



June 29, 2018

Via Overnight Courier

Ms. Courtney Avery
Administrator
Illinois Health Facilities and Services Review Board
525 W. Jefferson, Second Floor
Springfield, IL 62761

Re: Applewood Rehabilitation Center, Project No. 15-008 (the "Project")
Annual Progress Report

Dear Ms. Avery,

On June 2, 2015 the Health Facilities and Services and Review Board granted a permit to Applewood Rehabilitation Center for the major modernization of an existing facility with new construction and addition of 30 private nursing beds. The addition will include a new entrance to house administrative functions for the facility, 30 private resident rooms with individual toilet rooms that include private showers, a dining room for the added residents, country store and an Internet cafe/ice cream shop. Also, therapy will be a part of the addition to provide enhanced in-house therapy services. There will be a kitchen addition to service the entire facility, an expansion to the existing dining room for the existing residents and reclaiming seven rooms.

I am writing this letter to comply with Section 1130.760 (Annual Progress Reports) of the Board's regulation.

Current Status:

The Project has been under Construction since late 2016 and is approximately 85% - 90% complete.

Financial Commitment:

We timely obligated the Project in 2016 with the signing of the construction contract.

Project Costs:

Appended herein (Exhibit A) is a project cost and sources of funds chart illustrating the approved line items and the corresponding expenditures that have been made per line item. As was discussed in our last Progress Report, we will not be able to complete the Project within the permit amount, and likely not within the permissible 7% increase for a permit alteration. We are simultaneously reaching out to the Board's legal counsel to address compliance issues.

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Project Financing:

The method and sources of funds have not changed as originally approved, and remains a combination of debt and equity. All funds to date have been paid from operating funds, retained earnings, ownership equity contributions, and draws on the mortgage financing in place.

Project Completion:

As requested and approved last year, our permit for the Project has been extended until December 31, 2018. We currently anticipate the Project will be completed before this date.

Should you have any questions or concerns, please do not hesitate to contact me on behalf of the applicant.

Sincerely,

Thomas Winter
CFO, Vice President of Financial Services
Applewood Property, LLC
Generations at Applewood, LLC (fka Applewood Rehabilitation Center, LLC)

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ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
 Project Costs and Source of Funds

| <u>USE OF FUNDS</u> | <u>Cost</u> | <u>Expended To Date</u> | <u>percent expended</u> |
|---|----------------------|-----------------------------|-----------------------------|
| Preplanning Costs | 45,000.00 | 44,365 | 99% |
| Site Survey & Soil Investigation | 34,000.00 | 33,781 | 99% |
| Site Preparation | 28,000.00 | 27,307 | 98% |
| Off Site Work (Permits) | 207,000.00 | 206,592 | 100% |
| New Construction Contracts | 7,605,000.00 | 6,638,436 | 87% |
| Modernization Contracts | 2,135,000.00 | 1,863,576 | 87% |
| Contingencies | 49,000.00 | | 0% |
| Architectural/Engineering Fees | 800,000.00 | 706,071 | 88% |
| Consulting and Other Fees | 50,000.00 | 38,117 | 76% |
| Moveable or Other Equipment (not in construction contracts) | | | 0% |
| Bond/Debt Issuance Expense (project related) | 147,000.00 | 146,464 | 100% |
| Net Interest Expense During Construction (projec | 380,000.00 | 257,898 | 68% |
| Fair Market Value of Leased Equipment | | | 0% |
| Other Costs to be Capitalized | 720,000.00 | 173,537 | 24% |
| TOTAL USE OF FUNDS | 12,200,000.00 | 10,136,144 | |
| | | | |
| <u>SOURCE OF FUNDS</u> | <u>Total</u> | <u>To Date</u> | |
| Cash and Securities | 1,700,000.00 | 1,337,925 | |
| Mortgages | 10,500,000.00 | 8,798,219 | |
| Leases (fair market value) | | | |
| TOTAL SOURCE OF FUNDS | 12,200,000.00 | 10,136,144 | |