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August 16, 2018

VIA FEDEX AND VIA EMAIL

Ms. Jeannie Mitchell
General Counsel and Ethics Officer
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

RECEIVED

AUG 17 2018

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Re: **Transitional Care of Fox Valley (Project No. 16-002)
Notice of Change of Ownership**

Dear Jeannie:

I am writing on behalf of IH Fox Valley Opco, LLC; Innovative Health, LLC; and IH Fox Valley Owner, LLC (the "Permit Holders") to notify the Illinois Health Facilities and Services Review Board ("HFSRB") of the substitution of an investor in IH Fox Valley Opco, LLC and IH Fox Valley Owner, LLC. The management and control of the permit holder for Transitional Care of Fox Valley Project No. 16-002 will remain the same. Additionally, Transitional Care of Fox Valley, 16-002 was financially committed on July 27, 2018 through the execution of the construction contract to build the skilled nursing facility.

Pursuant to your email exchange with Anne Cooper from Polsinelli, on December 14, 2017, we are providing the following information related to the transaction: (1) the names of the parties, (2) a description of the transaction, (3) pre-closing and post-closing organizational charts, and (4) notice of Project No. 16-002 permit obligation.

1. Names of the Parties

The parties involved in the proposed transaction are as follows:

- OnPointe Health Development ("OHD")
- Innovative Health, LLC ("IH")
- KCB Real Estate Fund Management VI, LLC

After giving effect to the change in ownership described below, IH shall remain in control of the management of Transitional Care of Fox Valley, Current Propco and Opco (each as defined below).

2. Description of the Transaction

IH is the indirect 10% owner of the operating company IH Fox Valley Opco, LLC ("Current Opco") and the IH Fox Valley Owner, LLC ("Propco"). OHD is the existing 90% indirect owner of Current Propco and Opco. In turn, IH and OHD are parties to joint venture agreements that directly own 95% of each Current Propco and Opco. Lockwood Investments LLC ("Lockwood") owns the remaining 5% direct interest in each of Current Propco and Opco. As stated earlier the management of Transitional Care of Fox Valley is vested in IH (and in turn, Brad Haber and Brian Cloch as managing principals thereof). See Exhibit 1.

OHD desires to transfer all of its ownership in Transitional Care of Fox Valley and Transitional Care of Fox Valley desires to effectuate such transfer to its new majority equity investor, KCB Real Estate Fund Management VI, LLC (together with any of its affiliates that may have a direct or indirect ownership interest in Transitional Care of Fox Valley, collectively, "KCB").

Under the proposed form of corporate reorganization ("Reorganization") KCB will become the indirect 80% owner of IH KCB Fox Valley Owner, LLC ("New Propco") and Opco at Transitional Care of Fox Valley as follows:

- OHD's equity interests in the existing joint venture entities that own 95% of Propco and Opco will be redeemed in their entirety.
- Through a series of subsequent transfers, a new joint venture entity, IH KCB Fox Valley, LLC (the "JV Entity") will be formed to own 100% of the direct ownership interests in New Propco and Opco. In turn, the JV Entity will be owned (i) 80% by KCB; (ii) 15% by IH; and (iii) 5% by Lockwood.
- Importantly, **there will be no change in the permit holder and the licensee** (IH Fox Valley Opco, LLC).
- As noted above subsequent to the Reorganization, the JV Entity will wholly own New Propco and Opco, KCB will be the majority owner of the JV Entity and indirectly, New Propco and Opco.
- Management of Transitional Care of Fox Valley (New Propco and Opco) will remain with IH (and in turn, Brad Haber and Brian Cloch as managing principals thereof).

For the avoidance of doubt, the change in ownership described above will be at the indirect ownership level. Attached as Exhibit 2 is the organizational chart after giving effect to the change in ownership detailed herein.

3. Pre-Closing and Post-Closing Organization Charts

Attached at Exhibits 1 and 2 are the pre and post-closing organizational charts, the latter after giving effect to the transaction described herein.

4. Notice of Permit Obligation

In accordance with Ill. Admin. Code 1130.720, please accept this letter as notice that the permit for Project No. 16-002 was financially committed on July 27, 2018 through the execution of the construction contract to build the skilled nursing facility.

We thank you for your time and attention to this matter. If you have any questions or need any additional information regarding the proposed transaction, please do not hesitate to contact me at 312-212-4967 or via email at JMorado@beneschlaw.com.

Very truly yours,

BENESCH, FRIEDLANDER,
COPLAN & ARONOFF LLP

A handwritten signature in black ink, appearing to read "Juan Morado, Jr.", with a stylized flourish at the end.

Juan Morado, Jr.

JM:
Attachment

IHOP JV, LLC – Current (Fox Valley)

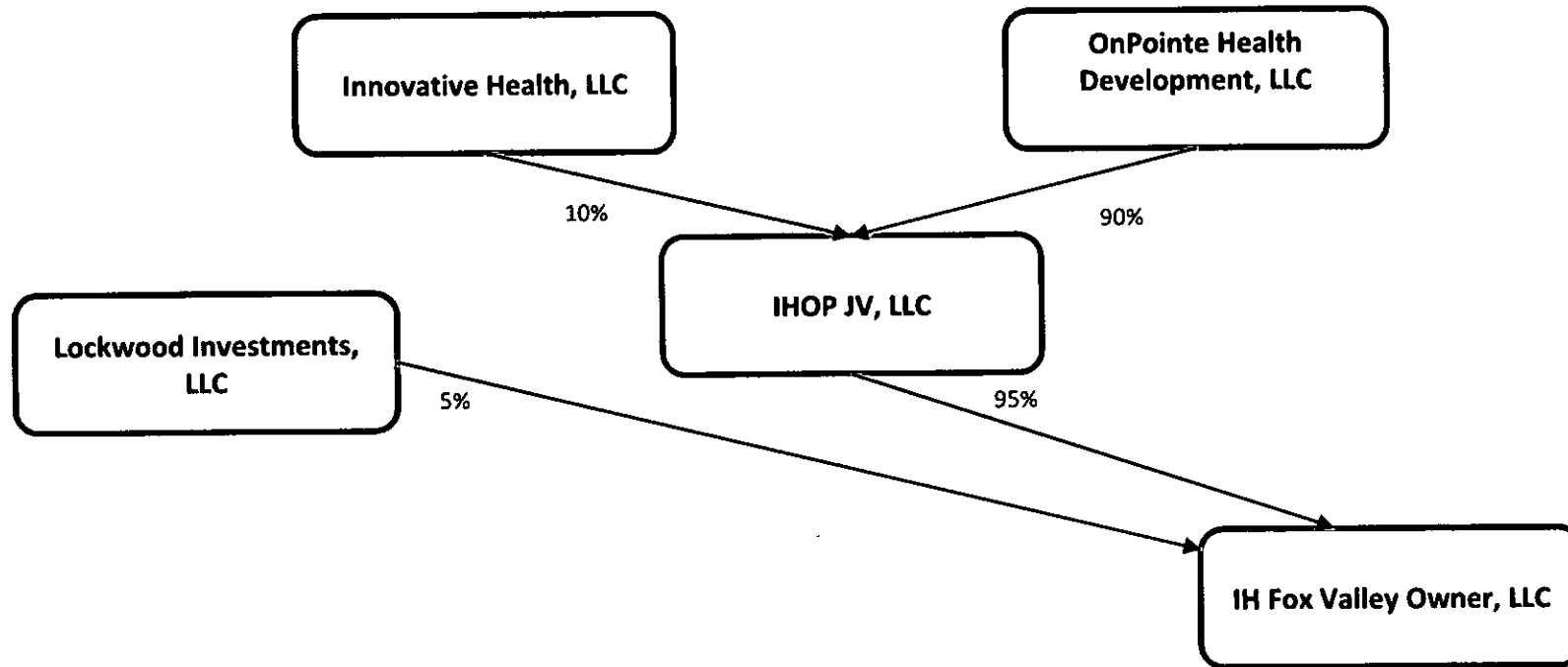
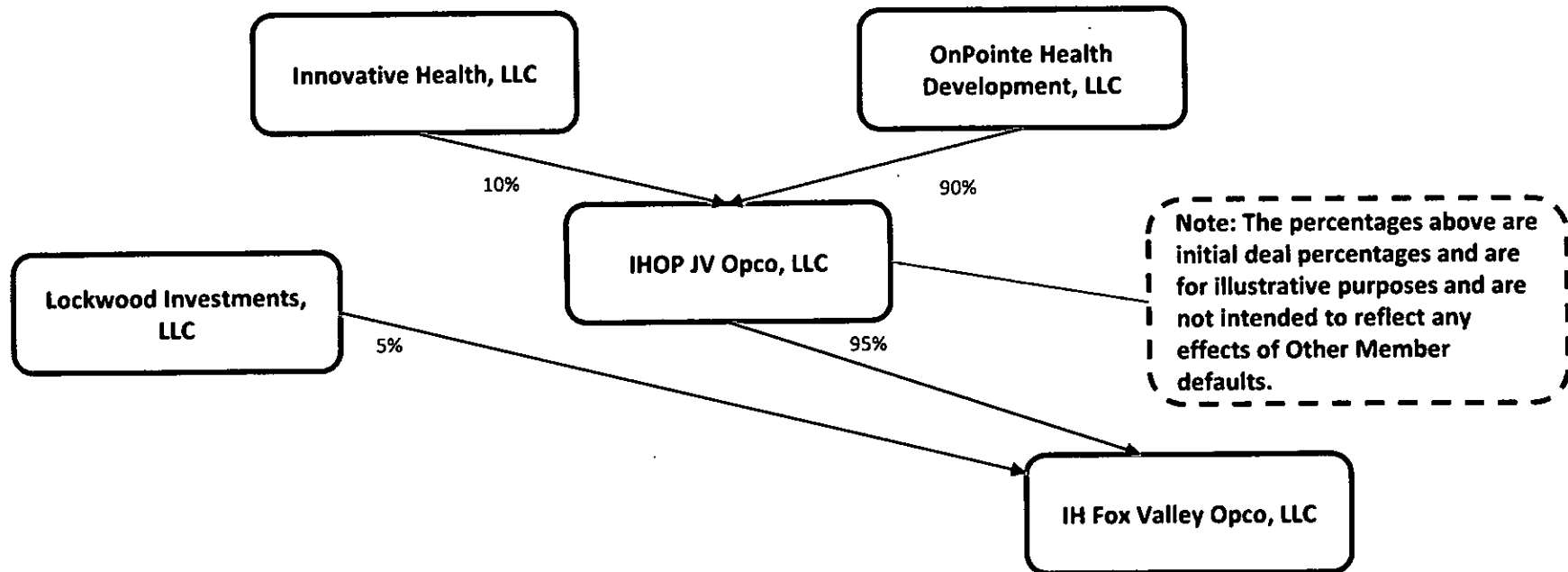


EXHIBIT 1

IHOP JV Opco, LLC – Current (Fox Valley)



Fox Valley – Final Structure

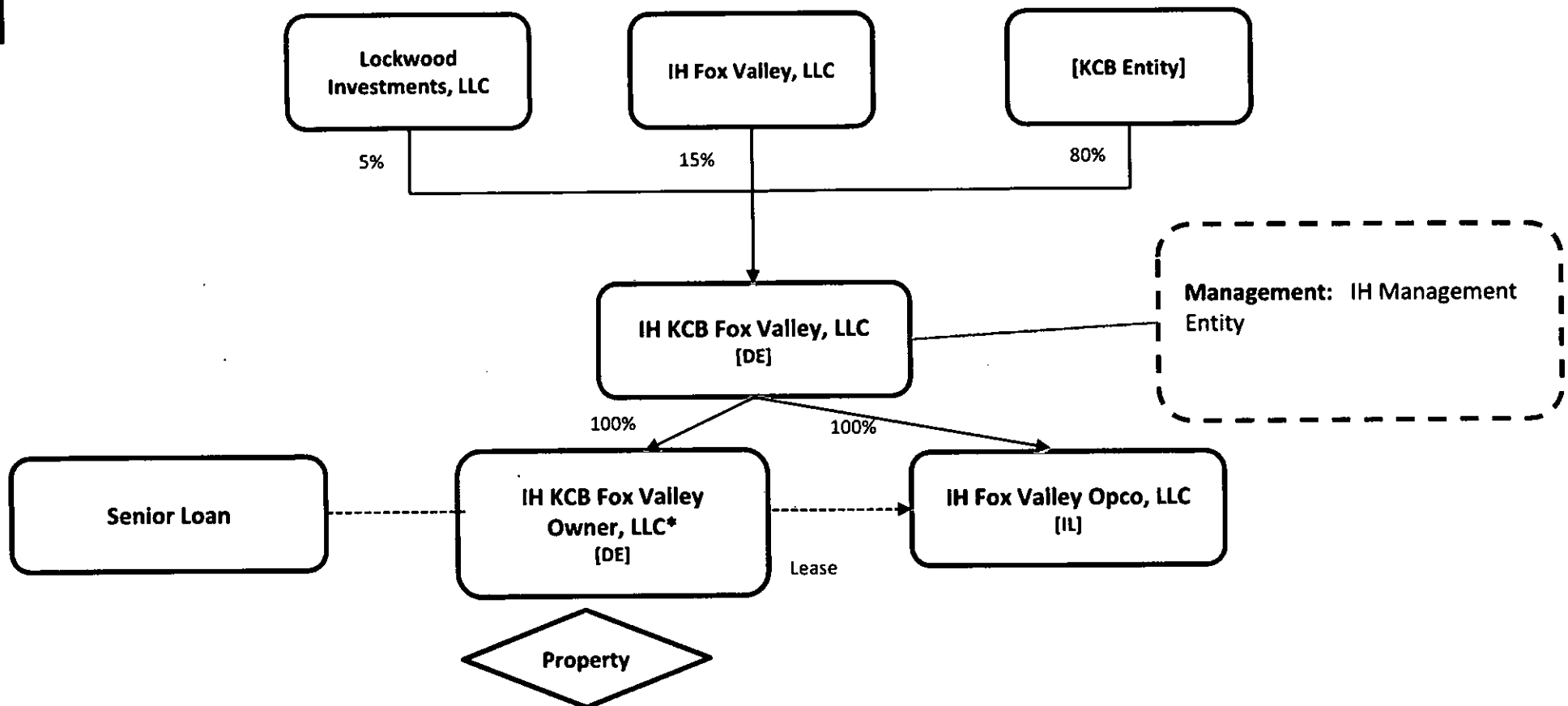


EXHIBIT 2

*Final property owner after giving effect to completion of the equity recapitalization and debt financing.