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April 25, 2019

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HEALTH FACILITIES
SERVICES REVIEW BOARD

VIA FEDEX

Jeannie Mitchell
General Counsel
Illinois Health Facilities and Services Review Board
525 West Jefferson, 2nd Floor
Springfield, Illinois 62716

Re: Transformative Health of McHenry (Project #18-016) -Notice of Financial Commitment and Change of Ownership

Dear Ms. Mitchell:

We represent McHenry Senior Partners, LLC, TCO JV, LLC, and the Leo Brown Group, LLC (the "Permit Holders") in relation to Illinois Health Facilities and Services Review Board ("HFSRB") Project #18-016, Transformative Health of McHenry. The purpose of this letter is to provide the HFSRB with notice of financial commitment of the project and the substitution of an equity investor in Transformative Health of McHenry. The management and control of the permit holder for Project #18-016 Transformative Health of McHenry will remain the same.

In accordance with Ill. Admin. Code 1130.720, please accept this letter as notice that the permit for Project #18-016 was financially committed on April 8, 2019 through the execution of the construction contract to build the skilled nursing facility. It is currently estimated that construction on the project will begin in June 2019. At this time we believe that the project will be completed in accordance with the permit letter issued and will be both on time and on budget. In the event that we require an alteration we will timely file our request and applicable filing fees with HFSRB staff.

Pursuant to our conversation last week we are providing the following information related to the transaction that will allow a new equity investor in the project:

Names of the Parties

- McHenry Senior Partners, LLC (Property Owner)
- TCO JV, LLC (Licensee/Operator)
- Ignite McHenry, LLC (Member of TCO JV, LLC, the licensee/operator)
- McHenry Senior Investors, LLC (Existing Equity Investor)

April 25, 2019

Page 2

- Leo Brown Group, LLC (Existing Equity Investor)
- JMD & Associates, LLC (Existing Equity Investor)
- LBG McHenry, LLC (New Corporate)
- Ignite McHenry Property, LLC (Member of McHenry Senior Partners, LLC)
- KCB Ignite McHenry LLC (New Corporate Entity)
- KCB Real Estate Fund VI LP (New Equity Investor)
- KCB Real Estate Fund VI QP LP. (New Equity Investor)

After completing the change of ownership described in this letter, McHenry Senior Partners, LLC shall remain in control of the underlying property where Transformative of McHenry, LLC will be located and TCO JV, LLC will continue to be the licensee will operate the facility.

Description of the Transaction

McHenry Senior Investors, LLC is an owner of both the operating company TCO JV, LLC and underlying property owner, McHenry Senior Partners, LLC. KCB Ignite McHenry, LLC will be acquiring 100% of both the property owner and operating company. Importantly there will be no change in the permit holder and the licensee (TCO JV, LLC).

Under the proposed corporate reorganization, KCB Real Estate Fund VI LP and KCB Real Estate Fund VI QP LP will become the indirect 90% owners of KCB Ignite McHenry, LLC and McHenry Senior Investors, LLC will become the indirect 10% owner of KCB Ignite McHenry, LLC. This corporate reorganization will be accomplished as follows:

- The Leo Brown Group, LLC will relinquish their interest in McHenry Senior Partners, LLC for an equal equity interest in McHenry Senior Investors, LLC. The Leo Brown Group, LLC will be transferring the entirety of their ownership interest in McHenry Senior Investors, LLC into a wholly owned subsidiary named LBG McHenry, LLC.
- Ignite McHenry Property, LLC will transfer their interest in McHenry Senior Partners, LLC to McHenry Senior Investors, LLC.
- JMD & Associates, LLC will relinquish their interest in TCO JV, LLC for an equal equity interest in McHenry Senior Investors, LLC.
- Management and control of Transformative Health of McHenry is and will remain vested in TCO JV, LLC as the licensee/operator.

April 25, 2019
Page 3

- The new joint venture entity, KCB Ignite McHenry, LLC will be formed to own 100% of the direct ownership interest in the property owner McHenry Senior Partners, LLC and the operator/licensee TCO JV, LLC. KCB Ignite McHenry, LLC will in turn be owned by 90% by KCB Real Estate Fund VI LP and KCB Real Estate Fund VI QP LP, and 10% by McHenry Senior Investors, LLC.

For the avoidance of doubt, the change in ownership described above will be at the indirect ownership level. Enclosed with this letter is an organizational chart detailing the ownership structure pre-closing and post-closing of the proposed transfers of ownership interest and corporate reorganization. The above described transactions are scheduled to close in June 2019.

If there are any additional questions or concerns with regard to this reporting of a temporary suspension please do not hesitate to contact me at 312-212-4967 or my colleague Mark J. Silberman at 312-212-4952 or via email at JMorado@Beneschlaw.com or MSilberman@Beneschlaw.com, respectively.

Best Regards,

BENESCH, FRIEDLANDER,
COPLAN & ARONOFF LLP

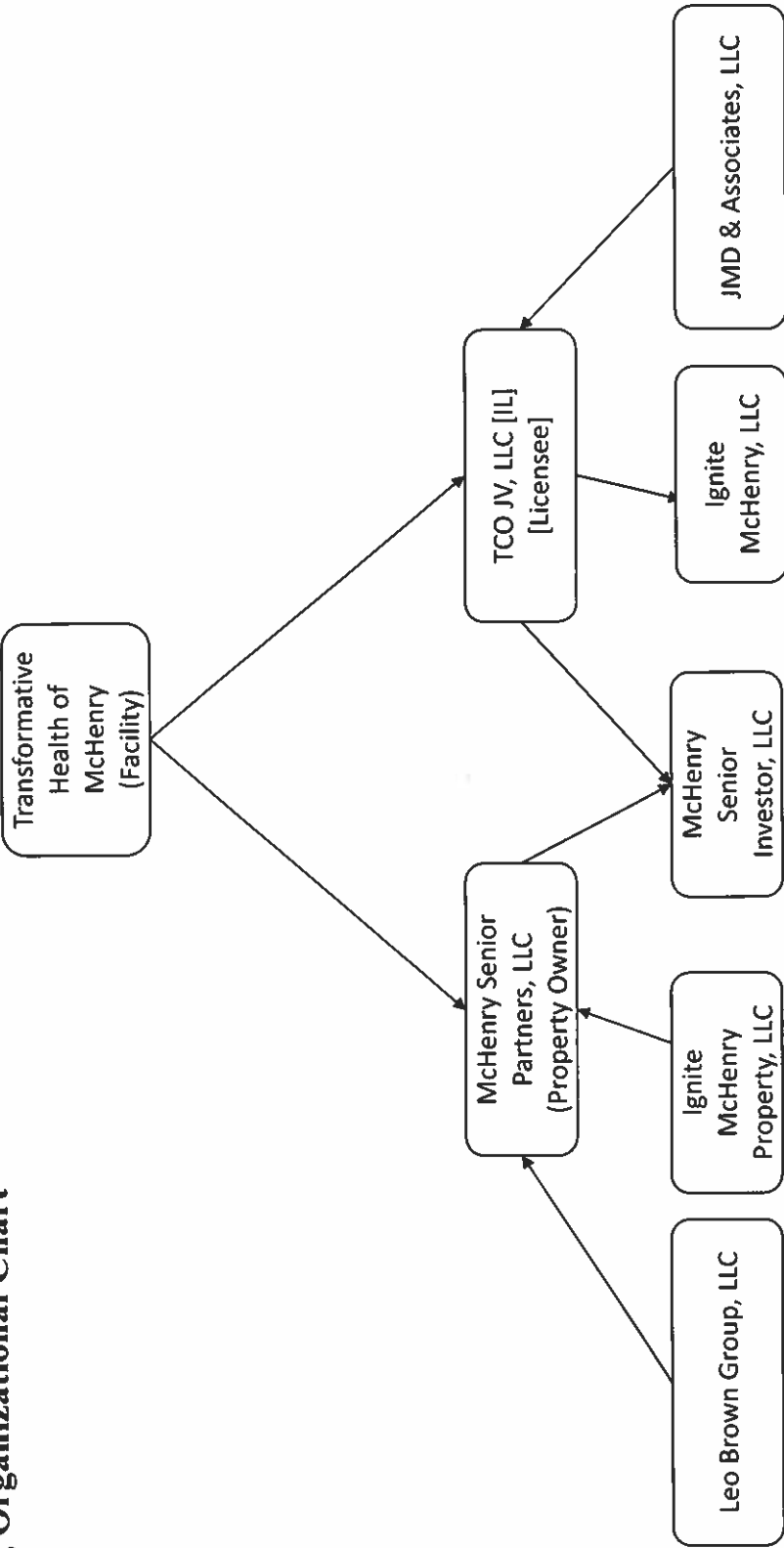


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cc: Michael Constantino, Senior Project Reviewer

Enclosures

Pre-Closing Organizational Chart



Post-Closing Organizational Chart

