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June 19, 2019

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HEALTH FACILITIES & SERVICES REVIEW BOARD

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

RE: Annual Progress Report
Project # 17-002
Mercyhealth Crystal Lake Campus- Hospital

Dear Ms Avery,

Please accept this document in response to the annual progress reporting requirements for the above-referenced project, consistent with the provisions of Section 1130.760.

This project was approved by the Illinois Health Facilities and Services Review Board (the "Board") on June 20, 2017 and involves the construction of the new Mercyhealth Crystal Lake Hospital as part of campus which includes a new medical center office building (Project 17-001).

The project is currently approximately 6.4% complete, and the anticipated completion date is under review. Through April 30, 2019, it is estimated that a total of approximately $4,741,500 has been incurred, related to project.

The sources of funds are not anticipated to change from that identified in the *Application*.

The major project components completed to date include:

- Preconstruction – site surveys, tree inventory and soils investigations
- Initial functional programming and space planning
- Architectural/Engineering-Schematic Design
- Architectural/Engineering- Design Development
- Architectural/Engineering- Construction Documents- 5% Complete
- Landscape design 80% complete
- Medical equipment planning- 95% Complete
- Permitting for sitework- top soil removal and grading
- Sitework construction- mobilization, top soil removal, grading, temporary power
- Construction documents package- Sitework utilities and foundations package
- Building exterior enclosure construction documents
- City of Crystal Lake PUD Planning and Zoning Process
- Site assessment including access planning and traffic evaluation

The major project components yet to be completed include:

- Completion of construction documents
- Facility interior design and documents
- Medical equipment final planning and documentation
- Building foundations and core construction
- Building exterior enclosure construction
- Interior construction and finishes
- Bid and award all construction trades
- Furniture and equipment procurement and installation
- Sitework construction and landscaping installation
- Permitting and inspections

Mercyhealth requested and received on June 4, 2019 a one year extension of the financial commitment period, to June 20, 2020. The delayed progress is due to the ongoing litigation being maintained by its competitors, Advocate and Centegra. On July 25, 2017, Centegra Hospital-McHenry, Centegra Hospital-Huntley, Centegra Hospital-Woodstock, and Centegra Health System (collectively, "Centegra"), filed a complaint for administrative review seeking reversal of the Board's decision. Advocate Health and Hospital Corporation ("Advocate") joined that litigation. The circuit court issued its order reversing the Board's decision in part on June 1, 2018. Mercyhealth timely filed a post-judgment motion on June 18, 2018. The circuit court denied Mercyhealth's motion to reconsider or remand on August 14, 2018. On September 10, 2018, the Board timely filed its notice of appeal in this Court. On September 11, 2018, Mercyhealth timely filed its notice of appeal. This Court subsequently granted Mercyhealth's motion to consolidate the appeals.

The appeal is progressing, with both Mercyhealth and the Illinois Attorney General, on behalf of the Board, submitting briefs to support the Board's 6-1 approval of the hospital and unanimous approval of the medical office building. As explained within previous filings, it would be financially imprudent to advance the construction of the medical office building apart from the hospital when it is expected both projects will ultimately be allowed to proceed. Moreover, Crystal Lake, whose Mayor is the general counsel to Centegra, has refused to issue permits to allow construction to continue at this juncture. Mercyhealth remains committed to this project and confident the proper decision of this Board will be restored.

If you have any questions, please contact me at (608) 756-6158.

Sincerely,

Paul Van Den Heuvel
Vice President of Legal Services & Risk Management and General Counsel

c: Mark Silberman, Benesch
Ralph Weber, CON Consultant