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MAY 23 2016

HEALTH FACILITIES &
SERVICES REVIEW BOARD

May 23, 2016

Mr. George Roate, Project Reviewer
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

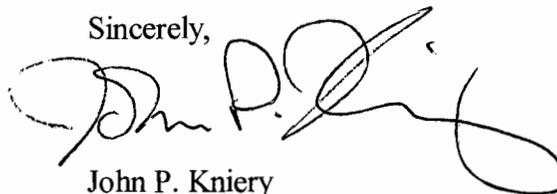
Re: Project No. 16-014, St. Clara's Manor

Dear Mr. Roate:

Please accept the enclosed as supplemental information. Specifically, the financing document in the Application as originally filed was unsigned. Enclosed is a signed financing document. Please know that the method of financing has not changed. The Applicant is still seeking Bond financing for the project.

If you have any questions, please don't hesitate to contact me.

Sincerely,



John P. Kniery
Health Care Consultant

ENCLOSURES

c: Dave Underwood, CFO





State Bank of Lincoln

MEMBER FDIC

February 19, 2016

Mr. David Underwood, CFO
Heritage Enterprises
PO Box 3188
115 W. Jefferson, Suite 401
Bloomington, IL 61702-3188

Re: St. Clara Senior Services, Inc. Loan Proposal

Dear Mr. Underwood:

The State Bank of Lincoln ("Bank") appreciates the opportunity to submit this proposal for financing to St. Clara Senior Services, Inc. ("Applicant"). This letter does not contain all of the terms and conditions of the proposed financing, but is a basis for further discussion of possible terms and conditions. In the course of the Bank's due-diligence and consultation with legal counsel, the Bank may become aware of facts or requirements, which will affect the structure, terms and pricing of the transaction. The terms and conditions may include, but shall not be limited to:

Borrower: St. Clara Senior Services, Inc.

Total Project: \$22,000,000 (est.)

Loan Amount: \$17,000,000 (est.). Loan amount not to exceed the lesser of 80% of the total cost or 80% of the appraised value.

Rates/Terms: **Tax-Exempt Bond**

We propose that the \$17,000,000 loan request be funded utilizing 3 separate loan facilities:

Facility #1 - The first \$9,500,000 (remaining available from the City of Lincoln in 2016) would be funded with a bank qualified tax-exempt bond. Payments will be limited to monthly, interest-only for the first 36 months followed by monthly principal and interest payments based on a 25-year amortization for the remainder of the loan term.

Facility #2 - Assuming the first \$9,500,000 had been fully utilized in 2016; the remaining \$7,500,000 would be funded with a conventional construction, draw-down line of credit (non-tax exempt).

Facility #3 - In early 2017, a bank qualified tax-exempt bond would be issued in the amount of \$7,500,000 to refinance Facility #2 and provide the remaining construction funds to complete the project. Payments will be limited to monthly, interest-only for the

first 36 months (as of the original project start date) followed by monthly principal and interest payments based on a 25-year amortization for the remainder of the loan term.

The interest rate options for each facility are as follows:

- 1) 3-year balloon rate (fixed) at the tax equivalent rate of the 3-year LIBOR swap rate + 2.5% (the current tax-exempt rate is 2.22%*).
- 2) 5-year balloon rate (fixed) at the tax equivalent rate of the 5-year LIBOR swap rate + 2.5% (the current tax-exempt rate is 2.37%*).
- 3) 5-year balloon with a floating rate at the tax equivalent rate of the 30-day LIBOR + 2.75% (the current tax-exempt rate is 2.07%*).

*Rates calculated as of 2/19/16, as posted in the Federal Reserve Release H.15 (www.federalreserve.gov/releases/h15/update/default.htm). Rates are subject to change.

Fees: A .75% loan fee will be assessed. The Applicant will also be responsible for all costs incurred by the Bank in the analysis, document preparation, closing, or collection of the loan, including, but not limited to, attorney fees, environmental assessment costs, title insurance premiums, recording fees, appraisal fees, survey fees, credit reports, court costs, etc.

Collateral: 1st mortgage on the subject property including an "Assignment of Rents" and a blanket 1st lien on all business assets.

Guarantors: St. Clara's Manor, Inc. (unlimited)

Covenants:

- 1) No additional debt to St. Clara's Senior Services and St. Clara's Manor without written Bank approval. Pre-determined limitations will be considered in some cases.
- 2) The Fixed-Charge Coverage Ratio. Borrower shall maintain a minimum Fixed-Charge Coverage Ratio of 1.20 : 1 calculated annually upon receipt of Borrower's annual financial statements during the life of the loan. Fixed-Charge Coverage Ratio is defined as Net Operating Income divided by Total Debt Service. Net Operating Income is defined as revenue (after owner distributions-consolidated with St. Clara's Senior Services and St. Clara's Manor) minus all reasonably necessary operating expenses including insurance, property management fees, utilities, property taxes, and repairs (excluding principal and interest payments on loans, capital expenditures, depreciation and amortization). Total Debt Service is defined as the total required principal and interest payments on all loan obligations.
- 3) A Replacement Reserve Account would be recommended (amount TBD).
- 4) Restriction on capital expenditures w/o bank consent (amount TBD).

Reporting: Applicant to provide the following as requested:

- Annual audited financial statements including Profit & Loss Statement and Balance Sheet from the borrower and guarantor.
- Company prepared, quarterly financial statements including Profit and Loss Statement and Balance Sheet from the borrower and guarantor.

- Annual corporate tax returns from the borrower and guarantor.

Other:

- Applicant to maintain depository accounts at Bank
- A 3% pre-payment penalty will apply for the first year followed by a 2% penalty in year 2. A 1% pre-payment penalty will apply for years 3-5. The borrower will be allowed to pre-pay up to 20% of the remaining principal balance per year without penalty. In addition, no penalty will apply if the collateral is sold to an unrelated 3rd party.

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 Bank's appropriate loan committees and/or Board of Directors as necessary. The proposed loan is also subject to the execution and delivery of documentation satisfactory in form and substance to the Bank and its legal counsel.

I appreciate the opportunity to provide this information for your review and look forward to continuing discussions with you in regards to your financial needs. If you should have any questions, please call me at (217) 735-5551.

Thank you.

Respectfully,



Steve Aughenbaugh
President/CEO