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**HEALTH FACILITIES &  
SERVICES REVIEW BOARD**

March 28, 2019

Anne M. Cooper  
(312) 873-3606  
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acooper@polsinelli.com

Via FedEx

Michael Constantino  
Illinois Department of Public Health  
Health Facilities and Services Review Board  
525 West Jefferson Street, Second Floor  
Springfield, Illinois 62761

**Re: Annual Progress Report – Meadowbrook Manor Geneva (Proj. No. 17-012)**

Dear Mr. Constantino:

This office represents MMG Partners, L.P. and Butterfield Healthcare III, LLC (collectively, “Permit Holders”). As you are aware, on February 27, 2018, the Illinois Health Facilities and Services Review Board (the “State Board”) approved the Permit Holders’ application to establish a 150-bed general long-term care facility to be located at 37W220 Keslinger Road, Geneva, Illinois (the “Project”). Pursuant to Section 1130.760, the Permit Holders submit the following information regarding the progress of Project Permit #08-099.

**1. Status of the Project**

Although construction has not commenced, the Permit Holders are diligently working to ensure the Project is completed in a timely manner. Working drawings are complete and will be submitted to Illinois Department of Public Health (“IDPH”) for plan review. Further, the Kane County Development Department approved the zoning for the Project site. Upon IDPH approval of the architectural plans, the Permit Holders will pull the permits to begin construction.

Finally, attached as Attachment – 1 is the financial commitment from Greystone Funding Corporation to fund the Project.



Michael Constantino  
March 28, 2019  
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**2. Costs Incurred to Date**

To date, the Permit Holders have expended \$306,782.46 on the Project.

<b>Meadowbrook Manor – Geneva (Proj. No. 17-012) Project Costs</b>		
	<b>Approved</b>	<b>Expended</b>
Preplanning Costs	\$435,152	
Site Survey and Soil Investigation	\$65,000	
Site Preparation	\$651,736	\$7,333.75
Off Site Work	\$508,682	
New Construction Contracts	\$21,143,968	
Contingencies	\$2,114,397	
A & E Fees	\$1,892,010	\$176,817.87
Consulting and Other Fees	\$792,220	\$122,630.84
Moveable or Other Equipment	\$1,577,578	
Net Interest Expenses During Construction	\$524,875	
Other Costs to be Capitalized	\$378,250	
<b>Estimated Total Project Cost</b>	<b>\$30,083,868</b>	<b>306,782.46</b>

**3. Sources of Funds**

The project will be financed through a \$22,500,000 mortgage and \$6,021,169 in cash and securities.

**4. Anticipated Completion Date**

The anticipated completion date for the Project is May 30, 2020.

If you need any additional information or have any questions regarding the status of the project, please feel free to contact me at 312-873-3606 or [acooper@polsinelli.com](mailto:acooper@polsinelli.com).

Sincerely

Anne M. Cooper

Attachment

GREYSTONE

GREYSTONE  
419 Belle Air Lane  
Warrenton, VA 20186  
Phone: 540.341.2100  
Fax: 540.341.7359

March 26, 2019

Mr. Robert Jafari  
MMG Partners L.P.  
c/o The Butterfield Health Care Group  
648 N. River Road, Suite 100  
Naperville, IL 60563

RE: *Meadowbrook Manor of Geneva  
Geneva, IL  
232 New Construction*

Dear Mr. Jafari:

Greystone Funding Corporation is pleased to provide MMG Partners L.P. (the "borrower") with this commitment for the above referenced project (the "Project") for a mortgage loan (the "loan") to be insured by the Department of Housing and Urban Development ("HUD") acting through the Federal Housing Administration ("FHA") under its Section 232 program.

Please carefully review each of the following exhibits, incorporated herein by reference:

[EXHIBIT A – PROPOSED LOAN TERMS](#)

[EXHIBIT B – NOTICE & DISCLOSURE OF TRANSACTION FEES AND COSTS](#)

This commitment is subject to the terms, conditions and approvals set forth by Exhibits A & B. The terms and conditions discussed herein are subject to change based on information provided to satisfy the conditions of the commitment. This commitment will expire on December 31, 2020, unless duly extended in writing by Greystone.

Oral agreements or commitments to loan money, extend credit or to forebear from enforcing repayment of a debt including promises to extend or renew such debt are not enforceable, regardless of the legal theory upon which it is based that is in any way related to the credit agreement. To protect you (Borrower(s)) and us (Greystone) from misunderstanding or disappointment, any agreements we reach covering such matters are contained in this writing, which is the complete and exclusive statement of the agreement between us, except as we may later agree in writing to modify it.

Meadowbrook Manor of Geneva  
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If you have any questions regarding this letter, please do not hesitate to call.

Sincerely,

A handwritten signature in blue ink that reads "R. Scott Thurman". The signature is written in a cursive style with a large, stylized "R" and "S".

R. Scott Thurman  
Senior Managing Director

## EXHIBIT A - PROPOSED BASIC LOAN TERMS

The proposed loan terms, as detailed below, are based on preliminary information and are subject to change by Greystone and HUD.

BORROWER:	MMG Partners L.P. c/o The Butterfield Health Care Group 648 N. River Road, Suite 100 Naperville, IL 60563
PROJECT:	Meadowbrook Manor of Geneva 37W220 Keslinger Road Geneva, IL 60134
TYPE OF PROJECT:	150-bed Skilled Nursing Facility
YEAR BUILT:	To be Built
PROPOSED LOAN AMOUNT:	\$28,640,000 (subject to underwriting review and issuance of the HUD Commitment; the loan will be no greater than the lower of: a) 80% of the appraised value of the Project or b) 90% of eligible replacement costs.)
INDICATED INTEREST RATE:	4.850% ( <i>Refer to Exhibit B of this Engagement Letter, Rate Lock</i> )
LOAN TERM:	21-month construction loan term plus 2 months (Initial Endorsement to Final Endorsement) and 480-month permanent loan term (commencing from Final Endorsement to maturity) <sup>1</sup>
SECURITY:	The Loan shall be secured by a first mortgage lien encumbering all land, improvements, and furniture, fixtures, and equipment.
RECOURSE:	Non-Recourse
PREPAYMENT:	Negotiable, but best pricing available from Greystone for 10 years of call protection, typically structured with a lockout for 0-2 years followed by prepayment penalties equal to a fixed percentage declining 1% each year.
REPAYMENT:	Monthly Interest only payments on disbursed funds during the construction loan term. Monthly principal and interest payments amortized over the permanent loan term.

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<sup>1</sup> All HUD loans are fully amortizing, without balloons.

**HUD REGULATORY AGREEMENT:** The Borrower and Operator both agree to be bound by the applicable HUD required regulatory agreements and other HUD programmatic requirements.

**TITLE & RECORDING:** Title Insurance, Recording Fees, Escrow Services, mortgage taxes, transfer taxes, and other associated title services and fees are required as part of the processing, underwriting and closing of the Loan. An insurer approved by Greystone shall provide title and escrow services and must meet HUD Requirements.

**ALTA SURVEY:** The Borrower will provide ALTA Surveys meeting Lender's and FHA's requirements are required at various stages, including but not limited to: (a) a land survey for the firm application and the initial closing; (b) "as built" surveys during construction as required by the inspecting architect; (c) an "as built" survey at the completion of construction; and, (d) an "as built" survey at final endorsement.

**ZONING:** The Borrower will provide acceptable evidence that the Project is appropriately zoned for the intended use.

**PLANS & SPECIFICATIONS:** The Borrower will provide acceptable architectural plans and specifications meeting HUD requirements for the project's intended use.

**LICENSING:** The Borrower will provide acceptable evidence that all required document/permits have been obtained to operate a skilled nursing facility upon construction completion.

**CONSTRUCTION START:** Construction may not start before initial endorsement, except with the prior approval of FHA. Any work performed after receipt by FHA of the initial application, including clearing, grading or other preliminary work, constitutes the early start of construction.

**PROFESSIONAL LIABILITY INSURANCE** Minimum coverage \$1,000,000 per occurrence and \$3,000,000 aggregate with a maximum deductible of \$100,000 (for operators with 50 or fewer facilities) provided by an insurer rated "A-" or better by AM Best.

## **EXHIBIT B - NOTICE AND DISCLOSURE OF TRANSACTION FEES AND COSTS**

The following describes the fees that will be incurred in this transaction. Unless otherwise defined herein, all capitalized terms used herein shall have the meaning set forth elsewhere in this Engagement Letter.

### **DUE AND PAYABLE UPON REQUEST FROM GREYSTONE. STARTING WITH THE MARKET STUDY. ONCE A MARKET STUDY IS RECEIVED THAT SUPPORTS THE PROPOSED LOAN AMOUNT IN EXHIBIT A. THE FUNDS FOR THE ADDITIONAL FEES ARE DUE:**

PROCESSING FEE:	\$5,000
THIRD PARTY FEES:	\$4,500 – Phase I Environmental Site Assessment \$15,000 – Appraisal \$0.00 – Market Study will be included with the Appraisal \$1,970 - Radon Testing. Radon Testing is required in Radon Zones 1 or 2. It appears that the Project is located in Radon Zone 1. \$6,000 – Greystone preliminary legal (assumes no A/R financing)

The above Third Party Fees are estimates only. Any additional costs are the responsibility of Borrower and will be due and payable upon receipt of an invoice from Greystone. Some or all of these fees may be reimbursable from Loan proceeds.

### **PAYABLE PRIOR TO APPLICATION SUBMISSION:**

HUD APPLICATION FEE:	0.30% of Loan amount. Payable by Borrower a minimum of one week prior to the estimated Application submission to HUD.  \$17,500 – Independent A&E Cost Review
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### **PAYABLE PRIOR TO RATE LOCK:**

GOOD FAITH DEPOSIT:	0.50% of the Loan amount. Payable prior to rate lock as detailed in the Information about Rate Lock.
EXTENSION FEES:	Not to exceed 0.25% of the Loan amount for each one-month extension of the closing date, all as will be more particularly set forth in the Greystone Commitment.

**PAYABLE AT CLOSING (GENERALLY PAYABLE FROM LOAN PROCEEDS):**

HUD INSPECTION FEE:	0.50% of Loan amount, rounded up to the nearest \$100. Fee is due and payable to HUD at closing.
MORTGAGE INSURANCE PREMIUM ("MIP"):	1.48% of the Loan amount; due and payable to HUD at closing. Thereafter, 0.77% will be due annually based on the then outstanding principal balance.
<sup>2</sup> FINANCING FEE:	2.00% of the Loan amount; due and payable to Greystone at closing.
CLOSING COSTS:	Paid at closing, and include, but are not limited to, recording fees, title insurance expenses, survey costs, Borrower's legal fees, Borrower's organizational expenses and Greystone's legal fees.

**INFORMATION ABOUT RATE LOCK:** Once the Borrower has accepted the Greystone Commitment, paid the Greystone Good Faith Deposit, and a creditworthy party acceptable to Greystone has guaranteed the Borrower's liability to Greystone (the "Responsible Party") for the period from rate lock through Loan closing, the Borrower may lock the Loan's interest rate and prepayment terms, in accordance with the procedures set forth in the Greystone Commitment. The Responsible Party must be a creditworthy party acceptable to Greystone who will guarantee Borrower's liability to Greystone (i) for the period from rate lock through closing of the Loan (which includes potential extension fees and losses incurred by investor due to non-delivery of the mortgage backed security) and/or (ii) resulting from Borrower's failure to close the Loan, all as more specifically outlined in the Greystone Commitment. It is important to note that rate lock should only occur once the Borrower and its counsel are confident that the Borrower is prepared to close the Loan by the required delivery date, since locking the interest rate commits Greystone, and therefore the Borrower, to liability for damages should the Loan fail to close by delivery date.

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<sup>2</sup> Financing and Placement Fees deemed earned upon issuance of a HUD Commitment.