December 31, 2013

	Consolidated	Eliminations	Advocate Network Services, Inc.	High Technology, Inc.	Advocate Home Care Products, Inc.	Dreyer Clinic, Inc.	Advocate Health Centers, Inc.	BroMenn Medical Group
Unrestricted revenues, gains, and other support								
Net patient service revenue	$ 205,705	$ –	$ –	$ 22,944	$ 23,955	$ 130,864	$ (432)	$ 28,374
Provision for uncollectible accounts	(13,296)	–	–	(1,388)	(3,331)	(7,494)	1,783	(2,866)
	192,409	–	–	21,556	20,624	123,370	1,351	25,508
Capitation revenue	64,101	–	–	–	1,559	60,990	1,549	3
Other revenue	52,342	(4,008)	35,330	116	4,205	8,268	277	8,154
	308,852	(4,008)	35,330	21,672	26,388	192,628	3,177	33,665
Expenses								
Salaries, wages, and employee benefits	126,121	–	26,253	7,486	6,210	71,997	(660)	14,835
Purchased services and operating supplies	145,344	(4,008)	5,629	9,333	15,012	92,105	202	27,071
Contracted medical services	11,711	–	–	–	–	11,926	(215)	–
Insurance and claims costs	(428)	–	29	332	138	880	(2,868)	1,061
Other	19,886	–	2,656	1,181	1,899	11,084	77	2,989
Depreciation and amortization	7,414	–	518	1,587	704	3,923	–	682
Interest	230	(3,909)	2	–	–	260	377	3,500
	310,278	(7,917)	35,087	19,919	23,963	192,175	(3,087)	50,138
Operating (loss) income	(1,426)	3,909	243	1,753	2,425	453	6,264	(16,473)

Evangelical Services Corporation and Subsidiaries
d/b/a Advocate Network Services, Inc. and Subsidiaries

Details of Consolidated Statement of Operations and Changes in Net Assets and Shareholders' Equity (continued)

(Dollars in Thousands)

	Consolidated	Eliminations	Advocate Network Services, Inc.	High Technology, Inc.	Advocate Home Care Products, Inc.	Dreyer Clinic, Inc.	Advocate Health Centers, Inc.	BroMenn Medical Group
Nonoperating income (loss)								
Investment income (loss)	$ 12,098	$ (3,909)	$ 4,459	$ 7,080	$ 3,488	$ 6	$ 45	$ 929
Other nonoperating items, net	(5,418)	–	(9,493)	(2,839)	(2,069)	(459)	4,577	4,865
Revenues in excess of (less than) expenses	5,254	–	(4,791)	5,994	3,844	–	10,886	(10,679)
Unrestricted net assets								
Transfers to/from Advocate Health Care Network and subsidiaries	–	(67,989)	30,000	–	(30,000)	6,489	55,000	6,500
Other	1	–	–	–	–	–	–	1
Increase (decrease) in unrestricted net assets	5,255	(67,989)	25,209	5,994	(26,156)	6,489	65,886	(4,178)
Change in non-controlling interest	(26)	–	–	–	–	(26)	–	–
Decrease in non-controlling interest	(26)	–	–	–	–	(26)	–	–
Total change in shareholders' equity	5,229	(67,989)	25,209	5,994	(26,156)	6,463	65,886	(4,178)
Shareholders' equity at beginning of year	157,379	(98,769)	182,214	77,448	51,742	26,538	(62,633)	(19,161)
Shareholders' equity at end of year	$ 162,608	$ (166,758)	$ 207,423	$ 83,442	$ 25,586	$ 33,001	$ 3,253	$ (23,339)

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Advocate Sherman Hospital and Subsidiaries

Details of Consolidated Balance Sheet
(Dollars in Thousands)

December 31, 2013

	Consolidated	Eliminations	Advocate Sherman Hospital	Sherman West Court	Health Visions, Inc.	Sherman Choice
Assets						
Current assets:						
Cash and cash equivalents	$ 16,116	$ –	$ 10,196	$ 2,021	$ 650	$ 3,249
Patient accounts receivable, less allowances for uncollectible accounts	36,920	–	35,939	981	–	–
Accounts receivable from Advocate Health Care Network and subsidiaries	5,539	–	2,289	13	3,237	–
Intercompany accounts receivable	–	(9,339)	9,299	40	–	–
Prepaid expenses, inventories, and other current assets	17,313	–	17,088	14	–	211
Total current assets	75,888	(9,339)	74,811	3,069	3,887	3,460
Assets limited as to use:						
Internally and externally designated investments limited as to use	126,013	–	125,953	60	–	–
Intercompany accounts receivable	–	(4,150)	4,150	–	–	–
Interest in health care and related entities	2,646	(2,130)	4,776	–	–	–
Reinsurance receivable	12,449	–	12,449	–	–	–
Deferred costs and intangible assets, less allowances for amortization	4,011	–	4,011	–	–	–
	145,119	(6,280)	151,339	60	–	–
Property and equipment – at cost:						
Land and land improvements	34,618	–	33,504	1,114	–	–
Buildings	245,846	–	243,330	2,516	–	–
Movable equipment	37,512	–	37,442	70	–	–
Construction-in-progress	2,759	–	2,759	–	–	–
	320,735	–	317,035	3,700	–	–
Less allowances for depreciation	11,786	–	11,675	111	–	–
	308,949	–	305,360	3,589	–	–
	$ 529,956	$ (15,619)	$ 531,510	$ 6,718	$ 3,887	$ 3,460

1312-1179290