



Good Samaritan Pontiac

October 31, 2012

Courtney Avery, Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

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**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

RE: Request for Declaratory Ruling Relative to an Extension of the CON Condition for Debt Financing for Good Samaritan – Pontiac, Project # 12-027 (the “Project”)

Dear Ms. Avery,

We respectfully request a declaratory ruling, pursuant to Section 1130.810(d) of the Health Facilities Planning Procedural Rules, 77 Ill. Adm. Code 1130 (the “Rules”), that the Illinois Health Facilities and Services Review Board (the “Board”) has the authority to extend the condition it placed on Good Samaritan – Pontiac’s certificate of need (“CON”) permit.

On July 23, 2012, the Board granted Good Samaritan – Pontiac a CON permit (the “Permit”) to discontinue services at Good Samaritan – Pontiac’s existing facility and establish a new facility at a different site (the “Project”). In accordance with Section 1130.660(b) of the Rules, the Board placed a condition on the Permit that Good Samaritan – Pontiac have debt financing in place for this project by December 31, 2012 (the “Condition”).

The Board has authority to extend the timeframe of the Condition. Section 1130.660 of the Rules provides no prohibition on the Board to extend the timeframe of any condition. In addition, in accordance with Section 1130.660(b), a facility’s failure to comply with any condition within the prescribed timeframe does not automatically invalidate the permit. Such a failure only provides “a basis to invalidate the permit.” Thus, this Board has authority to extend the timeframe of the Condition

We respectfully request the Board to exercise such authority and extend the Condition for an additional 6 months to June 30, 2013. This extension will allow us the time in which to obtain debt financing for the Project and provide the Board with proof of such financing. As set forth below, we have diligently pursued debt financing, but, due to circumstances beyond our control, we have yet to secure it.

Since the approval of this Project on July 23, 2012, we, the Good Samaritan Group as the parent company of Good Samaritan – Pontiac, have been working in close contact with the U.S. Department of Agriculture (“USDA”), the major lender working with us on this Project. Immediately following the approval of the Project, we notified our lenders, Busey Bank and the USDA, and an accounting firm, McGladrey, of the

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Board's decision and condition of awarding the Permit. On August 15, 2012, we met with Busey Bank and the USDA to review the status of information we submitted to the USDA and the remaining items we needed to gather or review to obtain debt financing. At the conclusion of this very informative and productive meeting, both Busey Bank and the USDA indicated their strong interest in providing debt financing for this Project. Busey Bank pointed out the more favorable terms of "direct financing with USDA," indicated a willingness to have the USDA provide a larger part of the requested financing, and expressed an interest in reviewing a portion of the equipment financing and/or operational financing for the Good Samaritan Group. Part of this cooperative and flexible working relationship changed the source of financing. At different times, money becomes available at different levels and at different times in the USDA programs, particularly where USDA is providing guarantees for lending by financial institutions. Presently, there is more money available in the Direct Lending of the USDA for community projects. Having said this, the Busey Bank and USDA are also working together very closely to provide the financing and best program for the Project.

As part of the application process that we engaged in before we submitted our application for CON permit, the USDA identified certain items it needed for review in order for it to proceed toward an application invitation. We provided those items. Since then, we have continued to provide the USDA information it has requested. After the USDA reviewed the market study that a consultant for the Good Samaritan Group completed in 2008 and the financial projection report an accountant completed, USDA concluded that it required a current and updated Financial Feasibility report more aligned with its guidelines, which Mr. Michael A. Wallace, Community Program Director for the USDA, strongly recommended for the loan to pass the approval of USDA in Washington, D.C.

The USDA provided the name of a firm that would be able to satisfy the specific report formatting requirements of the USDA, and had submitted acceptable reports to the USDA in the past. We immediately contacted the accounting firm of Wifli LLP ("Wifli"), reviewed their work and performance, and engaged their services to produce a report that would meet the requirements of the USDA. Wifli has completed several such reports and applications to the USDA and is familiar with the relevant State and Federal processes. Wifli has indicated their report would not be available until mid December 2012. Therefore, to fulfill the reporting requirements of the USDA and allow the USDA the necessary time to approve the provision of debt financing, it is necessary to request an extension of the Condition.

We have completed a majority of the application to the USDA, but, due to unanticipated USDA Financial Feasibility format requirements, we need additional time to complete the process. We understand the Board's concern with applicants taking an extended period of time to secure financing and preventing other potential projects from going forward due a lack of a bed need. However, that is not the case here. Good Samaritan – Pontiac's project is essentially replacing existing long-term care beds.

The Good Samaritan Group and Good Samaritan – Pontiac remain committed to the Project, and we ask the Board's consideration and patience as we work through the USDA application process. From information that our lenders have given us, we believe that we will be able to provide the Board, but June 30, 2013, the necessary proof that we

have secure the necessary financing for the Project. We thank you for your consideration of our request.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard H. Hiatt". The signature is fluid and cursive, with the first name being the most prominent.

Richard H. Hiatt, Chairman
The Good Samaritan Group