

Peoples Bank & Trust

"We Put People First."

John Gardner, President & CEO
200 S Locust, PO Box 350
Pana, IL 62557
Phone: 866.670.3455
E-Mail: jgardner@bankpbt.com

April 28, 2025

Illinois Health Facilities and Services Review Board
525 W Jefferson (2nd Floor)
Springfield, IL 62761

RE: Hillsboro Area Hospital, Inc. dba Hillsboro Health Credit Proposal

To Whom It May Concern:

Peoples Bank & Trust ("Lender") is pleased provide this proposal and indication of credit terms and conditions for the consideration of Hillsboro Area Hospital, Inc. ("Hillsboro Health" or "Borrower"). We look forward to expanding our relationship with Hillsboro Health and assisting in its service to residents of Hillsboro and surrounding communities.

The following is a brief description of our proposed terms and conditions for the proposed transaction and is intended for discussion only. Lender's commitment regarding this proposal and indication of credit terms and conditions is specifically subject to satisfactory underwriting, due diligence and approval of Lender. The following terms and conditions apply:

Project: Replacement of west wing of existing hospital facility with new surgical suite and mechanical systems, including utility plant, generators, HVAC, chillers, boilers, etc., as further describing in Borrower's construction and architectural plans with an aggregate cost not to exceed \$30,000,000.

Borrower Equity Contribution: Half of the actual project cost, not to exceed \$15,000,000.

Credit Limit: Half of the actual project cost, not to exceed \$15,000,000.

Credit Structure: Construction – Permanent Structure including straight construction line of credit during the 20 month construction phase and a 240 month permanent repayment phase.

Term: 260 months

Transaction Costs and Fees: All transaction costs and lender fees are to be borne by the Borrower. Estimated Lender transaction cost is \$150,000.

Rate: Adjustable monthly to a Rate equal to the Prime Rate defined in the Wall Street Journal but not less than 5.00% or more than 18.00% and calculated on a 365/360 basis, initially 7.50%.

Altamont
511 S. Main Street
Altamont, IL 62411

Arcola
127 S. Oak Street
Arcola, IL 61910

Arthur
201 S. Vine Street
Arthur, IL 61911

Charleston
1810 Lincoln Avenue
Charleston, IL 61920

Morrisonville
409 Carlin Street
Morrisonville, IL 62546

Palmyra
142 W. State Street
Palmyra, IL 62674

Pana
200 S. Locust Street
Pana, IL 62557

Springfield
2840 Mansion Road
Springfield, IL 62711

Taylorville
1221 Springfield Road
Taylorville, IL 62568

Tower Hill
209 State Highway 16
Tower Hill, IL 62571

Tuscola
504 S. Main Street
Tuscola, IL 61953

Waverly
197 W. State Street
Waverly, IL 62692

White Hall
102 S. Main Street
White Hall, IL 62092

Peoples Bank & Trust

We Put People First.™

Repayment Plan: On demand, but if no demand is made, in 20 monthly payments of accrued and unpaid interest; followed by 239 monthly principal and interest payments of approximately \$121,796 (adjusted from time to time for changes in the variable interest rate); followed by a final payment of all remaining principal and accrued and unpaid interest at maturity.

Prepayment Penalty: Borrowers agree to pay a prepayment penalty equal to one percent (1.00%) of the original loan amount if this loan is repaid before the final scheduled payment date in the payment schedule for any reason. Lender agrees to waive this penalty if Lender in its sole discretion determines that the source of the early payments from Borrowers was NOT financing from another financial institution.

Collateral: Best attainable lien on all personal and real property of Borrower. In addition, Borrower and Lender agree:

1. The chattel collateral will be documented with UCC search and possession of relevant collateral titles acceptable to Lender;
2. The real estate collateral will be documented with environmental, flood, and title insurance acceptable to Lender;
3. Borrower should provide and maintain evidence of insurance for the collateral naming Lender as mortgagee for real property and loss payee for insurable personal property insuring against all risks including fire, theft, and liability at the property's full insurable value.
4. Real and Personal Property collateral will be documented with appraisal(s) acceptable to Lender indicating a fee simple market value of at least \$30,000,000.

Financial Reporting Covenants. The following items will be provided by the Borrower:

1. Complete tax returns for the previous year end no later than 30 days after applicable filing date
2. In a form acceptable to Lender and as requested from time to time by Lender, periodic and annual business planning and other information
3. CPA Audited Financial Statements within 120 days following fiscal year end
4. Management Prepared Financial Statements (balance sheet and income statement) in a form acceptable to Lender within 30 days after each calendar quarter end

Financial Covenants. Comply with the following covenants and ratios:

1. **Working Capital Requirements.** Maintain Working Capital in excess of \$15,000,000. In addition, Borrower shall comply with the following working capital ratio requirements: Current Ratio. Maintain a Current Ratio in excess of 2.000 to 1.000. The term "Current Ratio" means Borrower's total Current Assets divided by Borrower's total Current Liabilities. This liquidity ratio should be maintained at all times and may be evaluated at any time.
2. **Minimum Income and Cash flow Requirements.** Borrower shall comply with the following cash flow ratio requirements: Cash Flow / Current Maturity (LTD) Ratio. Maintain a ratio of Cash Flow / Current Maturity (LTD) in excess of 1.250 to 1.000. The ratio "Cash Flow / Current Maturity (LTD)" means Borrower's Net Profits plus Depreciation, Depletion and Amortization divided by Borrower's Current Portion of Long Term Indebtedness. This coverage ratio will be evaluated as of year-end.
3. **Tangible Net Worth Requirements.** Maintain a minimum Tangible Net Worth of not less than: \$50,000,000. In addition, Borrower shall comply with the following working capital ratio requirements: Debt / Worth Ratio. Maintain a ratio of Debt / Worth not in excess of 1.000 to 1.000. The ratio "Debt / Worth" means Borrower's Total Liabilities divided by Borrower's Tangible Net Worth. This leverage ratio should be maintained at all times and may be evaluated at any time.

Peoples Bank & Trust

We Put People First.™

Negative Covenants. The following Negative Covenants and related definitions are included in our business loan agreement:

1. **Indebtedness and Liens.** (1) Except for trade debt incurred in the normal course of business and indebtedness to Lender contemplated by this Agreement, create, incur or assume indebtedness for borrowed money, including capital leases, (2) sell, transfer, mortgage, assign, pledge, lease, grant a security interest in, or encumber any of Borrower's assets (except as allowed as Permitted Liens), or (3) sell with recourse any of Borrower's accounts, except to Lender.
2. **Continuity of Operations.** (1) Engage in any business activities substantially different than those in which Borrower is presently engaged, (2) cease operations, liquidate, merge or restructure as a legal entity (whether by division or otherwise), consolidate with or acquire any other entity, change its name, convert to another type of entity or redomesticate, dissolve or transfer or sell Collateral out of the ordinary course of business, or (3) pay any dividends on Borrower's stock (other than dividends payable in its stock), provided, however that notwithstanding the foregoing, but only so long as no Event of Default has occurred and is continuing or would result from the payment of dividends, if Borrower is a "Subchapter S Corporation" (as defined in the Internal Revenue Code of 1986, as amended), Borrower may pay cash dividends on its stock to its shareholders from time to time in amounts necessary to enable the shareholders to pay income taxes and make estimated income tax payments to satisfy their liabilities under federal and state law which arise solely from their status as Shareholders of a Subchapter S Corporation because of their ownership of shares of Borrower's stock, or purchase or retire any of Borrower's outstanding shares or alter or amend Borrower's capital structure.
3. **Loans, Acquisitions and Guaranties.** (1) Loan, invest in or advance money or assets to any other person, enterprise or entity, (2) purchase, create or acquire any interest in any other enterprise or entity, or (3) incur any obligation as surety or guarantor other than in the ordinary course of business.
4. **Agreements.** Enter into any agreement containing any provisions which would be violated or breached by the performance of Borrower's obligations under this Agreement or in connection herewith.

Construction Loan Conditions

1. Borrower will provide Lender:
 - (a) final description of Construction Project, Real Property Location and Related Documents and Contracts.
 - (b) copies of proposed contract, plans, specifications, blueprints, and site survey, in a form acceptable to Lender.
 - (c) an "as is" and "as will be" appraisal based on the plans, specifications and construction budgets in a form acceptable to Lender.
 - (d) at its expense, an environmental report on Collateral prepared an engineer or expert satisfactory to Lender certifying compliance with all provisions and requirements of hazardous substances paragraph in Loan Agreement in a form acceptable to Lender.
 - (e) evidence that all necessary permits have been issued prior to construction.
 - (f) evidence of contractor's general liability insurance and builder's risk insurance, or comparable bond.
 - (g) Assignment of inspecting architectural agreements in a form acceptable to Lender.
 - (h) Assignment of architectural contracts, plans and blueprints in a form acceptable to Lender.
 - (i) Assignment of construction contracts in a form acceptable to Lender.

Peoples Bank & Trust

We Put People First.™

- (j) Inspecting architect contract (serving as a consultant to Borrower and Lender to verify the stage of construction project completion and compliance with plans, specifications, blueprints and related building codes) in a form acceptable to Lender.
 - (k) evidence of equity funds deposited with Lender in construction account totaling: \$15,000,000
 - (l) evidence of debt service reserve funds deposited with Lender (held by Lender to offset potential future debt service shortfalls) totaling: \$400,000.
2. Preconstruction meeting between Lender, Borrower, and contractor is required to confirm loan terms, draw schedules and plans and specifications.
 3. Escrow Conditions. Construction escrow may make disbursements directly to general contractor while the project remains on schedule.
 4. Contract Conditions
 - (a) Contracts require retainage of at least 10% of the first 50% of the total amount earned by the contractor.
 - (b) Change orders increasing construction costs must be approved in advance by the Lender and funded with additional Borrower equity.
 - (c) Approval is subject to Lender's approval of contract terms, including proposed draw schedule, lien waiver requirements and other terms.
 - (d) Approval is subject to Lender's approval of general contractor, based on financial and historic construction performance.
 5. Initial construction draw requires:
 - (a) initial application for payment including details of all costs incurred up to the first draw for materials purchased and labor supplied;
 - (b) partial lien waivers to date from contractor, subcontractor's and material supplier's;
 - (c) physical inspections by Lender and inspecting architect / construction inspector including photos, analysis of the requirements of the plans and specifications, and the percent complete of each primary requirement.
 - (d) title policy update
 - (e) spot survey verifying construction is located on the real estate and set back requirements are met.
 6. Interim construction draws require:
 - (a) application for payment including details of all costs incurred for materials purchased and labor supplied; Interim
 - (b) partial lien waivers to date from contractor, subcontractor's and material supplier's; Interim
 - (c) physical inspections by Lender and inspecting architect / construction inspector including photos, analysis of the requirements of the plans and specifications, and the percent complete of each primary requirement. Interim
 - (d) title policy update Interim
 7. Final construction draws require:
 - (a) final application for payment including details of all costs incurred for materials purchased and labor supplied;
 - (b) final lien waivers from general contractor, subcontractors and suppliers; Final
 - (c) physical inspections by Lender and inspecting architect / construction inspector including photos, analysis of the requirements of the plans and specifications, and the percent complete of each primary requirement. Final
 - (d) title policy update Final



"We Put People First."

Other Covenants:

1. Maintain primary deposit accounts of Borrower with Lender
2. Escrow a Debt Service Reserve with Lender of \$400,000.
3. Limit annual cumulative capital purchases and leases of fixed assets to the lesser of an amount that will not cause the loan to otherwise be in default.
4. Other conditions ordinarily imposed by Lender and included in Lender's standard Business Loan Agreement between Borrower and Lender are conditions of this proposal.

Approvals: Loans are specifically subject to loan approval of Lender's Board of Directors.

Additional Information and Financial Due Diligence: This proposal is subject to Lender's independent credit analysis. In order to complete this analysis, Borrower agrees to provide Lender with due diligence documentation, as reasonably requested:

Expiration: This proposal expires September 1, 2025, if not accepted in writing by Borrower before that date or extended in writing by Lender before that date.

Please contact me to answer any questions you may have regarding this proposal and indication of credit terms. Thank you for considering Peoples Bank & Trust for your credit needs!

Sincerely,

A handwritten signature in cursive script that reads "John Gardner".

John Gardner
President & CEO

Bank of Hillsboro

Let's Make it Happen™

230 South Main, Box 310, Hillsboro, IL 62049 (800) 717-3991

April 29, 2025

Illinois Health Facilities and Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

RE: Financing Commitment for Hillsboro Health Surgery Center Project

To whom it may concern:

On behalf of Bank of Hillsboro, I am pleased to inform you that we are committed to providing financing to Hillsboro Health in support of their proposed surgery center project. We are prepared to offer financing in the approximate amount of \$20,000,000 to support the successful development and implementation of this project.

We recognize the value this project brings to the community and are proud to partner with Hillsboro Health as they expand access to surgical care in our region.

Please do not hesitate to contact me directly should you require any additional information or documentation related to this financing commitment.

Sincerely,



Misty Borrowman, President & CEO

Bank of Hillsboro

P: 217-532-3991

mborrowman@bankhillsboro.com



Justin Holderread, EVP/SLO

Bank of Hillsboro

P: 217-532-3991

jholderread@bankhillsboro.com

BankHillsboro.com

Hillsboro Health Loan Scenarios			
Loan Amount	Amortization	Rate	Payment
\$10,000,000	15yrs	5.50%	\$82,115
\$10,000,000	20yrs	5.50%	\$69,221
\$10,000,000	25yrs	5.50%	\$61,866
\$15,000,000	15yrs	5.50%	\$123,172
\$15,000,000	20yrs	5.50%	\$103,832
\$15,000,000	25yrs	5.50%	\$92,799
\$20,000,000	15yrs	5.50%	\$164,229
\$20,000,000	20yrs	5.50%	\$138,442
\$20,000,000	25yrs	5.50%	\$123,732



Busey Bank
5720 West Main Street
Belleville, IL 62226
busey.com

April 30, 2025

Illinois Health Facilities Services Review Board
525 West Jefferson Street – 2nd Floor
Springfield, IL 62761

RE: Hillsboro Area Hospital – Surgery & Central Utility Plant Addition & Renovation

To Whom It May Concern:

Busey Bank ("Busey"), is pleased to continue our financing relationship and provide this letter for Hillsboro Area Hospital ("Borrower") in regards to total project financing of up to \$25,000,000 for the Hillsboro Area Hospital – Surgery & Central Utility Plan Addition & Renovation project. Duration of financing would be available up to 10 years.

This letter provides only a short description of the terms of the proposed financing project, and are intended for discussion purposes only, which are subject to satisfactory completion of Busey Bank's necessary due diligence process.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Adam Saltsgaver', with a stylized flourish at the end.

Adam Saltsgaver
Senior Vice President
Commercial Relationship Manager Team Lead