

October 4, 2023

**VIA E-MAIL**

Mr. John Kniery  
Administrator  
Illinois Health Facilities & Services Review Board  
525 West Jefferson Street, Second Floor  
Springfield, Illinois 62761

Mr. Michael Constantino  
Supervisor, Project Review Section  
Illinois Health Facilities & Services Review Board  
525 West Jefferson Street, Second Floor  
Springfield, Illinois 62761

Re: Annual Report and Financial Commitment Statement for Project No. 22-022  
(Silver Cross Orland Park Medical Office Building)

Dear John and Mike:

Pursuant to 77 Ill. Adm. Code §§ 1130.720 and 1130.760, I am hereby submitting this annual progress report and financial commitment statement for the above-captioned Project on behalf of Silver Cross Hospital and Silver Cross Health System (collectively, the "Permit Holders").

On August 29, 2022, the Chairwoman of the Illinois Health Facilities & Services Review Board approved the Permit Holders' Certificate of Need ("CON") Application to lease approximately 42,000 rentable square feet in a medical office building (the "Medical Office Building") to be developed, constructed and owned by Remedy Medical Properties, Inc. (the "Owner" or the "Landlord") and located at the northeast corner of LaGrange Road and 171<sup>st</sup> Street in Orland Park, Illinois (the "Project").

***1. CURRENT STATUS OF PROJECT***

Based on the construction progress reports submitted to the Permit Holders by the Landlord, the Project remains on track, and the Permit Holders expect the Project to be completed by February 28, 2024. The Project will also meet the approved rentable square footage of 42,000.

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## **2. *COSTS INCURRED TO DATE***

As set forth in the CON Application, the Permit Holders are leasing the Medical Office Building from the Landlord. To that end, the Permit Holders and the Landlord entered into a space lease on November 22, 2022 (the “Space Lease”). Simultaneously with the execution of the Space Lease, the Permit Holders executed a ground lease with the Landlord, whereby the Landlord leases the land upon which the Medical Office Building sits from the Permit Holders (the “Ground Lease”). Pursuant to Section 1130.720, the Permit Holders financially obligated the Project upon execution of the Space Lease, because the Space Lease represents more than thirty three percent (33%) of the total costs for the Project.

Exhibit A sets forth the fair market value of the Space Lease and the Ground Lease. The Permit Holders have not incurred any interior build-out costs yet. Indeed, as was noted in the CON Application, the interior build-out costs associated with the Project are sizable, so the Permit Holders intend to closely monitor the interior build-out costs in the upcoming months. Likewise, although there is a cost cap in the Space Lease, the Landlord does have the right to adjust the ultimate rent under the Space Lease depending on the Landlord’s final construction costs. So, the Permit Holders will also be monitoring any significant, proposed, pass through costs which could impact the Space Lease.

Exhibit A also sets forth the costs incurred by the Permit Holders in terms of fees, equipment, IT infrastructure and fixtures.

## **3. *THE METHOD OF FINANCING THE PROJECT AND SOURCES OF FUNDS***

The method of financing and sources of funds for the Project have not changed since the filing of the Application. More specifically, the Project has been, and will continue to be, funded with cash, the Space Lease, and the Ground Lease. Please note that the Sources of Funds and Uses of Funds set forth on Exhibit A do not match because the Permit Holders have accounted for the Ground Lease in the Sources of Funds (because it has been executed) and not in the Uses of Funds yet.



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**4. THE MOST RECENT APPLICATION AND CERTIFICATION FOR PAYMENT FOR THE CONSTRUCTION CONTRACT, AS PER FORM G702 (AIA) OR EQUIVALENT**

The Permit Holders will be tenants in the Medical Office Building once the Medical Office Building is complete. The Permit Holders are not building the Medical Office Building, so G702s are not attached.

**5. THE ANTICIPATED DATE OF COMPLETION**

The Project is on schedule to be completed by February 28, 2024.

The statements set forth in this letter have been reviewed and certified by Mark Jepson, Vice President, Operations, Silver Cross Hospital.

Please feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads 'Edward J. Green'.

Edward J. Green

cc: Ms. Ruth Colby, President & CEO, Silver Cross Hospital  
Mr. Vince Pryor, Executive Vice President & CFO, Silver Cross Hospital



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Certification

I have reviewed the contents of this letter and certify the same to be true and correct.

Dated this 5<sup>th</sup> day of October, 2023.

A handwritten signature in cursive script, reading 'Mark Jepson', written over a horizontal line.

Mark Jepson  
Vice President, Operations  
Silver Cross Hospital



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Exhibit A

Project Uses of Funds and Sources of Funds			
USES OF FUNDS	Approved CON Permit Amount	Obligated to Date	Paid to Date
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts (Tenant Buildout Costs)	\$2,400,000		
Contingencies			
Architectural/Engineering Fees			
Consulting and Other Fees	\$100,000	\$74,195	\$74,195
Movable or Other Equipment (not in construction contracts), IT infrastructure, furniture and fixtures	\$9,242,312	\$728,429	\$728,429
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Space Lease	\$13,801,524	\$13,801,524	
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
<b>TOTAL USES OF FUNDS</b>	<b>\$25,543,836</b>	<b>\$14,604,148</b>	<b>\$802,264</b>
SOURCE OF FUNDS			
Cash and Securities	\$9,935,534	\$802,624	\$802,264
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Fair Market Value of Space Lease	\$13,801,524	\$13,801,524	
Fair Market Value of Ground Lease	\$1,806,778	\$1,806,778	
Governmental Appropriations			
Grants			
Other Funds and Sources			
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$25,543,836</b>	<b>\$16,410,926</b>	<b>\$802,264</b>