14-008

The PrivateBank

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

May 1st, 2014

Mr. Bryan Barrish
C/o: Mr. Thomas Winter
SIR Management
6840 Lincoln Avenue
Lincolnwood, IL 60712

Re: Neighbors Property, LLC (SIR Management)

Dear Mr. Barrish:

I have reviewed you financing request for a new addition to the Neighbors Rehabilitation Center located in Byron, Illinois. This is a project that The PrivateBank ("Lender") would be very interested in pursuing with you. This letter does not set forth all the terms and conditions of a future credit facility but rather is only an outline, in summary format, of the major points of understanding which will begin to form the basis of a credit facility.

SUMMARY OF TERMS AND CONDITIONS

Borrowers: Neighbors Property, LLC

Guarantors:

Atied Associates, LLC	37%
Barrish, Bryan Trust dtd 9/1/02	13%
Barrish Group Limited Partnership	13%
Gesualdo, Ralph	13%
Ralph Gesualdo Children's Trust	13%
Giannini, Michael Trust dtd 3/13/00	11%

Neighbors Rehabilitation Center, LLC – 100%

Lender / Bank: The PrivateBank and Trust Company

Construction Loan Credit Facility: Up to a $10,000,000 construction loan to finance the construction build out of a 125 Bed facility in Byron, IL. Total project costs estimated to be $7,837,385 not including closing costs and fees..

Purpose: To refinance the existing PVTB debt and finance the build out construction and mini-permanent mortgage of the 125-bed Skilled Nursing Facility commonly known as Neighbors Rehabilitation Center.

Maturity: Interest only from closing through construction. The construction loan draw period will carry a term of 18-months. The mini-perm mortgage loan will carry a term of 42-months. The total term of the loan will be 60-months from closing.

Interest Rates: One (1) Month LIBOR + 400 bps floating with a 150 bps LIBOR Floor.

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Repayment: The CL Credit Facility will be interest only through the construction period (estimated to be 18 months). Upon conversion to the mini-permanent mortgage, the CL Credit Facility shall be amortized based upon a 25-year mortgage amortization with principal plus interest due monthly. Monthly principal based on proposed terms estimated at $18,300.

Commitment Fee: 100 bps of final commitment amount.

Prepayment: The CL Borrowers may prepay amounts outstanding under in whole or in part (in minimum amounts to be agreed upon), with prior notice, subject to the provision below. The CL Credit Facility shall be subject to a prepayment penalty on the outstanding principal balance of the loan shall be as follows:

Year 1:	3.00% of the credit facility
Year 2:	3.00% of the credit facility
Year 3:	2.00% of the credit facility
Year 4:	1.00% of the credit facility
Year 5:	0.00% of the credit facility

Security: The CL Facility including any interest rate hedging, will be secured by a valid and perfected, first priority security interest in and lien upon substantially all of the tangible and intangible assets (real and personal) of the CL Borrowers whether now owned or hereafter acquired, including but not limited to cash, inventory, accounts receivable, leasehold improvements, equipment and specifically the first mortgage and assignments of rents and leases. The Borrowers shall provide a pledge of membership interests (It is assumed that mezzanine lender will request pledge of membership interests).

The total loan amount shall not exceed the lesser of 75% of the stabilized value reflected in the appraisal or $10,000,000.

Construction Draws: The CL Credit Facility shall be processed through a title company. Monthly draws, with all supporting documents (invoices and lien waivers) attached with each draw request.

An inspecting architect engaged by the Bank will be required to review the initial construction budget, architectural drawings, zoning approvals, and specifications of the project. Thereafter, the inspecting architect will review the monthly draws and construction project on a monthly basis. Costs associated with inspecting architect shall be borne by the CL Borrowers.

Initial Conditions: The closing of the CL Credit Facility will be subject to customary closing conditions, all in form and substance satisfactory to the Lender.

1. Operating accounts (main collection accounts) continue to be held at The PrivateBank for CL Borrower(s).
2. Copy of final construction budget and monthly draw schedule.
3. Zoning, county and city approvals must be in place prior to the first draw.
4. Satisfactory review of documentation showing the transfer of licenses to the new facility.
5. Borrower shall obtain a Guaranteed Maximum Pricing construction contract.

6. Copy of executed GMP construction contract between the CL Borrowers and the contractor.
7. A phase I environmental report acceptable in form and content to The Lender. The report shall not indicate any adverse environmental conditions at the subject properties, as determined by The PrivateBank in its sole discretion.
8. The PrivateBank shall have received and approved a FIRREA compliant appraisal from an appraiser engaged by the Bank, with a loan-to-value ratio on a "stabilized value" not to exceed the higher of 75% or proposed loan amount.

Financial Covenants:

Operating Company (Covenants tested quarterly on a three month ended basis).

1. Minimum quarterly EBITDAR tested after the greater of actual or 5% management fees will be required. The Minimum quarterly EBITDAR requirement will be as follows:

Period following construction		Minimum Required EBITDAR
2013	Q3	200,000
2013	Q4	180,000
2014	Q1	70,000
2014	Q2	70,000
2014	Q3	70,000
2014	Q4	80,000
2015	Q1	45,000
2015	Q2	110,000
2015	Q3 and thereafter	400,000

2. Minimum Fixed Charge Covenant of 1.30:1.00 (EBITDAR – CAPEX) / (Rent + all other Principal and Interest on all indebtedness of the Operating Company + Distributions/Advances. Covenant lowered upon conversion to a mini permanent facility (after the interest only period or sooner at the Borrower's request) and when the Operator has achieved a Minimum Adjusted EBITDAR of $400,000 for two consecutive quarters.
3. After Stabilization: Minimum Fixed Charge Covenant of 1.10:1.00 (EBITDAR – CAPEX) / (Rent + all other Principal and Interest on all indebtedness of the Operating Company + Distributions/Advances (after conditions in 2 above are met)).
4. Certificate of occupancy must be granted within 45 days of completion of construction.
5. No additional indebtedness without prior Bank consent.

Real Estate Entity (Covenants tested quarterly on a three month ended basis).

1. Distributions limited to taxes during construction period.
2. Minimum Fixed Charge Coverage ratio of 1.05:1.00. Defined as (EBITDA – CAPEX) / (Principal and Interest of the Real Estate Companies + Taxes + Distributions/Advances).
3. No additional indebtedness without prior bank consent.

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Reporting Requirements:

1. Quarterly (monthly during construction) internally prepared financial statements for the Operator to include income statement and balance sheet within 45 days of quarter end (30 days from month end).
2. Annually internally prepared financial statements for the Real Estate Entity to include income statement and balance sheet within 45 days of quarter end.
3. During lease-up of the facility, monthly leasing reports (showing the move-in and move-outs), occupancy and census information shall be required with monthly financials.
4. Annual audited financial statements for the Operator within 120 days from fiscal year end.
5. Quarterly covenant compliance certificates for the Operator and Real Estate Entity within 45 days of quarter end.
6. Annual survey of the facility and any applicable plans of correction, if applicable.
7. Proof of payment of annual real estate taxes.

Affirmative Covenants: Those affirmative covenants customarily found in credit agreements for transactions of this nature, including without limitation, financial information (including audited annual financial statements with unqualified opinion, monthly financial statements, monthly compliance certificates and monthly borrowing base certificates), use of proceeds, tax shelter registration, deposit accounts, corporate existence, employee plans, notice of default, environmental matters, litigation, payment of taxes and obligations, financial projections, compliance with laws, maintenance of property, insurance, inspection and further assurances.

Negative Covenants: Those negative covenants customarily found in credit agreements for transactions of this nature, including without limitation lines of business, additional indebtedness, liens, guarantees, investments, cancellation of indebtedness, restricted payments, modification of certain agreements and instruments, inconsistent agreements, leases, consolidations, mergers and acquisitions, sale of assets, subsidiary dividends, transactions with affiliates and management fees.

Interest Rate Protection: Borrowers shall have the ability to execute an interest rate hedge with the Lender for the CL Credit Facility commitment.

Insurance: The Borrower(s) shall provide proof of commercially reasonable insurance acceptable to the Lender. The Lender shall be reasonably satisfied with the insurance (including, without limitation, property, liability, flood, earthquake and business interruption) to be maintained by the Borrower(s). Such property insurance shall name the Lender as Lender's loss payee and such liability insurance shall name the Lender as additional insured.

Expenses: The Borrower(s) would reimburse the Bank for all out of pocket expenses incurred by the Bank related to this transaction, which shall include, but would not be limited to, all legal costs, appraisal fees, environmental report fees, title search, etc.

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Indemnification: Upon acceptance of this Term Sheet, the Borrower(s) agree to pay on demand all reasonable out-of-pocket costs and expenses of the Lender (including all field examination and appraisal costs, all reasonable fees and charges of any counsel to the Lender, the reasonable allocable cost of internal legal services of the Lender, all reasonable disbursements of such internal counsel and all court costs and similar legal expenses and any taxes) in connection with the preparation, execution and delivery, of this Term Sheet, whether or not the various credit facilities close.

Governing Law And Forum: The loan documents will be governed by Illinois law. The Loan Parties will submit to the jurisdiction and venue of the federal and state courts located in Cook County in the State of Illinois and will waive any right to trial by jury.

Confidentiality: The contents of this letter should not be shared with any third party without the Lender's prior written consent, except for advisors, management and regulatory bodies on a need-to-know basis. Under no circumstances are the terms of this letter to be shared with another lender or potential lender to the Borrower. All persons who are informed of the contents of this letter also need to be informed that such contents are confidential and cannot be disclosed without the Lender's prior written consent.

The terms and conditions discussed herein are non-binding and subject to change upon full underwriting of the loan request. Any future commitment to lend on this project will first be subject to receipt of the required certificate of need, full underwriting and due diligence by Lender and approval by The Private Bank Loan Committee; therefore, the telms and conditions below should not be construed as a binding obligation.

Oral agreements or commitments to loan money, extend credit or to forebear from enforcing repayment of a debt including promises to extend or renew such debt are not enforceable, regardless of the legal theory upon which it is based that is in any way related to the credit agreement. To protect you (Borrower(s)) and us (Lender) from misunderstanding or disappointment, any agreements we reach covering such matters are contained in this writing, which is the complete and exclusive statement of the agreement between us, except as we may later agree in writing to modify it.

If you have any questions regarding the above, please do not hesitate to call.

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