

Disclaimer

These interim combined financial statements are filed by Mainstreet Health Investments Inc. (“Mainstreet”) pursuant to the undertaking (the “Undertaking”) of Mainstreet to applicable securities regulatory authorities dated May 26, 2016.

The accompanying interim combined financial statements of Symcare ML, LLC (“Symcare”) have been prepared by, and are solely the responsibility of, Symcare and not of Mainstreet, Mainstreet’s management nor Mainstreet’s directors.

Although Mainstreet has no reason to believe that the interim combined financial statements contain a misrepresentation, Symcare is a private Company that is independent of, and unrelated to, Mainstreet and, consequently, neither Mainstreet, its management nor its directors have been involved in the preparation of the interim combined financial statements. Readers are cautioned, therefore, not to place undue reliance on such financial statements or the information contained therein.

Symcare Portfolio

Interim Combined Financial Report
September 30, 2017 and December 31, 2016

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Symcare Portfolio
Interim Combined Balance Sheets
September 30, 2017 and December 31, 2016

ASSETS	September 30, 2017	December 31, 2016
Current assets		*
Cash	\$ 2,348,742	\$ -
Accounts receivable - net of allowance for doubtful accounts of \$10,363,027 and \$4,495,600, respectively	64,669,308	69,103,050
Prepaid expenses	1,435,442	982,264
Due from related parties, current portion	12,052,403	14,341,335
Other current assets	53,740	31,368
Total current assets	80,559,635	84,458,017
Property and equipment, net	8,633,615	4,896,491
Other assets		
Due from related parties, net of current portion	12,052,403	14,341,335
TOTAL ASSETS	\$ 101,245,653	\$ 103,695,843
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Checks issued in excess of bank balance	\$ -	\$ 1,436,148
Lines of credit	29,574,955	34,860,000
Current portion of note payable	470,592	470,592
Accounts payable	16,198,606	16,079,963
Accounts payable, related parties	13,431,451	10,893,171
Accrued expenses	16,916,798	16,428,982
Accrued expenses, related party	90,085	1,004,920
Due to related parties	3,551,677	7,029,779
Total current liabilities	80,234,164	88,203,555
Long-term liabilities		
Deferred rent	12,803,662	7,777,398
Note payable, net of current portion	1,019,600	1,372,544
Total long-term liabilities	13,823,262	9,149,942
TOTAL LIABILITIES	94,057,426	97,353,497
TOTAL MEMBERS' EQUITY	7,188,227	6,342,346
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 101,245,653	\$ 103,695,843

See notes to interim combined financial statements.

*Derived from December 31, 2016, audited combined financial statements.

Symcare Portfolio

Interim Combined Statements of Operations and Changes in Members' Equity

For the Three Months Ended September 30, 2017 and 2016 and Nine Months Ended September 30, 2017 and 2016

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Interim Combined Statements of Operations				
Revenue				
Resident service	\$ 47,473,603	\$ 48,476,092	\$ 143,777,707	\$ 142,629,675
Rental income	7,800	55,173	33,850	71,723
Total revenue	47,481,403	48,531,265	143,811,557	142,701,398
Operating expenses				
Professional care	22,165,039	21,711,390	65,607,271	63,172,602
Housekeeping and plant	2,592,277	2,635,455	7,529,922	7,271,351
Dietary	2,666,334	2,540,914	7,791,056	7,282,745
Employees' health and welfare	1,955,139	2,748,206	7,911,471	8,730,691
Laundry and linen	477,082	411,831	1,458,474	1,254,888
Total operating expenses	29,855,871	30,047,796	90,298,194	87,712,277
Income before general and administrative expenses	17,625,532	18,483,469	53,513,363	54,989,121
General and administrative expenses	10,641,307	9,829,372	28,045,328	28,898,098
Income before capital expenses	6,984,225	8,654,097	25,468,035	26,091,023
Capital expenses				
Depreciation and amortization	164,196	125,950	408,193	146,497
Rent, required by lease	6,229,445	4,387,211	18,643,047	17,322,263
Deferred rent, straight-lining of lease	799,876	2,557,431	2,425,534	2,557,414
Rent - other	-	900	-	2,700
Real estate taxes	1,688,251	1,451,943	5,328,827	4,024,941
Total capital expenses	8,881,768	8,523,435	26,805,601	24,053,815
(Loss) income from operations	(1,897,543)	130,662	(1,337,566)	2,037,208
Other (expense) income				
Interest expense	(482,176)	(435,293)	(1,376,716)	(1,051,792)
Miscellaneous (expense) income	(1,692)	(27,842)	10,311	16,982
Interest income	306,688	9,490	992,642	15,278
Total other (expense)	(177,180)	(453,645)	(373,763)	(1,019,532)
NET (LOSS) INCOME	\$ (2,074,723)	\$ (322,983)	\$ (1,711,329)	\$ 1,017,676
Interim Combined Statements of Members' Equity				
Members' Equity - Beginning	\$ 6,705,740	\$ 9,646,918	\$ 6,342,346	\$ 8,306,259
Members' contribution	2,557,210	-	2,557,210	-
Net (loss) income	(2,074,723)	(322,983)	(1,711,329)	1,017,676
Members' Equity - Ending	\$ 7,188,227	\$ 9,323,935	\$ 7,188,227	\$ 9,323,935

See notes to interim combined financial statements.

Symcare Portfolio

Interim Combined Statements of Cash Flows

For the Three Months Ended September 30, 2017 and 2016 and Nine Months Ended September 30, 2017 and 2016

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (Loss) Income	\$ (2,074,723)	\$ (322,983)	\$ (1,711,329)	\$ 1,017,676
Adjustments to Reconcile Net (Loss) Income to Net Cash (Used In) Provided By Operating Activities				
Depreciation and amortization	164,196	125,950	408,193	146,497
Provision for doubtful accounts	1,823,772	1,056,872	5,961,853	2,805,465
Deferred rent, straight-lining of lease	799,876	934,782	2,425,534	2,654,451
(Increase) decrease in assets				
Accounts receivable	1,329,602	(3,041,914)	(1,528,111)	(38,462,614)
Prepaid expenses and other current assets	(1,119,594)	1,317,229	(475,550)	(1,558,366)
Increase (decrease) in liabilities				
Accounts payable	(1,200,901)	3,528,036	118,643	18,804,053
Accrued expenses	1,354,660	(642,663)	487,816	5,573,470
Total Adjustments	3,151,611	3,278,292	7,398,378	(10,037,044)
Net Cash (Used In) Provided By Operating Activities	1,076,888	2,955,309	5,687,049	(9,019,368)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(1,796,885)	(1,734,043)	(4,145,317)	(3,406,293)
Deferred rent, reimbursements from landlord	976,566	1,416,915	2,600,730	2,784,536
Proceeds from (advances to) related parties	2,309,950	(6,447,900)	4,577,864	(22,298,116)
Net Cash Provided By (Used In) Investing Activities	1,489,631	(6,765,028)	3,033,277	(22,919,873)
CASH FLOWS FROM FINANCING ACTIVITIES				
(Decrease) increase in checks issued in excess of bank balance	(1,073,016)	1,645,677	(1,436,148)	1,645,677
(Payments to) borrowings from related parties	1,455,727	857,821	(1,854,657)	1,145,978
Borrowings from lines of credit	6,048,953	-	7,548,953	-
(Payments) proceeds on lines of credit	(9,089,003)	(1,000,000)	(12,833,998)	26,320,000
Payments on notes payable	(117,648)	(39,216)	(352,944)	(39,216)
Proceeds from members' contribution	2,557,210	-	2,557,210	-
Net Cash Provided By (Used In) Financing Activities	(217,777)	1,464,282	(6,371,584)	29,072,439
NET INCREASE (DECREASE) IN CASH	2,348,742	(2,345,437)	2,348,742	(2,866,802)
Cash - beginning	-	2,345,437	-	2,866,802
Cash - Ending	\$ 2,348,742	\$ -	\$ 2,348,742	\$ -
Supplemental disclosure of cash flow information:				
Cash payments for interest	\$ 482,176	\$ 435,293	\$ 1,376,716	\$ 1,051,792

See notes to interim combined financial statements.

Symcare Portfolio

Notes to Interim Combined Financial Statements

Note 1. Nature of Operations and Summary of Accounting Policies

Business and principles of combination: The interim combined financial statements, referred to as Symcare Portfolio (the “Group”), include Symcare Healthcare, LLC (“Symcare Healthcare”), Symcare ML, LLC (“Symcare ML”), its wholly owned subsidiary and Symcare Healthcare’s 99.9 percent owned eleven operating entities (collectively, the “Companies”):

- Symphony Aria LLC (“Aria”)
- Symphony Beverly LLC (“Beverly”)
- Symphony Buffalo Grove LLC (“Buffalo Grove”)
- Symphony Bronzeville Park LLC (“Bronzeville Park”)
- Symphony Hanover Park LLC (“Hanover Park”)
- Symphony Ivy LLC (“Ivy”)
- Symphony Jackson Square LLC (“Jackson Square”)
- Symphony Lincoln Park LLC (“Lincoln Park”)
- Symphony Midway LLC (“Midway”)
- Symphony Park South LLC (“Park South”)
- Symphony South Shore LLC (“South Shore”)

In addition, the interim combined financial statements include Symcare HMG LLC, a related party, which owns 0.01 percent of the Companies.

These entities have the same management and substantially the same owners. All intercompany transactions and balances have been eliminated.

Form of organization: All members of the Group are Limited Liability Companies (“L.L.C.”), which are governed by their Operating Agreements (the “Agreement”) and are managed by their owners (“Members”). The more significant provisions of the Agreement include:

Profit and loss allocations and cash distributions are in accordance with ownership percentages; there is one class of member; each L.L.C. has a perpetual life; and the Members have limited liability.

Nature of operations: Each L.L.C. within the Group, with the exception of Hanover Park, was formed on April 23, 2015, and began operations on October 30, 2015. Hanover Park was formed on April 23, 2015, and began operations on May 1, 2016. The Companies consist of ten long-term care facilities and one assisted living facility totaling 2,367 beds and are located throughout the Chicago metropolitan area. The Companies provide health care and other services to residents generally from the surrounding communities. Resident service revenue is derived from services provided to private pay residents and residents covered by the Medicaid, Medicare and private insurance programs.

The Companies lease the premises and substantially all equipment from Symcare Healthcare, who in turn leases from Symcare ML, both of which are related parties. Symcare ML leases from an unrelated party.

Deferred rent: Deferred rent consists of amounts related to recognizing rent expense on leases where lease payments increase over the life of the lease on the straight-line basis and capital improvements made to the leased property funded by the Landlord (see Note 9).

Symcare Portfolio

Notes to Interim Combined Financial Statements

Note 1. Nature of Operations and Summary of Accounting Policies (Continued)

Property and equipment: Property and equipment are recorded at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives or the remaining life of the lease, whichever is shorter.

Income taxes: Each entity has elected to be taxed as a partnership. Under those provisions, the entities do not pay federal income taxes on their taxable income. Instead, the Members are liable for individual income taxes on their respective share of each entity's taxable income.

The Group evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America ("U.S. GAAP"). As of September 30, 2017 and December 31, 2016, the Group does not believe that it has taken any tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. If the Group were to incur an income tax liability in the future, the interest on any tax liability would be reported as income taxes. The Group's income tax returns are subject to examination by the appropriate taxing jurisdictions. The Group's income tax returns generally remain open for examination for three years from the date filed with each taxing jurisdiction.

Cash balances in excess of insured amounts: Each company within the Group maintains its cash in accounts which, at times, may exceed federally insured limits. The Group has not experienced any losses due to these limits.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP 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 financial statements and the reported amounts of revenues and expenses during the reporting period. While actual results may differ from those estimates, management does not expect the differences, if any, to have a material effect on the interim combined financial statements.

Advertising: The Group expenses advertising costs as they are incurred. Advertising expense was \$381,568 and \$425,979 for the three months ended September 30, 2017 and 2016, respectively, and \$782,830 and \$999,954 for the nine months ended September 30, 2017 and 2016, respectively.

Recent accounting pronouncements: In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will be effective for the Group's annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted for annual reporting periods beginning after December 15, 2016. The Group has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the interim combined financial statements.

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Notes to Interim Combined Financial Statements

Note 1. Nature of Operations and Summary of Accounting Policies (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the combined statement of operations. The guidance is effective for the Group's annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 31, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Group is currently evaluating the impact of the pending adoption of the new standard on the interim combined financial statements.

Reclassifications: Certain prior period amounts have been reclassified to conform to the current period presentation with no effect on previously reported members' equity or changes in members' equity.

Subsequent events: The Group evaluated all significant events or transactions that occurred through November 14, 2017, the date that the interim combined financial statements were available to be issued.

Note 2. Revenue Recognition

Resident service revenue and the related accounts receivable are recognized for each day a resident resides in the facility. The amounts are based on a reimbursement methodology determined by the rules and regulations of the applicable third-party payer or by the facility for private pay residents. The third-party payer rules and regulations and required record keeping and documentation requirements are complex and noncompliance may result in delay, adjustment or loss of revenue. Resident service revenue is reported at the estimated net realizable amounts from residents, third-party payers and others for services rendered.

Significant concentrations of resident service revenue by payer for the three months and nine months ended September 30, 2017, and concentrations of accounts receivable as of September 30, 2017, were as follows:

Payer	Resident Service Revenue for the three months ended September 30, 2017	Resident Service Revenue for the nine months ended September 30, 2017	Accounts Receivable as of September 30, 2017
Medicaid	50 %	49 %	54 %
Medicare	32	32	14
Private/Other, including managed care	18	19	32
	100 %	100 %	100 %

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Notes to Interim Combined Financial Statements

Note 2. Revenue Recognition (Continued)

Significant concentrations of resident service revenue by payer for the three months and nine months ended September 30, 2016, and concentrations of accounts receivable as of December 31, 2016, were as follows:

Payer	Resident Service Revenue for the three months ended September 30, 2016		Resident Service Revenue for the nine months ended September 30, 2016		Accounts Receivable as of December 31, 2016	
Medicaid	43	%	50	%	44	%
Medicare	33		33		11	
Private/Other, including managed care	24		17		45	
	100	%	100	%	100	%

To align with the Affordable Care Act (“ACA”), the Illinois Department of Healthcare and Family Services (“HFS”) has contracts with Managed Care Organizations (“MCOs”) to provide an Integrated Care Program (“ICP”) for Medicaid residents. In addition, HFS and the Centers for Medicare and Medicaid Services (“CMS”) jointly implemented the Medicare-Medicaid Alignment Initiative (“MMAI”), for Medicare and Medicaid full benefit dual eligible residents. The Companies have entered into contracts with MCOs for certain residents covered by ICP and MMAI.

For services provided to residents covered by the Medicaid, ICP and custodial portion of the MMAI program, reimbursement through HFS and the MCOs is typically based on a daily rate, which may be recalculated quarterly, based on three components: capital, support and nursing. The capital and support components are determined by annual cost report filings. The nursing component is calculated using resident clinical documentation.

For services provided to residents covered by the Medicare program, reimbursement is based upon the RUGs (“Resource Utilization Groups”) IV System. The RUG category, and therefore the amount of revenue, is determined based on resident clinical documentation and level of care information. The amounts are paid subject to post payment medical review and may be adjusted retroactively, normally for a period of one to two years.

Amounts billed to HFS under the Medicaid program can take 60 to 120 days or more for collection. Amounts billed for Medicare services or to the MCOs are typically paid within 30-45 days from the date of an approved submission. Amounts paid under all programs are subject to audit and can be adjusted on a retroactive basis.

Estimates are made annually to provide for uncollectible amounts billed and for adjustments made by the above third-party payers; however, those estimates are subject to revision and such revisions may be significant. As of September 30, 2017 and December 31, 2016, the Companies have established an allowance for doubtful accounts of \$10,363,027 and \$4,495,600, respectively, based on their monthly review of outstanding receivables. Interest is generally not charged on past due amounts.

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Notes to Interim Combined Financial Statements

Note 3. Property and Equipment

Property and equipment at September 30, 2017 and December 31, 2016, consists of:

	September 30, 2017	December 31, 2016	Depreciable Lives in Years
Leasehold improvements	\$ 4,276,919	\$ 2,555,562	14-15
Furnishings and equipment	2,096,425	1,297,736	5-7
Construction in progress	2,902,567	1,277,296	
	<u>9,275,911</u>	<u>5,130,594</u>	
Accumulated depreciation and amortization	(642,296)	(234,103)	
	<u>\$ 8,633,615</u>	<u>\$ 4,896,491</u>	

At September 30, 2017, there were approximately \$400,000 in commitments for construction costs. No interest expense was capitalized for the nine months ended September 30, 2017 and 2016.

Note 4. Accrued Expenses

Accrued expenses at September 30, 2017 and December 31, 2016, consist of:

	September 30, 2017	December 31, 2016
Operating expenses	\$ 901,546	\$ 1,580,566
Insurance allowance	570,469	2,003,015
Payroll	2,923,861	2,348,844
Employees' taxes withheld and accrued	459,679	582,286
Vacation pay	2,994,597	3,397,365
Real estate taxes	7,822,805	5,751,863
License and bed taxes	1,196,315	722,277
Other	47,526	42,766
	<u>\$ 16,916,798</u>	<u>\$ 16,428,982</u>

Note 5. Lines of Credit

On December 28, 2015, the Group, with the exception of Hanover Park, executed a \$45,000,000 revolving line of credit with The PrivateBank and Trust Company (now "CIBC") (the "Bank") that was renewed on April 19, 2017, and matures January 2, 2018. The line of credit is secured by substantially all assets of the Group, and bore interest at LIBOR plus 4.25 percent (approximately 5.0 percent at December 31, 2016). The renewed revolving line of credit can be no greater than \$35,000,000 and now includes Hanover Park. The line of credit also requires the Members to make monthly capital contributions beginning in June 2017. On September 20, 2017, the line of credit was amended and Lincoln Park, Aria and Hanover Park were excluded from this loan and obtained their own revolving line of credit. The amended line of credit cannot exceed \$23,000,000 and matures May 2, 2018. The line of credit is secured by substantially all assets of the Group, excluding Lincoln Park, Aria and Hanover Park, and bears interest at LIBOR plus 3.5 percent (approximately 4.70 percent at September 30, 2017).

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Notes to Interim Combined Financial Statements

Note 5. Lines of Credit (Continued)

The balance on these lines of credit was \$22,026,002 and \$34,860,000 at September 30, 2017 and December 31, 2016, respectively. The line of credit is partially guaranteed by three Members and subject to certain financial covenants.

On September 29, 2017, Symcare ML, Symcare Healthcare, Lincoln Park, Aria and Hanover Park executed a \$9,000,000 revolving line of credit with the Bank that matures May 2, 2018. The line of credit is secured by substantially all assets of the borrowing entities on this line and bears interest at LIBOR plus 4.50 percent (approximately 5.70 at September 30, 2017). The line is guaranteed by three Members. The balance of the line of credit was \$7,548,953 as of September 30, 2017 and 2016, respectively.

The Group did not meet certain of their financial covenants in the line of credit agreements at September 30, 2017; however, the Bank has indicated they will be waiving the covenant violations that existed at September 30, 2017, with possible modifications to the loan agreement.

Note 6. Term Loans

On December 28, 2015, the Group, with the exception of Hanover Park, executed a \$2,000,000 term loan with the Bank due to mature on December 26, 2020. The term loan was secured by substantially all assets of the Group, with the exception of Hanover Park, and bears interest at LIBOR plus 4.75 percent (approximately 5.5 percent at September 30, 2017 and December 31, 2016). Payments of interest only were due monthly until September 30, 2016, at which time monthly principal payments of \$39,216 plus interest were due. In addition, the term loan was refinanced with a \$1,529,408 term loan was substantially the same terms as the original term loan other than Lincoln Park, Hanover Park and Aria were removed as borrowers. The balance on the term loan was \$1,490,192 and \$1,843,136 at September 30, 2017 and December 31, 2016, respectively. The term loan is guaranteed by three Members and subject to certain financial covenants.

Scheduled future principal payments on the new term loan at September 30, 2017, are as follows:

Twelve months ending September 30:

2018	\$ 470,592
2019	470,592
2020	470,592
2021	78,416
Total	<u>\$ 1,490,192</u>

The Group did not meet certain of their financial covenants in the term loan agreement at September 30, 2017; however, the Bank has indicated they will be waiving the covenant violations that existed at September 30, 2017, with possible modifications to the loan agreement.

Note 7. Related-Party Transactions

Due from and to related parties consist of loans and advances to and from affiliated entities. These affiliated entities are primarily owned by the members of the Group and are intended to provide cash flow as necessary to fund operations of these entities. These loans and advances bear interest at the rate of 5.25 percent beginning January 1, 2017, with interest to be paid quarterly, and are expected to be repaid over a period not to exceed 24 months. Loan repayments are to be made on a monthly basis but in no cases less than a quarterly basis. The due from and to related parties balances at September 30, 2017, are \$24,104,806 and \$3,551,677, respectively. The due from and to related parties balances at December 31, 2016, are \$28,682,670 and \$7,029,779, respectively.

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Notes to Interim Combined Financial Statements

Note 7. Related-Party Transactions (Continued)

For the nine months and three months ended September 30, 2017, interest income related to these related-party loans and advances was \$894,466 and \$250,260, respectively.

The Group incurs management fees that are paid to an affiliated entity for various management and administrative services performed in the normal course of each entity's business that are based on approximately 5 percent of total revenue. Effective April 1, 2017, management reduced the management fees to approximately 3.5 percent of total revenue for the six months ended June 30, 2017, to ensure compliance with the lease covenants. Effective July 1, 2017, management fees were again approximately 5 percent of total revenue. See Note 9. In addition, the Group incurred expenses for other supplies and services, including consulting and regional operational services, insurance services, pharmacy services, dialysis services and medical supplies with other affiliated entities as performed in the normal course of each entity's business. On March 1, 2017, the pharmacy company was sold to an unrelated party. The expenses incurred for these services and supplies for the three months and nine months ended September 30, 2017, and amounts owed included in accrued expenses, related party or accounts payable, related parties at September 30, 2017, are as follows:

	Three Months Ended Expenses Incurred	Nine Months Ended Expenses Incurred	Accrued Expenses	Accounts Payable
Management fees	\$ 2,366,781	\$5,746,160	\$ 90,085	\$ -
Other consulting and regional operating services	1,784,065	4,454,281	-	6,240,547
Insurance services	1,039,103	5,186,817	-	3,801,360
Pharmacy services	-	1,372,252	-	2,482,466
Dialysis services	217,290	589,535	-	154,090
Medical supplies	406,466	952,403	-	752,988
	<u>\$ 5,813,705</u>	<u>\$ 18,301,448</u>	<u>\$ 90,085</u>	<u>\$ 13,431,451</u>

The expenses incurred for these services and supplies for the three months and nine months ended September 30, 2016, and amounts owed included in accrued expenses, related party or accounts payable, related parties at December 31, 2016, are as follows:

	Three Months Ended Expenses Incurred	Nine Months Ended Expenses Incurred	Accrued Expenses	Accounts Payable
Management fees	\$ 2,396,925	\$ 7,053,130	\$ 1,004,920	\$ -
Other consulting and regional operating services	1,040,452	2,738,946	-	3,802,577
Insurance services	1,515,292	5,310,359	-	2,668,977
Pharmacy services	1,690,909	4,926,708	-	3,415,568
Dialysis services	165,085	501,785	-	269,505
Medical supplies	400,511	1,097,055	-	736,544
	<u>\$7,209,174</u>	<u>\$ 21,627,983</u>	<u>\$ 1,004,920</u>	<u>\$ 10,893,171</u>

Symcare Portfolio

Notes to Interim Combined Financial Statements

Note 8. Retirement Plan

The Group sponsors a 401(k) plan. The plan allows all eligible employees, as defined in the plan, to defer a portion of their salary. The Group contributes a match on these deferred funds. The matching expense for the three months ended September 30, 2017 and 2016, was \$186,853 and \$78,804, respectively, and for the nine months ended September 30, 2017 and 2016, was \$264,691 and \$172,261, respectively.

Note 9. Operating Lease

On October 30, 2015, Symcare ML (the "Tenant") entered into a master lease agreement with MS Aria, LP, MS Buffalo Grove, LP, MS Claremont, LP, MS 87th Street, LP, MS Midway, LP, MS Park South, LP, MS Ivy, LP, MS Bronzeville, LP, MS Jackson Square, LP and MS South Shore, LP (collectively, the "Landlord"), all unrelated parties. The initial term of this lease is fifteen years. The Tenant has the option to renew the lease for three renewal terms of five years each provided there is no event of default and proper written notice is given.

The Tenant leases the properties to Symcare Healthcare, a related party, which in turn leases to the Companies. The subleases have the same terms and conditions as the master lease.

For the first year of the lease, minimum monthly base rent was \$1,789,501 for the period from October 30, 2015 through April 30, 2016, and \$2,016,667 for the period from May 1, 2016 through October 29, 2016. Effective May 1, 2016, the minimum monthly base rent increased upon the leasing of the Hanover Park facility. Monthly base rent increases by 1 percent beginning in the second lease year, and by 1.5 percent beginning in the third lease year. Beginning in the fourth lease year and each lease year thereafter, monthly base rent will increase by the greater of 2.25 percent or the Consumer Price Index Percentage Change for the immediately preceding year, but not in excess of 3 percent. The Tenant is also responsible for all expenses related to the lease such as real estate taxes, assessments and utilities.

As a condition to the lease, the Tenant is required to expend a minimum capital expenditure amount per unit for qualified capital expenditures. The minimum capital expenditure amount is \$1,000 per unit annually for each of the first through fifth lease years, \$1,020 per unit annually for each of the sixth through tenth lease years and \$1,040 per unit annually for each of the eleventh and subsequent lease years. On or before December 1, 2015, and each year thereafter during the term, the Tenant is required to provide the Landlord with a good-faith estimate list of the qualified capital expenditures that the Tenant intends to implement in the next calendar year. Within 60 days after the end of each lease year, the Tenant is required to provide a list of the qualified capital expenditures actually made during the preceding lease year. Any amounts not spent below the minimum capital expenditure amount are to be deposited into a reserve account to be used solely for qualified capital expenditures. There are no such unspent qualified capital expenditures as of September 30, 2017 and December 31, 2016.

The Landlord and Tenant have agreed to an initial investment of \$11,500,000 by the Landlord to fund capital improvements ("CapEx Payment") subject to the Landlord's prior written approval of the scope of work and budget and a collateral assignment of any construction contract to the Landlord. The Tenant may request a CapEx Payment by submitting a request to the Landlord provided that there are no events of default, there are adequate funds available, the improvements for which the request is submitted are reasonably projected to be completed on or before the third anniversary of the lease commencement and the Landlord has determined that all requirements for the CapEx Payment have been met. If the Landlord makes a CapEx Payment, the base rent will be increased to restore the rate of return the Landlord was receiving. The rate of return is the percentage determined by dividing the then current annual base rent amount by the total purchase price. The initial rate of return is 8.08 percent.

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Notes to Interim Combined Financial Statements

Note 9. Operating Lease (Continued)

The Group records rent using the straight-line method over the life of the lease in accordance with U.S. GAAP. Rent expense, including deferred rent, for the three months ended September 30, 2017 and 2016, was \$7,029,321 and \$6,944,642, respectively, and for the nine months ended September 30, 2017 and 2016, was \$21,068,581 and \$19,879,677, respectively, which is net of amortization expense of \$86,177 and \$97,241 for CapEx Payments received from the Landlord for the three months ended September 30, 2017 and 2016, respectively, and \$226,653 and \$97,241, for the nine months ended September 30, 2017 and 2016, respectively. In addition, at September 30, 2017 and December 31, 2016, the Group has deferred rent payable of \$6,752,423 and \$4,100,223 and \$6,051,239 and \$3,677,175 for the straight-line deferred rent and the CapEx payments received, respectively.

In connection with the lease, the Tenant is required to meet certain financial covenants. These covenants became effective as of October 30, 2016. As of December 31, 2016 and March 31, 2017, the required lease coverage ratios were not met. However, if the lease coverage ratio is not met within the next two successive calendar quarters, the cure period, it would constitute an event of default. In the event of default, the lease agreement requires the Tenant to reduce the management fees from 5 percent to an amount not less than 3 percent in order to ensure compliance with the required lease coverage ratio. Effective April 1, 2017, management reduced the management fees for the quarter ending June 30, 2017, which resulted in management fees of approximately 3.5 percent for the six months ended June 30, 2017, and the covenant was cured at June 30, 2017. The covenant was again not met at September 30, 2017, but again this does not constitute an event of default unless the lease coverage ratio is not met within the next two successive calendar quarters. Management has implemented budgetary procedures in 2017 to improve financial results and ensure compliance with the lease covenant.

Future minimum rental payments under the lease in the aggregate and for each of the next five years are as follows:

Twelve months ending September 30:

2018	\$ 25,287,982
2019	25,841,371
2020	26,422,801
2021	27,017,314
2022	27,625,204
Thereafter	247,349,037
Total	<u>\$ 379,543,709</u>

Note 10. Malpractice Insurance

The Group purchases professional and general liability insurance from a multi-company captive insurance company, Maple Leaf Insurance Limited ("Maple Leaf"), incorporated under the laws of the Cayman Islands. Maple Leaf provides professional and general liability insurance to several related long-term health care facilities and related entities. Maple Leaf, a C-corporation, is primarily owned by related-party stockholders.

Maple Leaf provides the Group with claims-made insurance coverage using self-insurance retention and a \$1,000,000 per occurrence limit. The deductible per claim was \$50,000. Insurance expense is based on premiums accrued and payments of deductibles and self-insured retention related to specific claims.

Professional and general liability insurance expenses for the three months ended September 30, 2017 and 2016, amounted to \$1,222,961 and \$948,406, respectively, and for the nine months ended September 30, 2017 and 2016, amounted to \$3,668,881 and \$3,175,679, respectively.

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Note 11. Workers' Compensation and Health Insurance

The Group, in its normal course of operations, may be subject to workers' compensation claims being filed by its employees for work-related injuries. While the Group makes every effort to resolve such matters, some cases may result in insurance claims. In addition, the Group provides for health insurance for eligible employees.

The Group participates in a self-insured captive insurance workers' compensation program. The program operates through a segregated account established with Maple Leaf, and is managed through Diamond Insurance Company. The policy is self-insured and payouts are limited to \$500,000 per occurrence with an annual limitation on payouts of \$13,000,000. The Group is responsible for claims in excess of policy liability limits. The Group also participates in a partially self-insured captive insurance health insurance program through Maple Leaf.

Workers' compensation insurance and health insurance expenses for the three months ended September 30, 2017 and 2016, amounted to \$232,716 and \$566,886, respectively, and for the nine months ended September 30, 2017 and 2016, amounted to \$698,149 and \$1,764,046, respectively.

Note 12. Assessment Fees and Provider Tax

The Companies are required to pay HFS a licensure fee of \$1.50 for each available licensed bed day. The revenue generated from this fee is used by HFS to fund Medicaid reimbursements for the twelve-month period beginning each July 1. Assessment fees for the three months ended September 30, 2017 and 2016, were \$321,954 and \$321,678, respectively, and for the nine months ended September 30, 2017 and 2016, were \$959,208 and \$926,973, respectively.

Long-term health care facilities are also required to pay a Medicaid provider tax of \$6.07 for each occupied bed day, excluding occupied bed days for Medicare residents. The revenue generated from this provider tax, along with the funds from the Federal match, are used to fully fund the nursing component of the Medicaid reimbursement rate, the nursing component being based on the minimum date set ("MDS"). For the three months ended September 30, 2017 and 2016, the Companies recorded provider tax expense of \$948,798 and \$946,857, respectively, and for the nine months ended September 30, 2017 and 2016, \$2,813,970 and \$2,791,702, respectively.

Note 13. Multiemployer Pension Plans

The Companies, with the exception of Buffalo Grove, Ivy, Hanover Park and Lincoln Park, participate in a multiemployer pension plan. The Companies, with the exception of Buffalo Grove, Ivy, Hanover Park and Lincoln Park, are seven of 151 employers participating in SEIU Local No. 4 Pension Fund as of December 31, 2015, the most recent date that such information was provided.

The "EIN/Pension Plan Number" column provides the Employee Identification Number ("EIN") and the three-digit plan number, if applicable. The most recent Pension Protection Act zone status available is for the plan's year-end as of December 31, 2015. The zone status is based on information that the Companies received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. The last column lists the expiration date of the collective bargaining agreements to which the plans are subject.

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Notes to Interim Combined Financial Statements

Note 13. Multiemployer Pension Plans (Continued)

The following is information regarding the plan for the three months ended September 30, 2017:

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status	FIP/RP Status Pending / Implemented	Contributions	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
SEIU Local No. 4 Pension Fund	36-4198045 / 001	Green	No	\$32,210	No	12/31/14*

The following is information regarding the plan for the nine months ended September 30, 2017:

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status	FIP/RP Status Pending / Implemented	Contributions	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
SEIU Local No. 4 Pension Fund	36-4198045 / 001	Green	No	\$92,565	No	12/31/14*

The following is information regarding the plan for the three months ended September 30, 2016:

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status	FIP/RP Status Pending / Implemented	Contributions	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
SEIU Local No. 4 Pension Fund	36-4198045 / 001	Green	No	\$73,827	No	12/31/14*

The following is information regarding the plans for the nine months ended September 30, 2016:

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status	FIP/RP Status Pending / Implemented	Contributions	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
SEIU Local No. 4 Pension Fund	36-4198045 / 001	Green	No	\$239,592	No	12/31/14*

* The collective bargaining agreement expired on December 31, 2014, and the Companies, with the exception of Buffalo Grove, Ivy, Hanover Park and Lincoln Park, and union have been operating under the old collective bargaining agreement until such a time that a new agreement is reached.