[ORIGINAL]

E-061-16

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR EXEMPTION FOR THE
CHANGE OF OWNERSHIP FOR AN EXISTING HEALTH CARE FACILITY

RECEIVED
NOV 1 4 2016
HEALTH FACILITIES & SERVICES REVIEW BOARD

1. INFORMATION FOR EXISTING FACILITY

Current Facility Name RSC Illinois, LLC d/b/a Regional SurgiCenter
Address 545 Valley View Drive
City Moline Zip Code 61265 County Rock Island
Name of current licensed entity for the facility RSC Illinois, LLC d/b/a Regional SurgiCenter
Does the current licensee: own this facility ____ OR lease this facility x (if leased, check if sublease ☐)
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship
____ Not-for-Profit Corporation ____ For Profit Corporation ____ Partnership ____ Governmental
x Limited Liability Company ____ Other, specify ____
Illinois State Senator for the district where the facility is located: Sen. Neil Anderson
State Senate District Number 36 Mailing address of the State Senator Moline Office: 1825 Ave of the Cities, Suite 1, Moline, IL 61265; Springfield Office: 105C Statehouse, Springfield, IL 62706
Illinois State Representative for the district where the facility is located: Rep. Patrick J. Verschoore
State Representative District Number ____ Mailing address of the State Representative Rock Island Office: Rock Island County Office Building, 2nd Floor, 1504 Third Ave, Rock Island, IL 61201, Springfield Office: 263-S Stratton Bldg., Springfield, IL 62706

2. OUTSTANDING PERMITS.

Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes ☐ No ☒. If yes, refer to Section 1130.520(f), and indicate the projects by Project # ____

3. NAME OF APPLICANT (complete this information for each co-applicant and insert after this page).

Exact Legal Name of Applicant Covenant Surgical Partners, Inc.
Address 401 Commerce Street, Suite 600
City, State & Zip Code Nashville, TN 37219
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship
____ Not-for-Profit Corporation x For Profit Corporation ____ Partnership ____ Governmental
____ Limited Liability Company ____ Other, specify ____

4. NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.

Exact Legal Name of Entity to be Licensed RSC Illinois, LLC d/b/a Regional SurgiCenter
Address 545 Valley View Drive
City, State & Zip Code Moline, IL 61265
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship
____ Not-for-Profit Corporation ____ For Profit Corporation ____ Partnership ____ Governmental
x Limited Liability Company ____ Other, specify ____

5. BUILDING/SITE OWNERSHIP. NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND MORTAR" (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY

Exact Legal Name of Entity That Will Own the Site Valley View Realty, LLLP
Address 545 Valley View Drive
City, State & Zip Code Moline, IL 61265
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship
____ Not-for-Profit Corporation ____ For Profit Corporation ____ Partnership ____ Governmental
____ Limited Liability Company x Other, specify Limited Liability Limited Partnership

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City ______ Zip Code ______ County ______
Name of current licensed entity for the facility ______
Does the current licensee: own this facility ______ OR lease this facility ______ (if leased, check if sublease □)
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
______ Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ______ Governmental
______ Limited Liability Company ______ Other, specify ______
Illinois State Senator for the district where the facility is located: Sen. ______
State Senate District Number ______ Mailing address of the State Senator ______

Illinois State Representative for the district where the facility is located: Rep. ______
State Representative District Number ______ Mailing address of the State Representative ______

2. OUTSTANDING PERMITS.

OUTSTANDING PERMITS. Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes □ No □. If yes, refer to Section 1130.520(f), and indicate the projects by Project # ______

3. NAME OF APPLICANT

NAME OF APPLICANT (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant RSC Illinois, LLC d/b/a Regional SurgiCenter
Address 545 Valley View Drive
City, State & Zip Code Moline, IL 61265
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
______ Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ______ Governmental
__x__ Limited Liability Company ______ Other, specify ______

4. NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.

Exact Legal Name of Entity to be Licensed ______
Address ______
City, State & Zip Code ______
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
______ Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ______ Governmental
______ Limited Liability Company ______ Other, specify ______

5. BUILDING/SITE OWNERSHIP. NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND MORTAR" (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY

Exact Legal Name of Entity That Will Own the Site ______
Address ______
City, State & Zip Code ______
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
______ Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ______ Governmental
______ Limited Liability Company ______ Other, specify ______

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
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Address ____________________
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Type of ownership of the current licensed entity (check one of the following:) ________ Sole Proprietorship
________ Not-for-Profit Corporation ________ For Profit Corporation ________ Partnership ________ Governmental
________ Limited Liability Company ________ Other, specify ____________
Illinois State Senator for the district where the facility is located: Sen. ____________
State Senate District Number ________ Mailing address of the State Senator ____________

Illinois State Representative for the district where the facility is located: Rep. ____________
State Representative District Number ________ Mailing address of the State Representative ____________

2. OUTSTANDING PERMITS.

Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes ☐ No ☐. If yes, refer to Section 1130.520(f), and indicate the projects by Project # ____________

3. NAME OF APPLICANT (complete this information for each co-applicant and insert after this page).

Exact Legal Name of Applicant Allied Surgical Partners, Inc.
Address 545 Valley View Drive
City, State & Zip Code Moline, IL 61265
Type of ownership of the current licensed entity (check one of the following:) ________ Sole Proprietorship
________ Not-for-Profit Corporation __x__ For Profit Corporation ________ Partnership ________ Governmental
________ Limited Liability Company ________ Other, specify ____________

4. NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.

Exact Legal Name of Entity to be Licensed ____________________
Address ____________________
City, State & Zip Code ____________________
Type of ownership of the current licensed entity (check one of the following:) ________ Sole Proprietorship
________ Not-for-Profit Corporation ________ For Profit Corporation ________ Partnership ________ Governmental
________ Limited Liability Company ________ Other, specify ____________

5. BUILDING/SITE OWNERSHIP. NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND MORTAR" (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY

Exact Legal Name of Entity That Will Own the Site ____________________
Address ____________________
City, State & Zip Code ____________________
Type of ownership of the current licensed entity (check one of the following:) ________ Sole Proprietorship
________ Not-for-Profit Corporation ________ For Profit Corporation ________ Partnership ________ Governmental
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ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
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Type of ownership of the current licensed entity (check one of the following:) ________ Sole Proprietorship
________ Not-for-Profit Corporation ________ For Profit Corporation ________ Partnership ________ Governmental
________ Limited Liability Company ________ Other, specify ______________
Illinois State Senator for the district where the facility is located: Sen. ______________
State Senate District Number ________ Mailing address of the State Senator ______________
____
Illinois State Representative for the district where the facility is located: Rep. ______________
State Representative District Number ________ Mailing address of the State Representative ______________
____

2. OUTSTANDING PERMITS.

Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes □ No □. If yes, refer to Section 1130.520(f), and indicate the projects by Project # ______________________________

3. NAME OF APPLICANT

(complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant Covenant Surgical Investors, LLC
Address 300 Frank W. Burr Boulevard, Glenpointe Centre East, 5th Floor
City, State & Zip Code Teaneck, NJ 07666
Type of ownership of the current licensed entity (check one of the following:) ________ Sole Proprietorship
________ Not-for-Profit Corporation ________ For Profit Corporation ________ Partnership ________ Governmental
__x__ Limited Liability Company ________ Other, specify ______________

4. NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.

Exact Legal Name of Entity to be Licensed ______________________________
Address ______________________________
City, State & Zip Code ______________________________
Type of ownership of the current licensed entity (check one of the following:) ________ Sole Proprietorship
________ Not-for-Profit Corporation ________ For Profit Corporation ________ Partnership ________ Governmental
________ Limited Liability Company ________ Other, specify ______________

5. BUILDING/SITE OWNERSHIP. NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND MORTAR" (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY

Exact Legal Name of Entity That Will Own the Site ______________________________
Address ______________________________
City, State & Zip Code ______________________________
Type of ownership of the current licensed entity (check one of the following:) ________ Sole Proprietorship
________ Not-for-Profit Corporation ________ For Profit Corporation ________ Partnership ________ Governmental
________ Limited Liability Company ________ Other, specify ______________

6. **TRANSACTION TYPE. CHECK THE FOLLOWING THAT APPLY TO THE TRANSACTION:**
   - o Purchase resulting in the issuance of a license to an entity different from current licensee;
   - o Lease resulting in the issuance of a license to an entity different from current licensee;
   - o Stock transfer resulting in the issuance of a license to a different entity from current licensee;
   - ☒ Stock transfer resulting in no change from current licensee;
   - o Assignment or transfer of assets resulting in the issuance of a license to an entity different from the current licensee;
   - o Assignment or transfer of assets not resulting in the issuance of a license to an entity different from the current licensee;
   - o Change in membership or sponsorship of a not-for-profit corporation that is the licensed entity;
   - o Change of 50% or more of the voting members of a not-for-profit corporation's board of directors that controls a health care facility's operations, license, certification or physical plant and assets;
   - o Change in the sponsorship or control of the person who is licensed, certified or owns the physical plant and assets of a governmental health care facility;
   - o Sale or transfer of the physical plant and related assets of a health care facility not resulting in a change of current licensee;
   - o Any other transaction that results in a person obtaining control of a health care facility's operation or physical plant and assets, and explain in "Attachment 3 Narrative Description"

7. **APPLICATION FEE.** Submit the application fee in the form of a check or money order for $2,500 payable to the Illinois Department of Public Health and append as **ATTACHMENT #1.**

8. **FUNDING.** Indicate the type and source of funds which will be used to acquire the facility (e.g., mortgage through Health Facilities Authority; cash gift from parent company, etc.) and append as **ATTACHMENT #2.**

9. **ANTICIPATED ACQUISITION PRICE: $** 8,620,357

10. **FAIR MARKET VALUE OF THE FACILITY: $** 13,262,088
    (to determine fair market value, refer to 77 IAC 1130.140)

11. **DATE OF PROPOSED TRANSACTION:** January 1, 2017

12. **NARRATIVE DESCRIPTION.** Provide a narrative description explaining the transaction, and append it to the application as **ATTACHMENT #3.**

13. **BACKGROUND OF APPLICANT** (co-applicants must also provide this information). Corporations and Limited Liability Companies must provide a current Certificate of Good Standing from the Illinois Secretary of State. Limited Liability Companies and Partnerships must provide the name and address of each partner/ member and specify the percentage of ownership of each. Append this information to the application as **ATTACHMENT #4.**

14. **TRANSACTION DOCUMENTS.** Provide a copy of the complete transaction document(s) including schedules and exhibits which detail the terms and conditions of the proposed transaction (purchase, lease, stock transfer, etc). Applicants should note that the document(s) submitted should reflect the applicant's (and co-applicant's, if applicable) involvement in the transaction. The document must be signed by both parties and contain language stating that the transaction is contingent upon approval of the Illinois Health Facilities and Services Review Board. Append this document(s) to the application as **ATTACHMENT #5.**

15. FINANCIAL STATEMENTS. (Co-applicants must also provide this information) Provide a copy of the applicants latest audited financial statements, and append it to this application as ATTACHMENT #6. If the applicant is a newly formed entity and financial statements are not available, please indicate by checking YES ____, and indicate the date the entity was formed ______

16. **PRIMARY CONTACT PERSON**. Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

Name: Jane Ro
Address: McGuireWoods LLP, 77 W. Wacker Drive, Suite 4100
City, State & Zip Code: Chicago, IL 60601
Telephone ( ) Ext. (312) 849-8143

17. **ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this** application and act on behalf of the applicant.

Name: Whit Polley
Address: Covenant Surgical Partners, Inc., 401 Commerce Street, Suite 600
City, State & Zip Code: Nashville, TN 37219
Telephone ( ) Ext. (615) 345-6903

18. **CERTIFICATION**

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer ____________

Typed or Printed Name of Authorized Officer Whit Polley

Title of Authorized Officer: Executive Vice President and Chief Development Officer

Address: 401 Commerce Street, Suite 600

City, State & Zip Code: Nashville, TN 37219

Telephone (615) 345-6903 Date: 11/7/16

NOTE: complete a separate signature page for each co-applicant and insert following this page.

16. **PRIMARY CONTACT PERSON.** Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

Name: Jane Ro
Address: McGuireWoods LLP, 77 W. Wacker Drive, Suite 4100
City, State & Zip Code: Chicago, IL 60601
Telephone ( ) Ext. (312) 849-8143

17. **ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this** application and act on behalf of the applicant.

Name: Arvind Movva, M.D., CEO and Adrian Graber, CFO
Address: RSC Illinois, LLC, d/b/a Regional SurgiCenter, 545 Valley View Drive
City, State & Zip Code: Moline, IL 61265
Telephone ( ) Ext. (309) 762-5560 and (309) 277-1154

18. **CERTIFICATION RSC ILLINOIS, LLC D/B/A REGIONAL SURGICENTER**

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer Rao V Mv

Typed or Printed Name of Authorized Officer Rao V. Movva, M.D.

Title of Authorized Officer: Chairman/President of RSC Illinois, LLC d/b/a Regional SurgiCenter

Address: RSC Illinois, LLC d/b/a Regional SurgiCenter, 545 Valley View Drive

City, State & Zip Code: Moline, IL 61265

Telephone (309) 762-5560 Date: 11|7|16

NOTE: complete a separate signature page for each co-applicant and insert following this page.

16. **PRIMARY CONTACT PERSON.** Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

Name: Jane Ro
Address: McGuireWoods LLP, 77 W. Wacker Drive, Suite 4100
City, State & Zip Code: Chicago, IL 60601
Telephone ( ) Ext. (312) 849-8143

17. **ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this** application and act on behalf of the applicant.
Name: Arvind Movva, M.D., CEO and Adrian Graber, CFO
Address: Allied Surgical Partners, Inc., 545 Valley View Drive
City, State & Zip Code: Moline, IL 61265
Telephone ( ) Ext. (309) 762-5560 and (309) 277-1154

18. **CERTIFICATION ALLIED SURGICAL PARTNERS, INC.**
I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer [signature]

Typed or Printed Name of Authorized Officer Rao V. Movva, M.D.

Title of Authorized Officer: Chairman / President of Allied Surgical Partners, Inc.

Address: Allied Surgical Partners, Inc., 545 Valley View Drive

City, State & Zip Code: Moline, IL 61265

Telephone (309) 762-5560 Date: 11/7/16

NOTE: complete a separate signature page for each co-applicant and insert following this page.

16. **PRIMARY CONTACT PERSON**. Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

Name: Jane Ro
Address: McGuireWoods LLP, 77 W. Wacker Drive, Suite 4100
City, State & Zip Code: Chicago, IL 60601
Telephone ( ) Ext. (312) 849-8143

17. **ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this** application and act on behalf of the applicant.

Name: Keith Pennell
Address: Covenant Surgical Investors, LLC, 300 Frank W. Burr Blvd., Glenpointe Centre East, 5th Fl.
City, State & Zip Code: Teaneck, NJ 07666
Telephone ( ) Ext. (201) 836-6000

18. **CERTIFICATION COVENANT SURGICAL INVESTORS, LLC**

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer ______

Typed or Printed Name of Authorized Officer Keith Pennell

Title of Authorized Officer: Chairman of Covenant Surgical Partners and Member of Covenant Surgical Investors

Address: 300 Frank W. Burr Boulevard, Glenpointe Centre East, 5th Floor

City, State & Zip Code: Teaneck, NJ 07666

Telephone (201)836-6000 Date: 11/7/16

NOTE: complete a separate signature page for each co-applicant and insert following this page.

Section 7, Application Fee

Attachment 1

Application Fee

Attached is a check for Two Thousand Five Hundred Dollars ($2,500.00) payable to the Illinois Department of Public Health for the required application fee.

Section 8, Funding

Attachment 2

Funding Sources

Covenant Surgical Partners, Inc. ("Covenant") proposes to acquire, upon the Review Board's approval, sixty-five percent (65%) of the ownership interest (the "Purchased Interest") in RSC Illinois, LLC ("RSC"). Covenant will use cash from internally available financial resources to purchase the Purchased Interests from the current owners of RSC for an aggregate purchase price of Eight Million Six Hundred Twenty Thousand Three Hundred Fifty-Seven Dollars ($8,620,357).

The most recently audited financial statements of Covenant are included in Attachment 6 and show cash and cash equivalents in an amount sufficient to fund the purchase price. Since Allied Surgical Partners, Inc. ("Allied") and RSC do not keep audited financial statements, the most recent unaudited financial statements of Allied and RSC are included in Attachment 6. Covenant Surgical Investors, LLC is an investment entity that merely holds an interest in Covenant and does not have any income or expenses; thus, it has no financial statements.

Section 12, Narrative Description

Attachment 3

Narrative Description

RSC Illinois, LLC d/b/a Regional SurgiCenter ("RSC") is located at 545 Valley View Drive, Moline, Illinois 61265 and is a multi-specialty, ambulatory surgical treatment center. The facility has 2 operating rooms.

RSC is presently owned eighty-seven and 75/100 percent (87.75%) by Allied Surgical Partners, Inc. ("Allied") and twelve and 25/100 percent (12.25%) owned by multiple physician owners ("Physician Owners"). No single Physician Owner has a controlling interest in RSC.

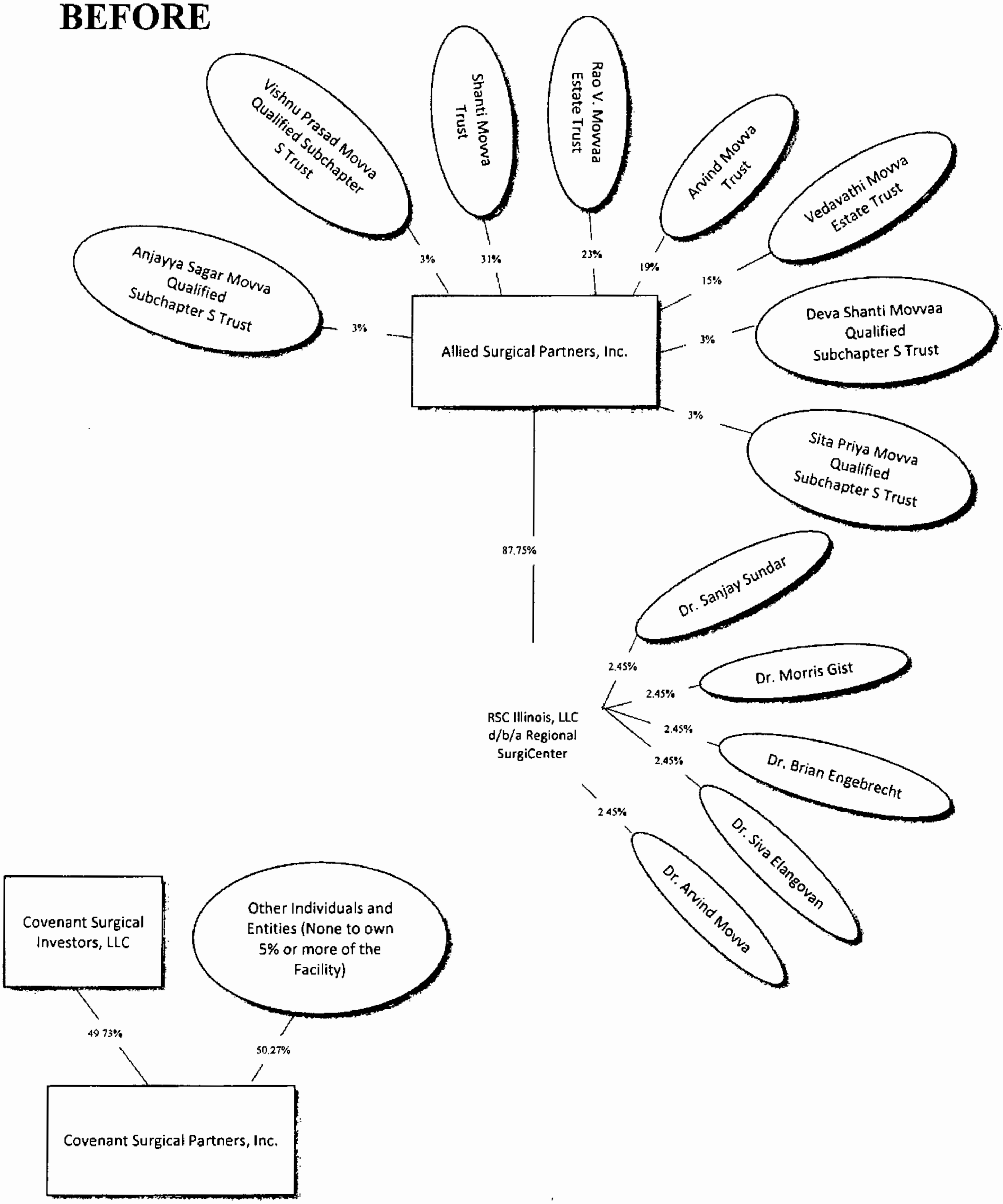
Under the proposed transaction, Covenant Surgical Partners, Inc. ("Covenant") would acquire, contingent upon the Review Board's approval, sixty-five percent (65%) of the ownership interest in RSC from Allied. Following the transaction, Covenant will own sixty-five percent (65%), Allied will own twenty-two and 75/100 percent (22.75%) and the Physician Owners will continue to own twelve and 25/100 percent (12.25%) of RSC.

RSC will remain the licensed entity.

A diagram of the current ownership structure of each of RSC and Covenant and the post-transaction ownership structure of RSC is attached.

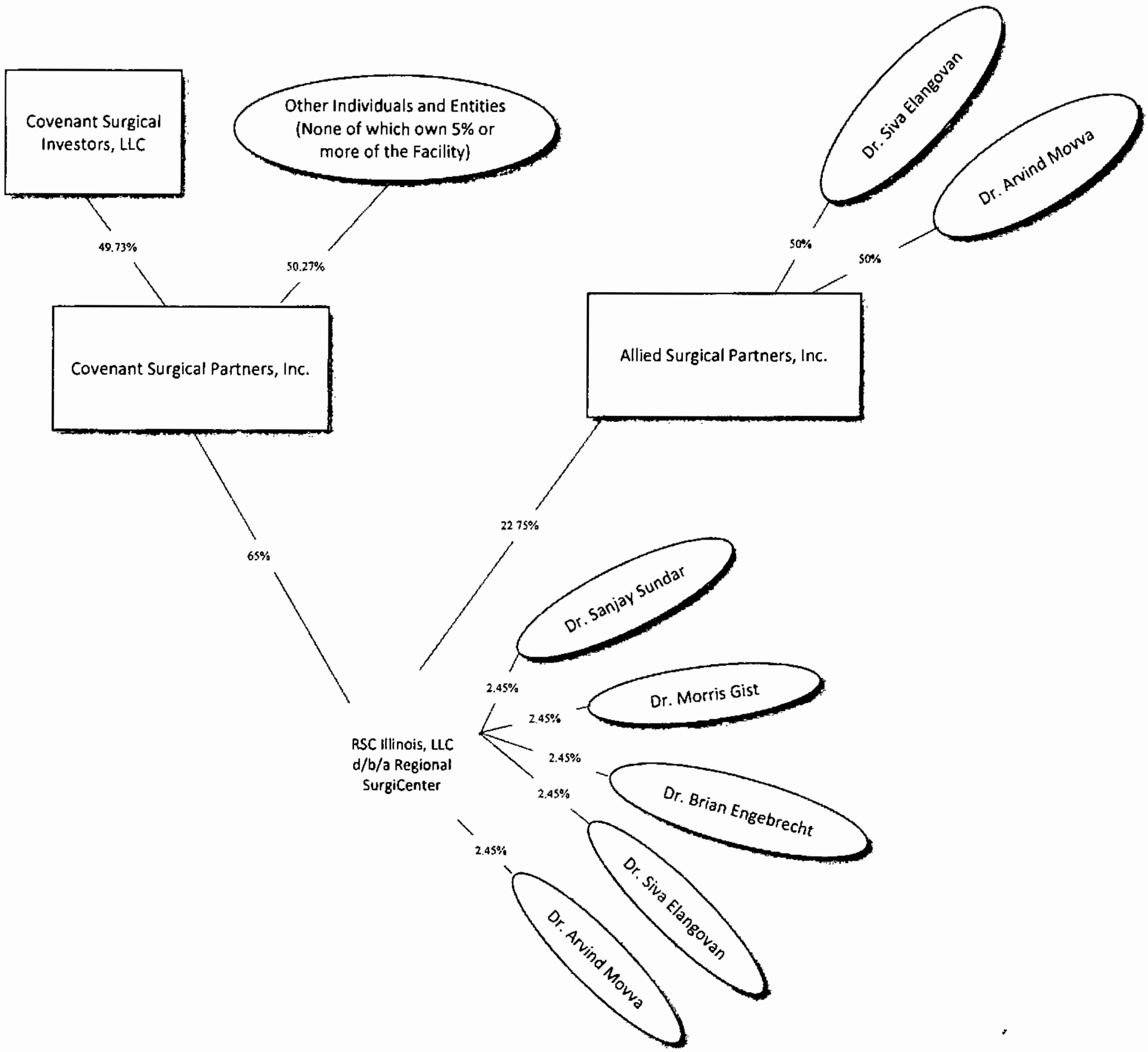
RSC Illinois, LLC d/b/a Regional SurgiCenter
545 Valley View Drive, Moline, Illinois 61265

BEFORE



RSC Illinois, LLC d/b/a Regional SurgiCenter
545 Valley View Drive, Moline, Illinois 61265

AFTER



Section 13 Background of Applicant

Attachment 4

Background of Applicant

An organizational chart showing the current ownership structure of RSC Illinois, LLC d/b/a Regional SurgiCenter ("RSC"), Allied Surgical Partners, Inc. "(Allied") and Covenant Surgical Partners, Inc. ("Covenant"), along with the post-closing ownership structure of RSC is included in Attachment 3. Good standing certificates for the following entities are also attached:

1. RSC Illinois, LLC d/b/a Regional SurgiCenter ("RSC"): RSC is an Illinois limited liability company, which is owned eighty-seven and 75/100 percent (87.75%) by Allied Surgical Partners, Inc. ("Allied") and twelve and 25/100 percent (12.25%) owned by multiple physician owners ("Physician Owners"). No single Physician Owner has a controlling interest in RSC. A copy of RSC's Illinois Good Standing Certificate is attached.

2. Covenant Surgical Partners, Inc. ("Covenant"): Covenant is a Delaware corporation, which is owned (i) 50.27% by multiple individuals and entities, none of which will hold a 5% or greater indirect ownership interest in RSC post-closing and (ii) 49.73% by Covenant Surgical Investors, LLC. Copies of Covenant's Delaware Good Standing Certificate and Application for Illinois Qualification (filed with the Illinois Secretary of State on October 13, 2016) are attached. We will submit the Illinois Certificate of Good Standing for a foreign corporation once obtained.

3. Covenant Surgical Investors, LLC ("CSI"): CSI is a Delaware limited liability, which is owned by PineBridge Structured Capital Partners Offshore II-A, LP (11.31%), PineBridge Structured Capital Partners II, LP (18.44%), PineBridge Structured Capital Partners Offshore II, LP (19.66%), DFW Capital Partners IV, LP (26.55%), and multiple individuals and entities, none of which will hold, directly or indirectly, a 5% or greater indirect ownership interest in RSC (24.04%). A copy of CSI's Delaware Good Standing Certificate is attached. Because CSI performs no operations in Illinois and only holds assets, it is not required to obtain authorization to conduct business in Illinois and, therefore an Illinois Certificate of Good Standing for a foreign corporation is not applicable.

4. Allied Surgical Partners, Inc. ("Allied"): Allied is an Illinois corporation, which is owned 15% by Vedavathi Movva Estate Trust, 23% by Rao V. Movva Estate Trust, 19% by Arvind Movva Trust, 31% by Shanti Movva Trust, 3% by Vishnu Prasad Movva Qualified Subchapter S Trust, 3% by Anjayya Sagar Movva Qualified Subchapter S Trust, 3% by Deva Shanti Movva Qualified Subchapter S Trust, and 3% by Sita Priya Movva Qualified Subchapter S Trust. A copy of Allied's Illinois Good Standing Certificate is attached.

Names and Addresses of Members:

RSC Illinois, LLC d/b/a Regional SurgiCenter

Allied Surgical Partners, Inc. (87.75%)
545 Valley View Drive
Moline, IL 61265

Arvind Movva, M.D. (2.45%)
4 Orchard Hill
Moline, IL 61265

Siva Elangovan, M.D. (2.45%)
2535 13th Street
Moline, IL 61265

Brian Engebrecht, M.D. (2.45%)
8815 28th Street Ct.
Milan, IL 61264

Morris Gist, M.D. (2.45%)
2105 Gretchen Court
Bettendorf, IA 52722

Sanjay Sundar, M.D. (2.45%)
19329 251st Ave
Bettendorf, IA 52722

Covenant Surgical Investors, LLC

PineBridge Structured Capital Partners Offshore II-A, LP (11.31%)
399 Park Avenue, No. 4
New York, NY 10022

PineBridge Structured Capital Partners II, LP (18.44%)
399 Park Avenue, No. 4
New York, NY 10022

PineBridge Structured Capital Partners Offshore II, LP (19.66%)
399 Park Avenue, No. 4
New York, NY 10022

DFW Capital Partners IV, LP (26.55%)
300 Frank W. Burr Blvd.
Glenpointe Center East, Ste. 5
Teaneck, NJ 07666

*Other individuals and entities (24.04% - none own %5 or more each) – addresses available upon request

ATTACHMENT 4

File Number 5516-016-3

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 I am the keeper of the records of the Department of Business Services. I certify that

ALLIED SURGICAL PARTNERS, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JULY 19, 1988, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE BUSINESS CORPORATION ACT OF THIS STATE RELATING TO THE PAYMENT OF FRANCHISE TAXES, 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* 24TH *day of* OCTOBER *A.D.* 2016 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1629801776 verifiable until 10/24/2017
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

Attachment 4

File Number 0237516-8

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 I am the keeper of the records of the Department of Business Services. I certify that

RSC ILLINOIS, LLC, HAVING ORGANIZED IN THE STATE OF ILLINOIS ON OCTOBER 24, 2007, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A DOMESTIC LIMITED LIABILITY COMPANY 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* 24TH *day of* OCTOBER *A.D.* 2016 .

SEAL OF THE STATE OF ILLINOIS
AUG. 26TH 1818

Authentication #: 1629801784 verifiable until 10/24/2017
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

Attachment 4

File Number 0237516-8

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 I am the keeper of the records of the Department of Business Services. I certify that

RSC ILLINOIS, LLC, HAVING ORGANIZED IN THE STATE OF ILLINOIS ON OCTOBER 24, 2007, AND HAVING ADOPTED THE ASSUMED NAME OF REGIONAL SURGICENTER ON DECEMBER 30, 2010, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A DOMESTIC LIMITED LIABILITY COMPANY 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* 24TH *day of* OCTOBER *A.D.* 2016 .

Authentication #: 1629801792 verifiable until 10/24/2017
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

Attachment 4

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "COVENANT SURGICAL INVESTORS, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-FOURTH DAY OF OCTOBER, A.D. 2016.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "COVENANT SURGICAL INVESTORS, LLC" WAS FORMED ON THE NINTH DAY OF JANUARY, A.D. 2013.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL TAXES HAVE BEEN PAID TO DATE.

Jeffrey W. Bullock, Secretary of State

5271889 8300

SR# 20166328156

Authentication: 203210717

Date: 10-24-16

You may verify this certificate online at corp.delaware.gov/authver.shtml

Attachment 4

Print Reset Save

FORM **BCA 13.15** (rev. Dec. 2003)
APPLICATION FOR AUTHORITY TO TRANSACT BUSINESS IN ILLINOIS
Business Corporation Act

Secretary of State
Department of Business Services
501 S. Second St., Rm. 350
Springfield, IL 62756
217-782-1832
www.cyberdriveillinois.com

Remit payment in the form of a cashier's check, certified check, money order or an Illinois attorney's or CPA's check payable to the Secretary of State.

SEE NOTE 1 CONCERNING PAYMENT! File #____________

Filing Fee: $________ Franchise Tax: $________ Penalty/Interest: $________ Total: $________ Approved: ________

——Submit in duplicate ——Type or Print clearly in black ink——Do not write above this line——

1. (a) CORPORATE NAME: Covenant Surgical Partners, Inc.

(Complete item 1 (b) only if the corporate name is not available in this state.)

(b) ASSUMED CORPORATE NAME: ____________
(By electing this assumed name, the corporation hereby agrees NOT to use its corporate name in the transaction of business in Illinois. Form BCA 4.15 is attached.)

2. State or Country of Incorporation DE; Date of Incorporation 01/13/2008; Period of Duration perpetual

3. (a) Address of the principal office, wherever located:

401 Commerce Street, Suite 600
Nashville, TN 37219

(b) Address of principal office in Illinois: (If none, so state)

None

4. Name and address of the registered agent and registered office in Illinois.

Registered Agent: National Registered Agents, Inc.
First Name / Middle Initial / Last Name

Registered Office: 208 South Lasalle Street, Suite 814
Number / Street / Suite # (A P.O. Box alone is not acceptable.)

Chicago, IL 60604 Cook
City / ZIP Code / County

5. States and countries in which it is admitted or qualified to transact business: (Include state of incorporation)

6. Name and addresses of officers and directors: (If more than 3 directors and/or additional officers, attach list.)

	Name	No. & Street	City	State	ZIP
President	See attached list				
Secretary					
Director					
Director					
Director					

Attachment 4

7. The purpose or purposes for which it was organized which it proposes to pursue in the transaction of business in this state: (If not sufficient space to cover this point, add one or more sheets of this size)

To own and operate surgery centers

8. Authorized and issued shares:

Class	Series	Par Value	Number of Shares Authorized	Number of Shares Issued
Convertible Preferred Stock Series C		$0.01	16,000,000	11,354,233
Covertible Preferred Stock Series D		$0.01	1,000	830
Common		$0.01	34,500,000	5,504,766

(If more, attach list)

9. Paid-in Capital: $ 97,909,942
("Paid-in Capital" replaces the terms Stated Capital & Paid-in Surplus and is equal to the total of these accounts.)

10. (a) Give an estimate of the total value of all the property* of the corporation for the following year: $ 262,000,000
(b) Give an estimate of the total value of all the property* of the corporation for the following year that will be located in Illinois: $ 14,000,000
(c) State the estimated total business of the corporation to be transacted by it everywhere for the following year: $ 155,000,000
(d) State the estimated annual business of the corporation to be transacted by it at or from places of business in the State of Illinois: $ 9,000,000

11. Interrogatories: (Important - this section must be completed.)

(a) Is the corporation transacting business in this state at this time?
(b) If the answer to item 11(a) is yes, state the exact date on which it commenced to transact business in Illinois:

12. This application is accompanied by a certified copy of the articles of incorporation, as amended, duly authenticated, within the last ninety (90) days, by the proper officer of the state or country wherein the corporation is incorporated.

13. The undersigned corporation has caused this application to be signed by a duly authorized officer, who affirms, under penalties of perjury, that the facts stated herein are true. (All signatures must be in BLACK INK.)

Dated October 13, 2016
(Month Day) (Year)

Covenant Surgical Partners, Inc.
(Exact Name of Corporation)

(Any Authorized Officer's Signature)

Jack F. King, Jr., Secretary
(Print Name and Title)

* PROPERTY as used in this application shall apply to all property of the corporation, real, personal, tangible, intangible, or mixed without qualifications.

Note 1: Payment in connection with this application must be in the form of a certified check, cashier's check, Illinois attorney or CPA's check or money order made payable to the "Secretary of State". The minimum fee due upon qualification is $175. Any additional fees will be billed and must be paid before this application can be filed.

Attachment 4

Covenant Surgical Partners, Inc.

6. Name and addresses of officers and directors:

Position	Name	Address
Director (Chairman)	Keith W. Pennell	300 Frank W. Burr Blvd., Ste. 5, Teaneck, NJ 07666
Director	F.T. Chong	399 Park Avenue, 4th Floor, New York, NY 10022
Director	Scott M. Gallin	399 Park Avenue, 4th Floor, New York, NY 10022
Director	David Johnson	401 Commerce St., Ste. 740, Nashville, TN 37219
Director	William A. McGugin	401 Commerce St., Ste. 740, Nashville, TN 37219
Director	Brian C. Tilley	300 Frank W. Burr Blvd., Ste. 5, Teaneck, NJ 07666
Director/President & CEO	Richard K. Jacques	401 Commerce St., Ste. 600, Nashville, TN 37219
Executive VP & CFO	Fisher, Jeffrey R.	401 Commerce St., Ste. 600, Nashville, TN 37219
Executive VP & COO	Oubre, Christopher K.	401 Commerce St., Ste. 600, Nashville, TN 37219
Executive VP & CDO	Polley Jr, Dale W.	401 Commerce St., Ste. 600, Nashville, TN 37219
Executive VP & CCO	Holst, David W.	401 Commerce St., Ste. 600, Nashville, TN 37219
CMO	A-Rahim, MD, Yousif I.	401 Commerce St., Ste. 600, Nashville, TN 37219
SVP - Operations	Stevens, Chad L.	401 Commerce St., Ste. 600, Nashville, TN 37219
VP & Controller	Ezell, Justin L.	401 Commerce St., Ste. 600, Nashville, TN 37219
VP, Business Development	Jacques, Richard R.	401 Commerce St., Ste. 600, Nashville, TN 37219
VP, Clinical Services	Willis, Melba C.	401 Commerce St., Ste. 600, Nashville, TN 37219
VP, Laboratory Services	Burney, Michael T.	401 Commerce St., Ste. 600, Nashville, TN 37219
VP, Human Resources	Wampler, Beth A.	401 Commerce St., Ste. 600, Nashville, TN 37219
Regional Vice President	Blanton, Michael C.	401 Commerce St., Ste. 600, Nashville, TN 37219
Regional Vice President	Averbuch, Cutler D.	401 Commerce St., Ste. 600, Nashville, TN 37219
VP, Anesthesia Services	Smith, Martha E.	401 Commerce St., Ste. 600, Nashville, TN 37219
VP, Information Services	Shafer, Todd C.	401 Commerce St., Ste. 600, Nashville, TN 37219
VP, Information Services	Perkins, Franklin L.	401 Commerce St., Ste. 600, Nashville, TN 37219

Attachment 4

Section 14, Transaction Documents

Attachment 5

Summary of Transaction Documents

1. **Names and Background of the Parties**

   The parties to the change of ownership transaction are described in Attachment 4.

2. **Structure of the Transaction**

   Covenant proposes to acquire a sixty-five percent (65%) ownership interest in RSC from Allied Surgical Partners, Inc. ("Allied"). Any definitive agreement relating to the proposed transaction will contain a contingency providing that consummation of the transaction is subject to the Review Board's approval. Covenant will use cash from internally available financial resources, to purchase such interests for an aggregate purchase price of Eight Million Six Hundred Twenty Thousand Three Hundred Fifty-Seven Dollars ($8,620,357), which may be adjusted for typical closing adjustments. Following the transaction, Covenant will own sixty-five percent (65%), Allied will own twenty-two and 75/100 percent (22.75%) and certain other physician owners will own twelve and 25/100 percent (12.25%) of RSC.

3. **The Person Who Will Be the Licensed Entity After the Transaction**

   RSC Illinois, LLC d/b/a Regional SurgiCenter will remain the licensed entity.

4. **The Ownership/Membership Interest in the Licensed Entity Pre and Post Transaction**

   After the proposed transaction, RSC will be owned by Covenant (65%), Allied (22.75%), and certain physician owners (12.25%).

   An organizational chart showing the current ownership structure of RSC, Allied and Covenant, along with the post-closing ownership structure of RSC is included in Attachment 3.

5. **Fair Market Value of the Assets Being Transferred**

The fair market value of RSC Illinois, LLC d/b/a Regional SurgiCenter is estimated to be approximately Thirteen Million Two Hundred Sixty-Two Thousand Eighty-Eight Dollars ($13,262,088).

6. **Purchase Price and Other Consideration**

The purchase price for Covenant's acquisition of a sixty-five percent (65%) ownership interest in RSC will be Eight Million Six Hundred Twenty Thousand Three Hundred Fifty-Seven Dollars ($8,620,357), which shall be subject to typical closing adjustments.

Covenant will use cash from internally available financial resources to fund the purchase price.

7. **Post-Closing Attestation**

Within ninety (90) days of after the closing of the proposed transaction, the Applicants will provide a certification to the Review Board that the change in ownership has been completed in accordance with the terms set forth in this application.

Section 15, Financial Statements

Attachment 6

Financial Statements

Attached are copies of the most recently audited consolidated financial statements for Covenant Surgical Partners, Inc. for the years ending December 31, 2015 and December 31, 2014. Since Allied Surgical Partners, Inc. ("Allied") and RSC Illinois, LLC d/b/a Regional SurgiCenter ("RSC") do not keep audited financial statements, the most recent unaudited financial statements of Allied and RSC are included in Attachment 6. Covenant Surgical Investors, LLC is an investment entity that merely holds an interest in Covenant and does not have any income or expenses; thus, it has no financial statements.

KPMG

COVENANT SURGICAL PARTNERS, INC.
AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2015 and 2014

(With Independent Auditors' Report Thereon)

ATTACHMENT 6

COVENANT SURGICAL PARTNERS, INC.
AND SUBSIDIARIES

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Consolidating Statement of Operations	24

ATTACHMENT 6

KPMG LLP
Suite 1000
401 Commerce Street
Nashville, TN 37219-2422

Independent Auditors' Report

The Board of Directors
Covenant Surgical Partners, Inc.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Covenant Surgical Partners, Inc. and its subsidiaries (Covenant), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in stockholders' equity, 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 accordance 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 from material misstatement, whether due to fraud or error.

Auditors' 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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from 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 auditors' 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.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Covenant and its subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying 2015 consolidating supplemental information is presented for purposes of additional analysis and is 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

Nashville, Tennessee
March 30, 2016

COVENANT SURGICAL PARTNERS, INC.
AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2015 and 2014

Assets		2015	2014
Current assets:			
Cash and cash equivalents	$	14,272,050	18,932,076
Accounts receivable, less allowance for doubtful accounts of approximately $4,337,000 and $3,923,000 in 2015 and 2014, respectively		22,373,744	21,918,653
Other receivables		365,316	408,872
Inventories		144,849	190,073
Prepaid expenses		774,083	502,328
Total current assets		37,930,042	41,952,002
Property and equipment, net		11,424,907	11,730,367
Goodwill		213,074,648	229,492,409
Other intangible assets, net		5,061,852	6,508,477
Other assets		3,185,033	1,412,828
	$	270,676,482	291,096,083
Liabilities and Stockholders' Equity			
Current liabilities:			
Current portion of long-term debt and notes payable	$	2,451,634	611,964
Accounts payable		4,677,109	2,891,522
Accrued expenses and liabilities		13,995,115	12,406,730
Dividends payable on shares subject to mandatory redemption		3,489,596	1,163,207
Total current liabilities		24,613,454	17,073,423
Long-term debt, excluding current portion		133,525,254	131,478,401
Other liabilities		523,544	1,422,544
Shares subject to mandatory redemption		17,852,050	17,852,050
Total liabilities		176,514,302	167,826,418
Stockholders' equity:			
Covenant Surgical Partners, Inc. stockholders' equity:			
Series C convertible preferred stock, $0.01 par value; 16,000,000 shares authorized; 11,355,073 shares issued and outstanding in both 2015 and 2014		113,551	113,551
Common stock, $0.01 par value, 34,500,000 shares authorized; 5,504,516 and 5,561,059 shares issued and outstanding in 2015 and 2014, respectively		55,045	55,611
Additional paid-in capital		94,471,223	91,194,562
Accumulated deficit		(82,111,132)	(61,501,813)
Total Covenant Surgical Partners, Inc. stockholders' equity		12,528,687	29,861,911
Noncontrolling interests		81,633,493	93,407,754
Total stockholders' equity		94,162,180	123,269,665
	$	270,676,482	291,096,083

See accompanying notes to consolidated financial statements.

ATTACHMENT 6

COVENANT SURGICAL PARTNERS, INC.
AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 2015 and 2014

		2015	2014
Net patient revenue	$	132,349,057	113,846,260
Equity in earnings of unconsolidated affiliates		243,173	—
Operating expenses:			
Salaries and benefits		48,752,992	38,233,266
Medical supplies		17,501,033	15,120,111
Facility costs		10,278,945	8,766,922
Professional fees and services		8,612,453	6,368,989
Depreciation and amortization		28,764,767	27,400,954
General and administrative		12,907,475	11,399,785
Other operating expenses		826,288	746,670
Total operating expenses		127,643,953	108,036,697
Other expenses (income):			
Interest expense, net		13,198,836	19,007,905
Dividends on shares subject to mandatory redemption		2,507,389	2,433,443
Other, net		183,880	485,304
Total other expenses, net		15,890,105	21,926,652
Net loss		(10,941,828)	(16,117,089)
Less net income attributable to noncontrolling interests		(9,667,491)	(9,227,659)
Net loss attributable to Covenant Surgical Partners, Inc.	$	(20,609,319)	(25,344,748)

See accompanying notes to consolidated financial statements.

COVENANT SURGICAL PARTNERS, INC.
AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2015 and 2014

	Preferred stock		Common stock				Total Covenant Surgical Partners, Inc. stockholders' equity		
	Shares	Amount	Shares	Amount	Additional paid-in capital	Accumulated deficit	Total Covenant Surgical Partners, Inc. stockholders' equity	Noncontrolling interests	Total stockholders' equity
	11,354,233	$ 113,543	5,561,059	$ 55,611	$ 90,440,265	(36,157,065)	54,452,354	89,318,548	143,770,902
	—	—	—	—	754,297	—	754,297	—	754,297
	840	8	—	—	—	—	8	—	8
nbinations	—	—	—	—	—	—	—	10,586,707	10,586,707
	—	—	—	—	—	—	—	(15,725,160)	(15,725,160)
	—	—	—	—	—	(25,344,748)	(25,344,748)	9,227,659	(16,117,089)
	11,355,073	113,551	5,561,059	55,611	91,194,562	(61,501,813)	29,861,911	93,407,754	123,269,665
	—	—	—	—	1,284,725	—	1,284,725	—	1,284,725
	—	—	—	—	—	—	—	(5,218,266)	(5,218,266)
	—	—	—	—	2,127,341	—	2,127,341	(3,458,595)	(1,331,254)
	—	—	11,500	115	—	—	115	—	115
	—	—	(68,043)	(681)	(135,405)	—	(136,086)	—	(136,086)
nbinations	—	—	—	—	—	—	—	6,182,947	6,182,947
	—	—	—	—	—	—	—	3,775	3,775
	—	—	—	—	—	—	—	(18,951,613)	(18,951,613)
	—	—	—	—	—	(20,609,319)	(20,609,319)	9,667,491	(10,941,828)
	11,355,073	$ 113,551	5,504,516	$ 55,045	$ 94,471,223	(82,111,132)	12,528,687	81,633,493	94,162,180

ıl statements.

ATTACHMENT 6

COVENANT SURGICAL PARTNERS, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2015 and 2014

		2015	2014
Cash flows from operating activities:			
Net loss	$	(10,941,828)	(16,117,089)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization		28,764,767	27,400,954
Noncash interest expense		1,416,091	6,681,613
Stock compensation expense		1,284,725	754,297
Provision for doubtful accounts		4,020,063	3,762,807
Equity in earnings of unconsolidated affiliates, net of distributions received		(3,173)	—
Gain on sale of interest in subsidiary		(1,316,172)	—
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts and other receivables		(4,234,739)	(8,590,628)
Inventories		45,224	59,933
Prepaid expenses		(276,323)	244,062
Other assets		839,676	(536,839)
Accounts payable		1,647,729	(1,370,898)
Accrued expenses and other liabilities		2,970,950	6,062,631
Net cash provided by operating activities		24,216,990	18,350,843
Cash flows from investing activities:			
Purchases of property and equipment		(1,461,059)	(1,677,754)
Acquisitions of businesses, net of cash acquired		(11,062,248)	(16,799,490)
Proceeds from sale of interest in subsidiary, net of cash transferred		3,864,580	—
Net cash used by investing activities		(8,658,727)	(18,477,244)
Cash flows from financing activities:			
Proceeds from long-term debt		—	132,000,000
Payments of long-term debt and notes payable		(1,125,012)	(98,491,207)
Proceeds from sale of shares subject to mandatory redemption, net of issuance costs		—	2,125,250
Payments of financing costs incurred		(9,468)	(6,821,934)
Common stock repurchase		(136,086)	—
Distributions to noncontrolling interests		(18,951,613)	(15,725,160)
Warrants exercised		115	—
Contributions from noncontrolling interests		3,775	—
Net cash (used in) provided by financing activities		(20,218,289)	13,086,949
(Decrease) increase in cash and cash equivalents		(4,660,026)	12,960,548
Cash and cash equivalents at beginning of year		18,932,076	5,971,528
Cash and cash equivalents at end of year	$	14,272,050	18,932,076
Supplemental information:			
Cash paid for interest	$	12,242,288	10,418,387
Note payable issued in exchange for interest in subsidiary		1,200,000	—
Acquisition of equipment under capital leases		1,625,936	1,279,532

See accompanying notes to consolidated financial statements.

COVENANT SURGICAL PARTNERS, INC.
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

(1) Nature of Operations

Covenant Surgical Partners, Inc. (Covenant) was formed on January 30, 2008, for the primary purpose of ownership and management of ambulatory surgery centers (ASCs) throughout the United States. Covenant owns interests in limited liability companies, which own and operate ASCs jointly with physicians and physician groups. As of December 31, 2015, Covenant owned and operated 28 ASCs and 15 anesthesia programs, all of which are consolidated in these financial statements.

Covenant, through a wholly owned management services entity, entered into a long-term professional services agreement (PSA) with Consolidated Pathology, Inc. (CPI) to provide management services to CPI. As a result of the ownership structure and PSA, generally accepted accounting principles (GAAP) require Covenant to consolidate CPI in its financial statements. As of December 31, 2015, CPI owned and operated two laboratory locations. Covenant, CPI, and their subsidiaries are collectively referred to as (the Company) within the consolidated financial statements.

(2) Summary of Significant Accounting Policies

This summary of significant accounting policies of the Company is presented to assist in understanding the financial statements. The financial statements and accompanying notes are representations of the Company's management. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the presentation of the consolidated financial statements.

(a) Principles of Consolidation

These consolidated financial statements include the accounts of entities in which the Company maintains a controlling financial interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The most significant assumptions and estimates underlying these consolidated financial statements and accompanying notes involve revenue recognition and accounts receivable, impairments of long-lived assets, equity instrument valuation, and accounting for income taxes. Specific estimation risks and contingencies are further addressed within these notes to the consolidated financial statements.

(c) Cash Equivalents

The Company considers all highly liquid investments with maturities at date of purchase of less than three months to be cash equivalents.

(d) Accounts Receivable and Related Allowances

Accounts receivable represent amounts due primarily from federal and state agencies (Medicare and Medicaid programs), private insurance carriers, employers, managed care programs, and patients.

The allowance for doubtful accounts for accounts receivables is developed by applying an allowance percentage based on the aging of accounts receivable. The allowance percentages are based on historical write-off experience, current business trends, and payment trends within each payor category. If the corresponding allowance was established against amounts due from third-party payors, the allowance was charged to contractual adjustments, a component of revenue. If the corresponding allowance was established against amounts due directly from patients, the allowance was charged to bad debt expense, a component of general and administrative expenses. Due to the complexities involved in the classification and documentation of healthcare services authorized and provided, the estimation of revenue earned and the related reimbursement are often subject to interpretations that could result in payments that are different from the estimates.

(e) Inventories

Inventories primarily include medical supplies and are stated at the lower of cost or market. Cost is determined using the first-in, first-out method for medical supplies.

(f) Property and Equipment

Property and equipment are stated at cost. Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets (three to seven years). Leasehold improvements recorded at the inception of a lease are amortized using the straight-line method over the life of the lease or the useful life of the improvement, whichever is shorter; for improvements made during the lease term, the amortization period is the shorter of the useful life or the remaining lease term (including any renewal periods that are deemed to be reasonably assured).

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 360, *Property, Plant, and Equipment*, when events, circumstances, or operating results indicate that the carrying value of certain long-lived assets and related identifiable intangible assets (excluding goodwill) that are expected to be held and used might be impaired, the Company evaluates such assets for impairment based on estimated undiscounted cash flows expected to result from the use and eventual disposition of the assets. If related long-lived assets are identified as impaired, the impairment is equal to the amount by which the carrying value of the assets exceeds the fair value of those assets as determined by independent appraisals or estimates of discounted future cash flows. No impairment losses related to property, plant, and equipment were recorded during 2015 or 2014.

(g) ***Goodwill and Other Intangible Assets***

The Company's goodwill represents the excess of the purchase price over the fair value of the assets acquired in business combinations.

The Company adopted Accounting Standards Update ASU No. 2014-02, *Accounting for Goodwill, a consensus of the Private Company Council*, effective January 1, 2014. This update allowed certain privately held entities to elect an accounting alternative to amortize goodwill on a straight-line basis over 10 years or less than 10 years if the entity demonstrates that another useful life is more appropriate.

As a result, the Company determined it was appropriate to amortize all existing goodwill over 10 years effective January 1, 2014, and will amortize any newly acquired goodwill over this same timeframe from its date of acquisition. In addition, the Company has made an accounting policy election to test goodwill for impairment when a triggering event occurs that indicates that the fair value may fall below its carrying value. If the carrying value of goodwill exceeds its fair value, an impairment loss will be recognized. See note 8 for the resulting impact of the implementation of this standard.

Additionally, the Company adopted ASU No. 2014-18, *Accounting for Identifiable Intangible Assets in a Business Combination*, effective January 1, 2014. This update allowed certain privately held entities to elect to not separately recognize certain customer-related intangibles and noncompetition agreement when applying purchase accounting. Assets recognized prior to this election continue to amortize based upon their useful lives.

Loan costs are amortized over the term of the underlying loan agreement using the straight-line method.

The Company evaluates the recoverability of other identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. Such circumstances could include, but are not limited to: (1) a significant decrease in the market value of an asset, (2) a significant adverse change in the extent or manner in which an asset is used, or (3) an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset. The Company measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. If the sum of the expected future net cash flows are less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. No impairment was recognized in 2015 or 2014.

(h) ***Noncontrolling Interests***

Consolidated net (loss) income is reduced by the proportionate amount of income (loss) associated with noncontrolling interests. Noncontrolling interests represent the equity interest of minority partners in consolidated entities, which are not wholly owned.

(i) Income Taxes

Federal and state income taxes are computed at current enacted tax rates less tax credits using the asset and liability method. Deferred taxes are adjusted both for items that do not have tax consequences and for the cumulative effect of any changes in tax rates from those previously used to determine deferred tax assets or liabilities. Tax provisions include amounts that are currently payable, changes in deferred tax assets and liabilities that arise because of temporary differences between the timing of when items of income and expense are recognized for financial reporting and income tax purposes, changes in the recognition of tax positions, and any changes in the valuation allowance caused by a change in judgment about the reliability of the related deferred tax assets. A valuation allowance is established when necessary to reduce deferred tax assets to amounts expected to be realized.

The Company uses a recognition threshold of more likely than not and a measurement attribute on all tax positions taken or expected to be taken in a tax return in order to be recognized in the consolidated financial statements. Once the recognition threshold is met, the tax position is then measured to determine the actual amount of benefit to recognize in the financial statements.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

(j) Net Patient Revenue

Net patient revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Substantially all revenues of the Company are derived from outpatient surgeries and related ancillary services.

Gross patient revenue is recorded on the accrual basis in the period in which services are provided, at the Company's established rates. Estimated contractual adjustments are subtracted from gross patient revenue to determine net patient revenue. Contractual adjustments represent the difference between the Company's established rates for services and amounts reimbursed by third-party payors. Reimbursement from third-party payors is generally based upon either a percentage of the Company's established rates or specified fee schedules.

(k) Operating Leases

The Company leases facilities that are accounted for as operating leases. The related payments are expensed ratably over the initial lease term. The difference between rent expense and rent paid is recorded as deferred rent, and it is included in accrued expenses in the consolidated balance sheets.

(l) Equity-Based Compensation

The Company has adopted authoritative guidance that requires compensation expense relating to share-based payments to be recognized in the consolidated financial statements using a fair value measurement method. Under the fair value method, the estimated fair value of the awards is charged to expense on a straight-line basis over the requisite service period.

(m) Reclassifications

Certain reclassifications have been made to the 2014 consolidated financial statements in order for them to conform to the 2015 presentation. These reclassifications have no effect on net income or stockholders' equity as previously reported.

(3) Credit Risk and Other Concentrations of Credit Risks

Concentration of credit risk relating to accounts receivable is limited to some extent by the diversity and number of patients and payors. The mix of receivables from patients and third-party payors at December 31, 2015 and 2014 was as follows:

	2015	2014
Medicare/Medicaid	33%	32%
Other third-party payors and private pay	67	68
	100%	100%

Patient revenue in 2015 and 2014 was derived under contractual agreements with the following third-party payors:

	2015	2014
Medicare/Medicaid	43%	42%
Other third-party payors and private pay	57	58
	100%	100%

(4) Acquisitions

For each acquisition in 2015 and 2014, the fair value of each noncontrolling interest was estimated by using a market approach. The measurement was based on significant inputs that are observable in the market. These inputs include but are not limited to discount rates and earnings before interest, taxes, and depreciation and amortization multiples. All acquisition-related costs are included as part of general and administrative expenses in the consolidated statements of operations.

2015 Acquisitions

In April 2015, the Company acquired a 56% interest in Endoscopy Institute of Hawaii, LLC located in Honolulu, HI for $6,660,000.

In October 2015, the Company acquired a 51% interest in Endoscopy Center of Inland Empire, LLC located in Murrieta, CA for $4,443,635.

The Company obtained control of all the above entities and the following table summarizes the 2015 considerations paid and the amounts of the assets acquired and liabilities assumed, as well as the fair value of the noncontrolling interests at the acquisition dates.

Consideration:	
Cash	$ 11,103,635
Fair value of total consideration	$ 11,103,635
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Prepaid expenses	$ 3,374
Accounts receivable	611,709
Furniture and equipment	1,301,618
Accounts payable and accrued liabilities	(240,419)
Note payable	(2,185,599)
Total identifiable net assets (liabilities)	(509,317)
Noncontrolling interests	(6,182,947)
Goodwill	17,795,899
	$ 11,103,635

2014 Acquisitions

In July 2014, the Company acquired a 51% interest in Bay Area Endoscopy Center, LLC. located in Hayward, CA, for $3,130,614, and a 51% interest in Center for Endoscopy, LLC located in Oceanside, CA, for $4,300,114.

In August 2014, the Company acquired a 51% interest in Capital City Surgical Center of Florida, LLC located in Tallahassee, FL, for $4,594,859.

In December 2014, the Company acquired a 51% interest in Gold Coast Surgery Center, LLC located in Englewood, FL, for $1,500,000, and the Company acquired a 51% interest in Central Delaware Endoscopy Unit, LLC located in Dover, DE, for $2,877,670.

In December 2014, the Company also acquired a 100% interest in three sole practitioner practices located in Wilkes-Barre, PA, and Edwardsville, PA, for a total of $396,233.

The Company obtained control of all the above entities and the following table summarizes the 2014 considerations paid and the amounts of the assets acquired and liabilities assumed, as well as the fair value of the noncontrolling interests at the acquisition dates.

Consideration:		
Cash	$	16,799,490
Fair value of total consideration	$	16,799,490
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Accounts receivable	$	844,930
Inventory		68,546
Furniture and equipment		964,942
Accounts payable and accrued liabilities		(103,949)
Total identifiable net assets		1,774,469
Noncontrolling interests		(10,586,707)
Goodwill		25,611,728
	$	16,799,490

(5) Equity Method Investments

In May 2015, the Company sold a 26% interest in Peninsula Endoscopy Center, LLC, a majority-owned consolidated subsidiary, retaining a 25% ownership interest. The Company recognized a gain on the sale of $1,316,172, which is included as a component of other, net on the statement of operations. The carrying amount of the investment was $2,646,923 at December 31, 2015, which is reflected as a component of other assets. The Company's proportionate share of earnings related to this investment was $243,173 for the current year period beginning after the sale of the interest.

(6) Property and Equipment

A summary of property and equipment as of December 31, 2015 and 2014 is as follows:

		2015	2014
Medical equipment	$	14,524,533	12,322,967
Leasehold improvements		5,523,316	5,136,421
Computer equipment		4,458,991	3,383,963
Furniture and fixtures		1,642,999	1,372,541
		26,149,839	22,215,892
Accumulated depreciation and amortization		(14,724,932)	(10,485,525)
	$	11,424,907	11,730,367

Depreciation expense related to property and equipment was $4,659,127 and $3,901,617 for the years ended December 31, 2015 and 2014, respectively.

(7) Goodwill and Other Intangible Assets

The Company adopted ASU No. 2014-02 in the prior year, and as a result, the Company began to amortize all existing goodwill over 10 years effective January 1, 2014. The Company continues to amortize any newly acquired goodwill over this same timeframe from its date of acquisition.

Goodwill consisted of the following at December 31, 2015 and 2014, respectively:

		2015	2014
Beginning balance	$	229,492,409	227,116,727
Additions from acquisitions		17,795,899	25,611,728
Adjustments to purchase accounting		(228,788)	223,291
Less amortization expense		(24,065,640)	(23,459,337)
Reduction from sale of majority interest in consolidated subsidiary		(9,919,232)	—
Ending balance	$	213,074,648	229,492,409

Long-lived assets and identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less estimated costs to sell. During 2015 and 2014, management concluded that no impairment of identifiable intangible assets existed.

At December 31, 2015 and 2014, the Company had no indefinite-lived intangible assets other than goodwill and had the following amounts related to finite-lived intangible assets:

		2015	2014
Loan costs, net of accumulated amortization of $1,957,212 and $951,733 in 2015 and 2014, respectively	$	4,955,185	6,361,810
Noncompete agreement, net of accumulated amortization of $93,333 and $53,333 in 2015 and 2014, respectively		106,667	146,667
	$	5,061,852	6,508,477

No significant residual value is estimated for these intangible assets. Amortization expense for the years ended December 31, 2015 and 2014 was $1,456,091 and $991,733, respectively, related to these assets. The following table presents the total estimated amortization of intangible assets for the four succeeding years:

		Amount
Year:		
2016	$	1,422,844
2017		1,422,844
2018		1,409,511
2019		806,653
	$	5,061,852

(8) Long-Term Debt

During July 2014, the Company entered into a $130,000,000 senior secured note agreement. The senior secured note agreement was secured by a lien on all Company assets and bears interest at 8.75% with interest only payments due semiannually with a final balloon payment of the full balance due in August 2019. The Company used approximately $96,400,000 million of proceeds from this note in order to repay the existing senior credit agreement, term loan, promissory notes to noncontrolling partners, and subordinated bridge promissory notes to shareholders, and closing costs associated with securing the note. The remaining balance was used to fund acquisitions and fund working capital for other general corporate purposes. During August in conjunction with this note, the Company also entered into a $25,000,000 senior secured credit facility that can be drawn upon at various interest rates once certain conditions are met. As of December 31, 2015, the Company had $130,000,000 outstanding under the senior secured note agreement and had not drawn on the senior secured credit facility.

The provisions of the senior secured note agreement and the senior secured credit facility require maintenance of certain financial ratios and also place certain restrictions or limitations upon the Company, such as payment of dividends, mergers, acquisitions, capital expenditures, investments, and additional borrowings. As of December 31, 2015, the Company was in full compliance with all the requirements of the senior credit facility and the senior secured credit agreement.

In August 2011, the Company entered into a term loan agreement that was amended in April 2012; the Company borrowed $20,000,000 under the agreement at closing. The creditors were granted 248,248 warrants to purchase common stock at $0.01 per share in connection with this debt issuance. The term loan agreement also had a provision for a delayed draw of $5,000,000, which the Company borrowed during 2012. As part of the related first amendment in April 2012, in addition to the cash interest paid on the outstanding balance, the first amendment contained a provision for additional payment-in-kind (PIK) interest based on certain leverage ratios; the additional PIK rates range from 1% to 4%. In addition, the first amendment contained provisions that additional warrants (ranging between 0.25% and 0.75%) be issued to the financial institution based upon certain ratios. An additional 194,727 warrants were issued based on the 2012 first amendment and the Company's performance related to the ratios stipulated in the amendment. The term loan was amended again in January 2013 to remove the PIK interest and additional warrants. In connection with the January 2013 second amendment, 779,747 in additional warrants were issued to the creditors both to adjust the terms as noted above and to satisfy an anti-dilution provision in the original term loan and warrant agreements. This term loan agreement was fully repaid in July 2014 with the proceeds of the new senior secured note agreement. The warrants remain and there have been no exercises of these warrants as of December 31, 2015. These warrants are classified as a liability in accrued expenses and other liabilities at estimated fair value of $2,445,444 at December 31, 2015 and 2014, in accordance with ASC Subtopic 815-40, *Contracts in Entity's Own Equity*, as the warrants are settleable in cash on each anniversary of the repaid term loan's original maturity date.

A summary of long-term debt as of December 31, 2015 and 2014 is as follows:

		2015	2014
Senior secured notes	$	130,000,000	130,000,000
Promissory notes payable		3,121,873	277,918
Other		2,855,015	1,812,447
		135,976,888	132,090,365
Less current portion		2,451,634	611,964
Long-term debt, excluding current portion	$	133,525,254	131,478,401

A summary of future maturities of long-term debt as of December 31, 2015 is as follows:

		Amount
Year:		
2016	$	2,451,634
2017		1,280,427
2018		1,035,364
2019		130,661,819
2020		393,277
Thereafter		154,367
	$	135,976,888

(9) Preferred Stock

(a) Series A Preferred Stock

In 2009, the Company authorized 560,000 shares of 12.5% Series A Redeemable Cumulative Preferred Stock (Series A Preferred). An additional 440,000 shares were authorized in 2010 and 500,000 in 2013 bringing the total authorized shares to 1,500,000. There were 85,010 Series A Preferred shares issued during 2014 at $25.00 per share. Series A Preferred is classified as shares subject to mandatory redemption in the consolidated balance sheets in the amount of $17,852,050 at December 31, 2015 and 2014.

Purchasers of Series A Preferred shares prior to 2014 received a stock warrant to purchase a pro rata portion of an aggregate of 157,268 shares of common stock.

Dividends

The Series A Preferred is entitled to an annual cash dividend of $3.125 per share. In addition, as of January 2013, dividends accrue on each share of Series A on a cumulative, noncompounded basis at the rate of $0.25 per share (equivalent to a 1% per annum return).

Mandatory Redemption

Upon the earlier of (i) the Company's initial public offering for proceeds to the Company of at least $20,000,000 or (ii) January 15, 2017, the Company shall redeem all outstanding Series A stock for the redemption price equal to the stated value of each share plus all accrued and unpaid dividends through the redemption date.

Liquidation Preference

Upon liquidation the holders of Series A Preferred are entitled to a distribution in cash in the amount of $25.00 per share plus an amount equal to all Series A Preferred cash and dividends accrued and unpaid.

(b) Series C Preferred Stock

The Series C Preferred is pari passu with the Series A Preferred, accrues dividends at the rate of 15% per annum compounded quarterly, votes on an as converted basis with the common stock, is entitled to elect four directors and has certain liquidation conversion and redemption rights as set forth in the Certificate of Incorporation. In addition, certain major corporate actions require the consent of the holders of 2/3 of the Series C Preferred. After the issuance of these shares, the holders of the Series C Preferred by virtue of conversion rights of such stock own in excess of 60% of the Common Stock of the Company on a fully diluted basis.

Dividends

Dividends accrue on each share of Series C Preferred on a cumulative, compounded quarterly, basis at the rate of 15% per annum. Series C Preferred cumulative dividends amounted to $21,119,765 and $12,750,836 as of December 31, 2015 and 2014, respectively, but they have not been declared as of December 31, 2015, and therefore, are not recorded in the financial statements.

Conversion at Holders' Option

Each share of Series C Preferred is convertible, at any time, at the option of the holder, into shares of Common Stock as determined by dividing (i) the Series C Preferred original issue price by (ii) the Series C Preferred conversion price in effect at the time of the conversion. The conversion price is subject to adjustment in certain events.

Automatic Conversion

Upon either (i) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least two-thirds of the then outstanding shares of Series C Preferred Stock or (ii) the closing of the sale of shares of Common Stock to the public in an underwritten public offering, provided that (a) the price of the Common Stock is at least $10.00 per share and such offering results in at least $20,000,000 of gross proceeds, to the Company and (b) the Common Stock is listed for trading on either the New York Stock Exchange or the NASDAQ National Market, all outstanding shares of Series C Preferred shall automatically be converted into (i) shares of Common Stock, at the then effective conversion rate plus (ii) the right to receive a cash payment equal to the amount of accrued and unpaid Series C Preferred dividends, whether or not declared, as of the date of such conversion.

Liquidation Preference

Upon liquidation the holders of the Series C Preferred are entitled to a distribution in cash in the amount of the greater of (i) 2.0 times the Series C Preferred original issue price, plus an amount equal to all Series C Preferred dividends accrued and unpaid, whether or not declared, together with any other dividends declared but unpaid, and (ii) such amount per share as would have been payable had each share been voluntarily converted into Common Stock.

(c) Series D Preferred Stock

In 2014, the Company established a restricted stock plan for key officers, employees, and directors which authorized 1,000 shares of Series D Preferred Stock (Series D Preferred). During 2014, 840 shares of Series D Preferred were issued. No Series D shares were issued in 2015. There were 840 shares of Series D Preferred outstanding at December 31, 2015 and 2014.

Dividends

These shares are not entitled to any dividends unless and until declared by the Company.

Liquidation Preference

Upon liquidation or deemed liquidation, the holders of Series D Preferred are entitled to be paid out of the assets of the Company available for distribution to its stockholders before any payments are made to the holders of Series A Preferred Stock, Series C Preferred Stock, or Common Stock, a Series D liquidation preference equal to 5% of the equity value, as defined, of the Company over $75,000,000 plus 5% of the equity value of the Company over $125,000,000 (Series D Liquidation Preference).

Automatic Conversion

Upon the closing of the sale of shares of Common Stock to the public in an underwritten public offering at a price of at least $10.00 a share and gross proceeds of at least $20,000,000, all outstanding shares of Series D Preferred shall automatically be converted into the number of shares of Common Stock equal to the Series D Liquidation Preference divided by the price per share at which the Common Stock is sold to the public.

(10) Operating Leases

The Company leases its facilities under arrangements classified as operating leases. Rent expense under these leases amounted to $6,085,423 in 2015 and $4,957,967 in 2014, including $2,192,263 and $2,123,455 paid to related parties, respectively.

Future minimum lease payments required under noncancelable operating leases having initial or remaining terms in excess of one year are as follows:

		Amount
Year:		
2016	$	6,120,312
2017		5,747,927
2018		5,266,755
2019		4,088,360
2020		3,624,061
Thereafter		13,778,044
	$	38,625,459

(11) Income Taxes

Since inception, the Company has incurred tax net operating losses. There was no income tax provision or benefit required to be reflected in the consolidated statements of operations for the years ended December 31, 2015 and 2014.

The tax effects of temporary differences related to deferred income taxes are as follows:

		2015	2014
Deferred tax assets	$	24,620,274	21,539,328
Deferred tax liabilities		(8,085,407)	(11,776,057)
Total, net		16,534,867	9,763,271
Valuation allowance		(16,534,867)	(9,763,271)
Net deferred tax asset (liability)	$	—	—

The Company's valuation allowance as of December 31, 2015 and 2014 was $16,534,867 and $9,763,271, respectively. The net change in the total valuation allowance was an increase of $6,771,596 for the year ended December 31, 2015. It was primarily related to federal and state net operating loss carryforwards that, in the judgment of management, are not more likely than not to be realized based on future taxable income. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax planning strategies in making this assessment.

At December 31, 2015 and 2014, the Company had federal and state net operating loss carryforwards of approximately $100,276,933 and $91,886,857, respectively. These net operating loss carryforwards are available to offset future taxable income through the years 2016 and 2035, respectively.

As of December 31, 2015 and 2014, the Company has accrued no interest and no penalties related to uncertain tax positions. It is the Company's policy to recognize interest and/or penalties related to income tax matters in income tax expense. The Company is currently open to audit under the statute of limitations for tax years ending after 2011.

(12) Employee Benefit Plan

The Company sponsors a defined contribution plan with a 401(k) feature covering substantially all employees. Company contributions are made at management's discretion. The plan allows employees with 90 days of service to participate and voluntarily contribute specified percentages of their annual compensation not to exceed total aggregate deferral limits, as set forth in the Internal Revenue Code. The Company may provide a discretionary matching contribution as determined annually by the Board not to exceed amounts allowable by federal income tax regulations. The Company made contributions of $657,963 and $422,006 to the plan for 2015 and 2014, respectively.

(13) Stock Option Plan

The Company has a nonqualified stock option plan, which was amended in January 2013 to reserve 2,500,000 shares of the Company's Class A common stock to be issued to executives, key employees, and other individuals. Option holders may purchase a specified number of shares of common stock at a price not less than the fair market value on the date of grant. Generally, options granted under the plan vest and become exercisable at 6.25% per quarter and expire in 10 years from the date of grant. Options issued prior to the amendment in January of 2013 are fully vested.

Stock option activity for 2015 and 2014 is summarized as follows:

	2015		2014	
	Total options outstanding	Weighted average exercise price	Total options outstanding	Weighted average exercise price
Balance, December 31, 2014	1,496,330	$ 7.83	1,129,997	$ 9.20
Granted	—	—	423,000	4.11
Exercised	—	—	—	—
Forfeited	(18,667)	4.11	(56,667)	7.51
Balance, December 31, 2015	1,477,663	$ 7.87	1,496,330	$ 7.83
Exercisable at December 31, 2015	1,047,413	$ 9.42	910,476	$ 10.22

The fair value of the stock options issued were estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: no expected dividend yield, risk-free rates between 0.3% and 1.2%, expected volatility between 6% and 13%, and an expected life of four to ten years. Compensation expense relating to stock options of $1,284,785 and $754,297 was recognized in 2015 and 2014, respectively.

At December 31, 2015 and 2014, options outstanding had a weighted average remaining contractual term of 6.8 and 7.8 years, respectively, and the Company had $2,554,274 and $3,949,711 of unrecognized stock-based compensation expense related to outstanding option grants to employees, respectively.

(14) Commitments and Contingencies

(a) Cash

The Company places its temporary cash investments with FDIC insured financial institutions. At times, such investments may be in excess of FDIC insurance limits. The Company does not believe it is exposed to any significant credit risk with respect to cash.

(b) Litigation

From time to time, the Company is party to or may be threatened with litigation, claims, or assessments arising in the ordinary course of business. Management regularly analyzes current information including, as applicable, the Company's defenses and insurance coverages and, as necessary, provides accruals for probable liabilities for the eventual disposition of these matters.

The Company, like other healthcare providers, conducts its operations under intense government regulation and scrutiny. The Company must comply with regulations that relate to or govern the safety and efficacy of medical products and supplies and environmental and occupational health and safety. The Company must also comply with the Anti-Kickback Statue, the False Claims Act, the Stark Statute, and other federal and state fraud and abuse laws. Applicable laws or regulations may be amended, or enforcement agencies or courts may make interpretations that differ from the Company or the manner in which it conducts its business. Enforcement has become a high priority for the federal government and some states. In addition, the provisions of the False Claims Act authorizing payment of a portion of any recovery to the party bringing the suit encourage private plaintiffs to commence "whistle blower" actions. By virtue of this regulatory environment, the Company's business activities and practices are subject to extensive review by regulatory authorities and private parties, and continuing audits, investigative demands, subpoenas, other inquires, claims, and litigation relating to the Company's compliance with applicable laws and regulations. The Company may not always be aware that an inquiry or action has begun, particularly in the case of "whistle blower" actions, which are initially filed under court seal.

The Company relies upon its management structure, regulatory and legal resources, and the effective operation of its compliance program to direct, manage, and monitor the activities of its employees. The Company may identify instances where employees, deliberately or inadvertently, have submitted inadequate or false billings. The actions of such persons may subject the Company to liability under the Anti-Kickback Statute, the Stark Statute, and the False Claims Act, among other laws.

Physicians, hospitals, and other participants in the healthcare industry are also subject to a large number of lawsuits alleging professional negligence, malpractice, product liability, workers' compensation, or related claims, many of which involve large claims and significant defense costs. The Company is subject to these suits due to the nature of the business and expects that those types of lawsuits may occur and continue. Although the Company maintains insurance at a level, which it believes to be prudent, it cannot assure that the coverage limits will be adequate or that insurance will cover all asserted claims. A successful claim against the Company in excess of insurance coverage could have a material adverse effect upon the Company and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the Company's reputation and business. We do not believe that any pending legal proceedings will have a material impact on our consolidated financial position or results of operations.

(15) Related Party Transactions

In addition to transactions disclosed elsewhere, the Company had balances and transactions with affiliated entities and individuals as follows:

	2015	2014
Consolidated balance sheets:		
Other receivables	$ —	43,174
Consolidated statements of operations:		
Fees for billing services	387,064	382,135
Interest expense	122	3,748
Management and advisory fees	469,906	409,808
Rent	2,078,061	2,012,737

Related party fees for billing expenses and management and advisory fees are included as a component of general and administrative expenses in the consolidated statements of operations. Rent is included as a component of facility costs and relates to the Company's leases of buildings owned by affiliated entities.

COVENANT SURGICAL PARTNERS, INC.
AND SUBSIDIARIES

Consolidating Balance Sheet

December 31, 2015

Assets		Covenant Surgical Partners, Inc. and Subsidiaries	Consolidated Pathology, Inc. and Subsidiary	Total
Current assets:				
Cash and cash equivalents	$	14,216,290	55,760	14,272,050
Accounts receivable, less allowance for doubtful accounts of approximately $4,337,000 in 2015		19,961,578	2,412,166	22,373,744
Other receivables		365,316	—	365,316
Due to CSP, from CPI		9,430,965	(9,430,965)	—
Inventories		—	144,849	144,849
Prepaid expenses		750,873	23,210	774,083
Total current assets		44,725,022	(6,794,980)	37,930,042
Property and equipment, net		9,216,797	2,208,110	11,424,907
Goodwill		202,492,585	10,582,063	213,074,648
Other intangible assets, net		5,061,852	—	5,061,852
Other assets		2,736,392	448,641	3,185,033
	$	264,232,648	6,443,834	270,676,482
Liabilities and Stockholders' Equity				
Current liabilities:				
Current portion of long-term debt	$	2,439,164	12,470	2,451,634
Accounts payable		4,542,803	134,306	4,677,109
Accrued expenses and liabilities		12,802,084	1,193,031	13,995,115
Dividends payable on shares subject to mandatory redemption		3,489,596	—	3,489,596
Total current liabilities		23,273,647	1,339,807	24,613,454
Long-term debt, excluding current portion		119,856,339	13,668,915	133,525,254
Other liabilities		523,544	—	523,544
Shares subject to mandatory redemption		17,852,050	—	17,852,050
Total liabilities		161,505,580	15,008,722	176,514,302
Stockholders' equity (deficit) – Covenant Surgical Partners, Inc.		21,093,575	(8,564,888)	12,528,687
Noncontrolling interests		81,633,493	—	81,633,493
Total stockholders' equity	$	264,232,648	6,443,834	270,676,482

See accompanying independent auditors' report.

ATTACHMENT 6

COVENANT SURGICAL PARTNERS, INC.
AND SUBSIDIARIES

Consolidating Statement of Operations

Year ended December 31, 2015

		Covenant Surgical Partners, Inc. and Subsidiaries	Consolidated Pathology, Inc. and Subsidiary	Total
Net patient revenues	$	119,885,336	12,463,721	132,349,057
Equity in Earnings of Unconsolidated Affiliates		243,173	—	243,173
Operating expenses:				
Salaries and benefits		46,841,163	1,911,829	48,752,992
Medical supplies		15,708,186	1,792,847	17,501,033
Facility Costs		9,705,131	573,814	10,278,945
Professional fees		4,757,250	3,855,203	8,612,453
Depreciation and amortization		26,447,546	2,317,221	28,764,767
General and administrative		11,551,232	1,356,243	12,907,475
Other operating expenses (income)		751,253	75,035	826,288
Total operating expenses		115,761,761	11,882,192	127,643,953
Other expenses:				
Interest expense, net		11,569,008	1,629,828	13,198,836
Dividends on shares subject to mandatory redemption		2,507,389	—	2,507,389
Other, net		(107,005)	290,885	183,880
Total other expenses, net		13,969,392	1,920,713	15,890,105
(Loss) income from continuing operations		(9,602,644)	(1,339,184)	(10,941,828)
Less net income attributable to noncontrolling interests		(9,667,491)	—	(9,667,491)
Net loss attributable to Covenant Surgical Partners, Inc.	$	(19,270,135)	(1,339,184)	(20,609,319)

See accompanying independent auditors' report.

Covenant Surgical Partners, Inc.
YTD Consolidated Income Statement - August 2016

	YTD Aug-2016
Patient Services Revenue	343,736,528
Revenue Other	58,065
Contractual Adjustment	(249,311,905)
Total Net Revenue	**94,482,688**
Income - Minority Investments	513,732
Expense	
Operating Expenses	
Salaries and Wages	28,216,806
Payroll Taxes	1,906,646
Benefits	2,598,837
Medical Supplies	11,402,099
Linens Service	496,865
Repairs and Maintenance - Clinical	803,175
Other Supplies	356,900
Fees - Other	6,702,085
Occupancy	6,536,807
Equipment Rental	400,748
Insurance	798,358
Voice and Data	335,396
Travel and Entertainment	441,107
Licenses and Taxes	1,586,885
Marketing and Promotion	76,408
Employee Recruiting and Retention	345,796
Other Expenses	550,721
Bad Debt	2,848,841
Total	**66,404,481**
EBITDA - Pre MI	**28,591,939**
Non-Operating Expenses	
Depreciation and Amortization	22,016,642
Interest Expense, net	7,897,559
Management and Advisory Fees	316,378
Non-Recurring Professional Fees	3,096,121
Financing Expenses	132,161
Stock Compensation Expense	877,379
Other Income/Expense	94,540
Acquisition Expenses	348,009
Dividends on Shares subject to Mandatory Redemption	1,655,218
Total	36,434,008
Net Income (Loss) Pre MI	**(7,842,069)**
Minority Interest	(13,515,677)
MI Expense - Amortization of NCI	6,244,462
Net Income (Loss) Post MI	**(15,113,285)**
EBITDA - Post MI	**15,076,262**
Total Case Volume	**191,307**

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Attachment 6

Covenant Surgical Partners, Inc.
YTD Consolidated Balance Sheet - August 2016

	YTD Aug-2016
Assets	
Current Assets	
Cash	7,279,242
Accounts Receivable	23,188,103
Other Receivables	143,743
Intercompany	0
Inventory	165,232
Prepaids	964,800
Total	**31,741,120**
Fixed Assets	
PPandE	30,901,107
Accumulated Depreciation	-17,905,867
Total	**12,995,240**
Long Term Assets	4,356,617
Other Assets	213,265,044
Total	**262,358,021**
Liabilities and Equities	
Liabilities	
Current Liabilities	
Accounts Payable	3,492,870
Accrued Expenses and liabilities	11,788,627
Total	**15,281,497**
Long Term Liabilities	167,770,575
Total	**183,052,073**
Equity	
YTD Earnings(Loss)	-15,110,719
Noncontrolling interests	78,617,858
Common stock	55,048
Series C - Convertible preferred stock	113,551
Dividends	-778
Additional Paid-in Capital	97,741,344
Preferred Stock Accretion	-3,073,558
Retained Earnings	-79,036,797
Total	**79,305,948**
Total	**262,358,021**

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ATTACHMENT 6

RSC ILLINOIS, LLC dba REGIONAL SURGICENTER
BALANCE SHEET
DECEMBER 31, 2015

	12/31/2014	12/31/2015
ASSETS		
CURRENT ASSETS		
CASH	205,861	418,851
PREPAID EXPENSE	-	52,973
TOTAL CURRENT ASSETS	205,861	471,824
OTHER ASSETS		
DUE FROM HEARTLAND CLINIC	-	215
TOTAL OTHER ASSETS	-	215
FIXED ASSETS		
GOODWILL	51,940	289,969
LESS: ACCUMULATED AMORTIZATION	(4,329)	(17,037)
TOTAL FIXED ASSETS	47,611	272,932
TOTAL ASSETS	**253,472**	**744,971**
LIABILITIES		
CURRENT LIABILITIES		
BENEFITS PAYABLE	51,859	49,173
OTHER CURRENT LIABILITIES	936	2,911
DUE TO VALLEY VIEW MANAGEMENT	607	3,793
TOTAL CURRENT LIABILITIES	53,402	55,877
EQUITY		
CAPITAL	427,133	438,099
DISTRIBUTIONS	(1,035,000)	(961,783)
NET INCOME - YEAR TO DATE	807,937	1,212,778
TOTAL EQUITY	200,070	689,094
TOTAL LIABILTIES AND EQUITY	**253,472**	**744,971**

RSC ILLINOIS, LLC dba REGIONAL SURGICENTER
INCOME STATEMENT
DECEMBER 31, 2015

	2014 YTD	2015 YTD
RECEIPTS		
MEDICAL SERVICE RECEIPTS	7,149,538	7,844,056
REBATED BCBS	(1,111,056)	(1,289,652)
TOTAL MEDICAL RECEIPTS	**6,038,482**	**6,554,404**
COST OF IMPLANTS	(415,177)	(379,413)
NET MEDICAL RECEIPTS	**5,623,305**	**6,174,992**
OPERATING EXPENSE		
SALARIES AND BENEFITS	1,390,285	1,484,185
MEDICAL DRUGS AND SUPPLY	648,082	855,316
LAUNDRY AND CLEANING	86,251	89,230
PROFESSIONAL FEES	15,742	10,122
ADMINISTRATIVE SERVICES	738,367	724,019
MANAGEMENT/MEDICAL DIRECTOR FEES	386,262	399,457
EQUIPMENT RENTAL & EXPENSE	593,679	457,944
OCCUPANCY COSTS	787,979	762,912
OFFICE EXPENSE	33,999	36,952
ADVERTISING EXPENSE	30,202	11,883
MALPRACTICE EXPENSE	54,796	60,803
LICENSE, FEES AND DUES	10,007	27,687
OTHER EXPENSE	39,959	33,151
AMORTIZATION EXPENSE	3,463	12,708
TOTAL OPERATING EXPENSE	**4,819,073**	**4,966,504**
OPERATING INCOME (LOSS)	**804,231**	**1,208,488**
INTEREST INCOME	3,706	4,294
INTEREST EXPENSE	-	(4)
NET INCOME (LOSS)	**807,937**	**1,212,778**

RSC ILLINOIS, LLC dba REGIONAL SURGICENTER
BALANCE SHEET
SEPTEMBER 30, 2016

	12/31/2015	9/30/2016
ASSETS		
CURRENT ASSETS		
CASH	418,851	887,859
PREPAID EXPENSE	52,973	4,750
DUE FROM HEARTLAND CLINIC	215	-
TOTAL CURRENT ASSETS	472,039	892,609
FIXED ASSETS		
GOODWILL	289,969	289,969
LESS: ACCUMULATED AMORTIZATION	(17,037)	(31,536)
TOTAL FIXED ASSETS	272,932	258,433
TOTAL ASSETS	**744,971**	**1,151,043**
LIABILITIES		
CURRENT LIABILITIES		
BENEFITS PAYABLE	49,173	37,444
OTHER CURRENT LIABILITIES	2,911	62,484
DUE TO VALLEY VIEW MANAGEMENT	3,793	-
DUE FROM BCBS	-	54,476
TOTAL CURRENT LIABILITIES	55,877	154,404
EQUITY		
CAPITAL	438,099	689,094
DISTRIBUTIONS	(961,783)	(650,000)
NET INCOME - YEAR TO DATE	1,212,778	957,544
TOTAL EQUITY	689,094	996,638
TOTAL LIABILTIES AND EQUITY	**744,971**	**1,151,043**

RSC ILLINOIS, LLC dba REGIONAL SURGICENTER
INCOME STATEMENT
SEPTEMBER 30, 2016

	2015 YTD	% REV	2016 YTD	% REV
RECEIPTS				
MEDICAL SERVICE RECEIPTS	5,678,353	128.41%	6,139,908	125.95%
REBATED BCBS	(987,237)	(22.33%)	(992,647)	(20.36%)
TOTAL MEDICAL RECEIPTS	**4,691,116**	**106.08%**	**5,147,261**	**105.59%**
COST OF IMPLANTS	(269,072)	(6.08%)	(272,269)	(5.59%)
NET MEDICAL RECEIPTS	**4,422,044**	**100.00%**	**4,874,992**	**100.00%**
OPERATING EXPENSE				
SALARIES AND BENEFITS	1,064,269	24.07%	1,116,249	22.90%
MEDICAL DRUGS AND SUPPLY	595,935	13.48%	704,063	14.44%
LAUNDRY AND CLEANING	66,780	1.51%	77,189	1.58%
PROFESSIONAL FEES	6,295	0.14%	5,158	0.11%
ADMINISTRATIVE SERVICES	541,023	12.23%	609,360	12.50%
MANAGEMENT/MEDICAL DIRECTOR FEES	296,512	6.71%	316,610	6.49%
EQUIPMENT RENTAL & EXPENSE	327,930	7.42%	370,761	7.61%
OCCUPANCY COSTS	586,766	13.27%	573,404	11.76%
OFFICE EXPENSE	18,601	0.42%	24,672	0.51%
ADVERTISING EXPENSE	10,758	0.24%	1,937	0.04%
MALPRACTICE EXPENSE	60,803	1.37%	53,240	1.09%
LICENSE, FEES AND DUES	27,246	0.62%	27,233	0.56%
OTHER EXPENSE	26,440	0.60%	24,711	0.51%
AMORTIZATION EXPENSE	8,590	0.19%	14,499	0.30%
TOTAL OPERATING EXPENSE	**3,637,948**	**82.27%**	**3,919,087**	**80.39%**
OPERATING INCOME (LOSS)	**784,096**	**17.73%**	**955,906**	**19.61%**
INTEREST INCOME	1,836	0.04%	1,091	0.02%
INTEREST EXPENSE	(4)	(0.00%)	(1)	(0.00%)
OTHER INCOME (EXPENSE)	-	0.00%	548	0.01%
NET INCOME (LOSS)	**785,928**	**17.77%**	**957,544**	**19.64%**

ATTACHMENT 6

ALLIED SURGICAL PARTNERS, INC
BALANCE SHEET
DECEMBER 31, 2015

	12/31/2014	12/31/2015
ASSETS		
CURRENT ASSETS		
CASH	32,163	84,774
OTHER ASSETS		
INVESTMENT IN RSC ILLINOIS, LLC	152,950	394,204
TOTAL OTHER ASSETS	152,950	394,204
FIXED ASSETS		
ORG. AND STARTUP COSTS	61,233	61,233
LESS: ACCUM DEPRECIATION AND AMORTIZATION	(61,233)	(61,233)
TOTAL FIXED ASSETS	-	-
TOTAL ASSETS	**185,113**	**478,978**
EQUITY		
COMMON STOCK	1,000	1,000
DIVIDENDS	(1,050,000)	(1,050,000)
RETAINED EARNINGS	482,192	184,113
NET INCOME - YEAR TO DATE	751,921	1,343,865
TOTAL EQUITY	185,113	478,978
TOTAL LIABILTIES AND EQUITY	**185,113**	**478,978**

ATTACHMENT 6

ALLIED SURGICAL PARTNERS, INC
YTD INCOME STATEMENT
DECEMBER 31, 2015

	2014 YTD	% REV	2015 YTD	% REV
RECEIPTS				
RSC ILLINOIS INCOME	801,271	77.23%	1,150,338	83.24%
MANAGEMENT SERVICES INCOME	236,262	22.77%	231,687	16.76%
TOTAL RECEIPTS	**1,037,532**	**100.00%**	**1,382,024**	**100.00%**
OPERATING EXPENSE				
OTHER EXPENSE	341	0.03%	484	0.04%
PROFESSIONAL FEES	2,675	0.26%	79	0.01%
MANAGEMENT FEES	264,000	25.44%	264,000	19.10%
TOTAL OPERATING EXPENSES	**267,016**	**25.74%**	**264,563**	**19.14%**
OPERATING INCOME (LOSS)	**770,516**	**74.26%**	**1,117,462**	**80.86%**
INCOME TAX EXPENSE	(18,744)	(1.81%)	(11,789)	(0.85%)
INTEREST EXPENSE	149	0.01%	164	0.01%
GAIN/LOSS	-	0.00%	238,029	17.22%
NET INCOME (LOSS)	**751,921**	**72.47%**	**1,343,865**	**97.24%**

ATTACHMENT 6

ALLIED SURGICAL PARTNERS, INC
BALANCE SHEET
SEPTEMBER 30, 2016

	12/31/2015	9/30/2016
ASSETS		
CURRENT ASSETS		
CASH	84,774	50,403
OTHER ASSETS		
INVESTMENT IN RSC ILLINOIS, LLC	394,204	676,708
TOTAL OTHER ASSETS	394,204	676,708
FIXED ASSETS		
ORG. AND STARTUP COSTS	61,233	61,233
LESS: ACCUM DEPRECIATION AND AMORTIZATION	(61,233)	(61,233)
TOTAL FIXED ASSETS	-	-
TOTAL ASSETS	**478,978**	**727,111**
LIABILITIES		
CURRENT LIABILITIES		
	-	763
DUE TO REGIONAL SURGICENTER	-	763
EQUITY		
COMMON STOCK	1,000	1,000
DIVIDENDS	(1,050,000)	(600,000)
RETAINED EARNINGS	184,113	477,978
NET INCOME - YEAR TO DATE	1,343,865	847,369
TOTAL EQUITY	478,978	726,348
TOTAL LIABILTIES AND EQUITY	**478,978**	**727,111**

ATTACHMENT 6

ALLIED SURGICAL PARTNERS, INC
YTD INCOME STATEMENT
SEPTEMBER 30, 2016

	2015 YTD	% REV	2016 YTD	% REV
RECEIPTS				
RSC ILLINOIS INCOME	763,847	81.52%	871,993	81.78%
MANAGEMENT SERVICES INCOME	173,128	18.48%	194,232	18.22%
TOTAL RECEIPTS	**936,974**	**100.00%**	**1,066,225**	**100.00%**
OPERATING EXPENSE				
BOARD OF DIRECTOR FEES	-	0.00%	1,000	0.09%
OTHER EXPENSE	415	0.04%	231	0.02%
PROFESSIONAL FEES	79	0.01%	81	0.01%
MANAGEMENT FEES	198,000	21.13%	198,000	18.57%
TOTAL OPERATING EXPENSES	**198,493**	**21.18%**	**199,312**	**18.69%**
OPERATING INCOME (LOSS)	**738,481**	**78.82%**	**866,913**	**81.31%**
INCOME TAX EXPENSE	(11,789)	(1.26%)	(19,628)	(1.84%)
INTEREST INCOME	113	0.01%	84	0.01%
GAIN/LOSS	198,192	21.15%	-	0.00%
NET INCOME (LOSS)	**924,997**	**98.72%**	**847,369**	**79.47%**

ATTACHMENT 6

Attachment 7

Section 1130.520, Information Requirements for Change of Ownership of a Health Care Facility

1. **Affirmations**: In accordance with 77 Ill. Adm. Code §1130.520, the Applicants affirm the following:

   a. The transaction documents will contain a provision that closing is subject to the Review Board's approval;

   b. No adverse action has been taken against any of the Applicants by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois against any health care facility owned or operated by any of the Applicants, directly or indirectly, within the past three years;

   c. Any projects for which permits have been issued have been completed or will be completed or altered in accordance with the provisions of 77 Ill. Adm. Code §1130.520; and

   d. The Applicants understand that failure to complete the project in accordance with the applicable provisions of Section 1130.500(d) no later than 24 months from the date of exemption approval and failure to comply with the material change requirements of this Section will invalidate the exemption.

2. **Statement as to the anticipated benefits of the proposed changes in ownership to the community**.

   By partnering with Covenant Surgical Partners, Inc. ("Covenant"), RSC Illinois, LLC d/b/a Regional SurgiCenter ("RSC") will have a strategic opportunity to lower operating costs and increase efficiency thereby providing more efficient cost effective care to its patients. In connection with the proposed transaction, Covenant will provide certain administrative services to RSC through a management services agreement. Based on this affiliation, RSC will have an opportunity to enhance the quality of care due to implementation of Covenant's performance improvement programs, quality metrics, and capacity to contract lower costs with suppliers. Covenant offers a comprehensive suite of services that alleviates the administrative burden on physicians which allows them to focus on providing quality patient care.

3. **Statement as to the anticipated or potential cost savings, if any, that will result for the community and the facility as a result of the change in ownership**.

   Alignment with Covenant will likely result in cost savings to RSC as Covenant identifies inefficiencies within ambulatory surgical centers with which it works. Achieving such cost savings is consistent with the Illinois Health Facilities Planning Act, which encourages health care facilities to maximize the use of scarce health care dollars. Cost savings that are realized will be directed towards patient care and other activities that are beneficial to RSC's patients.

Covenant's experience with managing and/or owning surgery centers nationwide allows it to create efficiencies by benchmarking cost-per-case performance for each facility. When managing newly acquired facilities, Covenant is typically able to reduce costs by using its benchmarking experience, particularly by optimizing the supplies and products used in each procedure to reflect best in class approaches and leveraging Covenant's scale of purchasing power to contract for lower costs with suppliers. However, all patient treatment decisions are made strictly by the patient's physician and any cost reductions are only implemented when they will simultaneously ensure excellent patient outcomes.

4. **Description of the facility's quality improvement program mechanism that will be utilized to assure quality control.**

As a part of its administrative services, Covenant will monitor RSC's performance against several quality metrics. These metrics include frequency of patient burns, patient falls, transfer or admissions to hospitals, wrong site, medication events, sentinel events, and responses to patient satisfaction surveys. These metrics are benchmarked against similar surgery centers within Covenant's network of ambulatory surgical centers.

A dedicated, independent team of clinicians within Covenant will monitor the performance of RSC against these metrics, as well as other quality initiatives. As necessary, the clinicians will provide consulting and support, training and education, clinical education, and other services to ensure high quality.

5. **Description of the applicant's organizational structure, including a listing of controlling or subsidiary persons.**

RSC is presently owned eighty-seven and 75/100 percent (87.75%) by Allied Surgical Partners, Inc. and twelve and 25/100 percent (12.25%) by multiple physician owners ("Physician Owners"). No single Physician Owner has a controlling interest in RSC.

Covenant Surgical Partners, Inc. is currently owned (i) 50.27% by multiple individuals and entities, none of which will hold a 5% or greater indirect ownership interest in RSC post-closing and (ii) 49.73% by Covenant Surgical Investors, LLC.

Covenant Surgical Investors, LLC is currently owned by PineBridge Structured Capital Partners Offshore II-A, LP (11.31%), PineBridge Structured Capital Partners II, LP (18.44%), PineBridge Structured Capital Partners Offshore II, LP (19.66%), DFW Capital Partners IV, LP (26.55%), and multiple individuals and entities, none of which will hold, directly or indirectly, a 5% or greater ownership interest in RSC (24.04%).

Allied Surgical Partners, Inc. is currently owned 15% by Vedavathi Movva Estate Trust, 23% by Rao V. Movva Estate Trust, 19% by Arvind Movva Trust, 31% by Shanti Movva Trust, 3% by Vishnu Prasad Movva Qualified Subchapter S Trust, 3% by Anjayya Sagar Movva Qualified Subchapter S Trust, 3% by Deva Shanti

Movva Qualified Subchapter S Trust, and 3% by Sita Priya Movva Qualified Subchapter S Trust.

6. **<u>Description of the selection process that the acquiring entity will use to select the facility's governing body</u>**.

As currently contemplated, following the proposed transaction, RSC's members will enter into an amended and restated operating agreement ("Operating Agreement").

The business and affairs of RSC will be managed by a board of four (4) managers ("Board of Managers"). Two (2) of the managers will be appointed by (i) the direct physician owners of RSC and (ii) Allied, and two (2) of the managers will be appointed by Covenant.

Managers are not required to be a resident of any particular state. The managers shall only act collectively as the Board of Managers and no individual manager shall have the right or authority to act independently on behalf of RSC unless prior approval or authorization has been given by the Board of Managers.

7. **<u>Statement that the applicant has prepared a written response addressing the review criteria contained in 77 Ill. Adm. Code 1110.240 and that the response is available for public review on the premises of the health care facility</u>**.

The Applicants have or will prepare a written response addressing the review criteria contained in 77 Ill. Adm. Code 1110.240 that will be available for public review on the premises of the facility.

8. **<u>Description or summary of any proposed changes to the scope of services or levels of care currently provided at the facility that are anticipated to occur within twenty-four (24) months after acquisition</u>**.

There are no proposed changes to the scope of services or levels of care currently provided at the facility that are anticipated to occur within twenty-four (24) months after acquisition.