



GENERATIONS AT APPLEWOOD

Rehabilitation & Skilled Nursing

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 (project)	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	