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RECEIVED

JUL 26 2013

HEALTH FACILITIES &
SERVICES REVIEW BOARD

July 25, 2013

VIA FEDEX

Chairman Galassie
Illinois Health Facilities and Services Review Board
525 West Jefferson Street
2nd Floor
Springfield, IL 62761

Re: Project 13-018
Applicants: Luther Oaks, Inc.
Lutheran Life Ministries

Dear Chairman Galassie:

On behalf of the aforementioned applicants, enclosed please find a copy of a loan proposal in the amount of $9,100,000 for the construction of Project 13-018. The applicants are still in the process of evaluating other financing options, but the enclosed proposal is one of the options they are considering.

If you should have any questions regarding this matter, please feel free to contact me. Thank you.

Very truly yours,

Andrew P. Tecson

APT:jmp

Enclosure

2150777.1.17364.48763

Proposal To Address Borrowing Needs

WINTRUST
COMMERCIAL BANKING

Borrower:	Luther Oaks, Inc.
Amount:	$9,100,000 subject to a 80% advance rate as outlined below
Purpose:	To provide construction financing for a 36 bed skilled nursing facility and other improvements to an existing facility located at 601 Lutz Road; Bloomington, Illinois. Upon completion of construction, but no later than 12/31/2014, any amount outstanding on the construction loan will be converted to a term loan as described below.
Repayment:	Revolving during construction with monthly payments of interest only. Monthly payments of principal and interest amortized over 20 years upon conversion to term.
Term:	Construction loan to mature 12/31/2014 or completion of construction, whichever is sooner. Upon conversion, term loan will mature five years from date of funding.
Rate:	Floating at LIBOR plus 300 basis points during construction. Upon conversion to term, LIBOR plus 335 basis points over the five year swap curve (current indicative rate: 4.25% as of 5/15/13). Should you wish to pursue financing on a tax exempt basis, the above rates could be provided at 75% of the amounts stated above.
Fee:	$50,000 due at closing of construction loan.

Proposal To Address Borrowing Needs

WINTRUST
COMMERCIAL BANKING

Collateral:	Gross revenue pledge, first mortgage on all real and personal property, and assignment of leases in parity with Master Trust Indenture issue under the Luther Oaks Project Series 2006 Illinois Finance Authority Revenue Bonds in the original amount of $30,460,000.
Advance Rate:	The loan amount will be subject to an 80% loan to value ratio defined as existing and prospective indebtedness divided by the appraised value of the property. The appraisal will be done by an appraiser acceptable to, and retained by, the Bank. The appraisal report will be completed in a manner and form acceptable to the Bank in its absolute and sole discretion.
Covenants:	Covenants will mirror those found in the Master Trust Indenture.
Cross Default:	Bank loans will be cross defaulted with all other indebtedness of the borrower.
Financial Reporting:	Quarterly per books balance sheet, income statement, and cash flow statements for Luther Oaks, Inc. within 45 days of quarter end. Audited consolidating and consolidated fiscal statements for Lutheran Life Ministries, Inc. within 150 days after fiscal year end.
Project Equity:	Luther Oaks will contribute cash equity of $500,000 to the project prior to the opening of the construction loan.

Proposal To Address Borrowing Needs

WINTRUST
COMMERCIAL BANKING

Debt Service Reserve Fund: A debt service reserve fund of $600,000 will be established from a portion of the loan proceeds.

Construction Loan Monitoring: Construction draws will be submitted to a title company acceptable to the Bank. Appropriate lien waivers will be obtained and the loan will be in balance at all times. Inspecting architect acceptable to Bank to approve each draw.

Construction Budget/Contract: A construction budget acceptable to the Bank will be submitted prior to funding. A guaranteed maximum price construction contract will be negotiated based on that budget. Both general contractor and project architect must be acceptable to the Bank in addition to the maximum price construction contract.

Documentation: All loans would be documented by outside counsel in a manner and form acceptable to the Bank. Legal fees and all other out of pocket costs including, but not limited to, title charges recording fees, filing fees, inspecting architect fees, appraisal fees and environmental audit fees would be paid by the Borrower.