



January 3, 2017

Illinois Certificate of Need Board

RE: Ferrell Hospital; 1201 Pine Street; Eldorado, IL 62930

To Whom It May Concern:

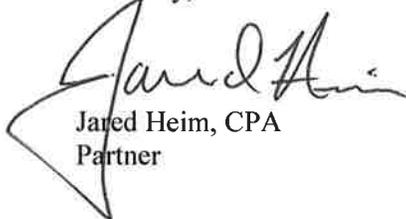
We have been engaged by Ferrell Hospital (Hospital) to complete an examination-level financial forecast in conjunction with their loan application for a full facility replacement (Project). Prior to commencing work on the examined financial forecast, the Hospital engaged us to prepare a debt capacity study, based on their current operations and anticipated changes, to ensure the Hospital would be able to generate adequate cash to satisfy their additional debt service.

The past three fiscal years, and the current year-to-date financial information, of the Hospital has been very positive, generating operating income between \$700,000 and \$900,000 annually, and cash available for debt service between \$1,350,000 and \$1,650,000 annually. Additionally, as part of the Project, the Hospital is anticipating refinancing portions of their current long-term debt for more favorable rates and terms, which will also contribute to their overall financial strength going forward.

While we have not fully completed our examined financial forecast, our work performed to date, indicates that the Hospital would generate cash available for debt service equal to over twice their annual debt service requirement. Typically long-term debt financing would require a coverage of one and a half times annual debt service; therefore, the Hospital being well above this target would indicate strong financial health, their ability to satisfy their debt payments, all while providing them with adequate cash to continue to reinvest in their operations.

If you have any questions regarding this letter, please do not hesitate to contact me at 563.557.6169, or at jheim@eidebailly.com.

Sincerely,



Jared Heim, CPA
Partner

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