Lutheran Home
A Lutheran Life Community

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

July 22, 2013

VIA FEDERAL EXPRESS
Mr. Dale Galassie
Chairman
Illinois Health Facilities and Services Review Board
525 West Jefferson, Second Floor
Springfield, IL 62761

Re: Lutheran Home for the Aged, Inc. ("Lutheran Home")
Project No. #12-025 (the "Project")
Lutheran Home for the Aged, Inc., Lutheran Home and Services for the Aged, Inc., Lutheran Life Communities, Lutheran Foundation for the Aged, Inc. (the "Permit Holders")

Dear Chairman Galassie:

Please accept this letter as the Annual Progress Report for the Project referenced above in accordance with Section 1130.760 of the Illinois Health Facilities and Services Review Board's Rules. We are pleased to report that the Project is continuing to progress successfully.

1) **Current Status.**

The Illinois Health Facilities and Services Review Board approved the permit for the Project on July 23, 2012 for the modernization of a 331-bed long-term-care facility located at 800 West Oakton Street, Arlington Heights, Illinois in 100,969 gross square feet of new construction and 122,222 gross square feet of modernized space. Please see Exhibit A for a description of the Project status.

2) **Project Costs.**

The Project remains within the approved requirements of the Permit with respect to Project cost. Please see Exhibit B which includes the costs incurred to date and an itemized listing of the current estimated project costs and a comparison of those costs to the approved permit amounts.

3) **Method of Financing and Sources of Funds.**

The method of financing the Project remains a combination of equity and debt. On October 30, 2012, the Permit Holders successfully closed their bond issuance for the Project. We confirm that nothing has been undertaken on this Project that would cause the Project to be out of compliance with what was approved by the Board.

4) Anticipated Date of Completion.

The anticipated date of completion remains March 30, 2017.

Please let me know of any questions on this material or if additional information needs to be provided.

Sincerely,

James Holbrook
Lutheran Home for the Aged, Inc.

EXHIBIT A
PROJECT STATUS

Percentage of Project Complete

The Permit Holders estimate that approximately 20% of the Project is complete.

Components Finished

The following components of the project are completed: the East Parking Lot and the underground storm water detention system. The Permit Holders are actively constructing the West Wing addition to the Olson Pavilion.

Components to be Finished

The following components still need to be finished: the West Wing addition to the Olson Pavilion, the renovation of Building A of the existing skilled nursing facility and the renovation of Building B of the existing skilled nursing facility.

Change in the Scope of the Project and Size

We do not currently anticipate any changes in the scope or size of the Project.

EXHIBIT B
PROJECT COSTS

See Attached.

Costs - CON Breakdown	Clinical	Non Clinical	Approved Permit Total	Cost/Estimated Total	Approximate Amount Expended as of May 31, 2013
Pre-Planning Costs					
Market Analysis	$ 9,320	$ 10,040	$ 19,360		$19,360.00
Focus Groups	$ 11,351	$ 12,227	$ 23,578		$23,578.00
Development Related Expenses	$ 12,036	$ 12,964	$ 25,000		$0.00
Masterplanning / Pre-Design	$ 48,954	$ 52,731	$ 101,685		$101,684.00
Legal	$ 24,071	$ 25,929	$ 50,000		$156,791.10
Pre-Construction Services	$ 130,766	$ 140,855	$ 271,620		$27,654.00
Subtotal	$ 236,499	$ 254,745	**$ 491,243**	**$ 491,243**	**$329,067.10**
Site Survey and Soil Investigation					
ALTA Boundary and Topo Survey	$ 15,983	$ 17,217	$ 33,200		$0.00
Existing Floor Elevation Survey	$ 722	$ 778	$ 1,500		$1,500.00
Drainage Analysis	$ 6,788	$ 7,312	$ 14,100		$14,100.00
Water Flow Test	$ 289	$ 311	$ 600		$600.00
Private Line Locate	$ 2,407	$ 2,593	$ 5,000		$0.00
Phase 1 Environmental Assessment	$ 1,059	$ 1,141	$ 2,200		$0.00
Soil Borings	$ 8,256	$ 8,894	$ 17,150		$0.00
Subtotal	$ 35,505	$ 38,245	**$ 73,750**	**$ 73,750**	**$16,200.00**
Site Preparation					
Demolition	$ 714,542	$ 769,670	$ 1,484,212		$0.00
Earthwork and Utilities	$ 1,050,633	$ 1,131,692	$ 2,182,325		$98,976.05
Hazardous Material Abatement	$ 240,714	$ 259,286	$ 500,000		$0.00
Subtotal	$ 2,005,889	$ 2,160,648	**$ 4,166,537**	**$ 4,166,537**	**$98,976.05**
Modernization Contracts					
Construction	$ 22,127,201	$ 23,834,361	**$ 45,961,562**	**$ 45,961,562**	**$7,559,102.00**
Contingencies					
Construction Contingency	$ 1,168,175	$ 1,258,302	**$ 2,426,477**	**$ 2,426,477**	**$0.00**
Architectural / Engineering Fees					
Architectural Design	$ 1,961,487	$ 2,112,820	**$ 4,074,307**	**$ 4,074,307**	**$3,670,000.00**
Consulting and Other Fees					

Civil Engineering	$	30,717	$	33,087	$	63,804			$91,821.00
Parking Study	$	3,856	$	4,154	$	8,010			$8,900.00
Traffic Study	$	6,259	$	6,741	$	13,000			$23,525.00
Landscape Architecture	$	5,512	$	5,938	$	11,450			$13,385.00
Tree Preservation Plan	$	1,430	$	1,540	$	2,970			$320.00
Hazardous Materials Assessment	$	4,328	$	4,662	$	8,990			$8,990.00
Utility Deposit for Engineering	$	2,407	$	2,593	$	5,000			$5,000.00
Financial Feasibility	$	14,443	$	15,557	$	30,000			$18,120.00
Food Service Design	$	24,120	$	25,980	$	50,100			$3,592.68
Certificate of Need - Application Fee	$	19,257	$	20,743	$	40,000			$97,500.00
Interior Design	$	84,972	$	91,528	$	176,500			$161,530.00
Owner's Representative Services	$	261,532	$	281,709	$	543,241			$238,152.75
Architectural Reimburseables	$	48,143	$	51,857	$	100,000			$85,833.89
Subtotal	$	506,975	$	546,090	**$**	**1,053,065**	**$**	**1,053,065**	**$756,670.32**
Movable or Other Equipment (not in construction contracts)									
Furniture	$	1,151,755	$	1,240,615	$	2,392,370			$0.00
Window Treatments	$	133,596	$	143,904	$	277,500			$0.00
Interior Signage	$	41,090	$	44,260	$	85,350			$0.00
Artwork	$	67,737	$	72,963	$	140,700			$0.00
Accessories	$	17,091	$	18,409	$	35,500			$0.00
Bedspreads	$	26,479	$	28,521	$	55,000			$0.00
Shower Curtains	$	9,629	$	10,371	$	20,000			$0.00
Medical Office Suite	$	46,939	$	50,561	$	97,500			$0.00
Televisions - Resident Rooms	$	86,657	$	93,343	$	180,000			$0.00
Televisions - Common Areas	$	15,406	$	16,594	$	32,000			$0.00
Technology Equipment	$	435,693	$	469,307	$	905,000			$501,944.30
Subtotal	$	2,032,071	$	2,188,849	**$**	**4,220,920**	**$**	**4,220,920**	**$501,944.30**
Other Costs To Be Capitalized									
Performance & Payment Bond	$	233,635	$	251,660	$	485,295			$0.00
Permits	$	305,334	$	328,891	$	634,225			$724,324.20
Project Insurance	$	851,898	$	337,072	$	650,000			$0.00
Subtotal	$	851,898	$	917,623	**$**	**1,769,521**	**$**	**1,769,521**	**$724,324.20**
Net Interest Expense During Construction	$	6,070,812	$	6,539,188	**$**	**12,610,000**	**$**	**12,610,000**	
Bond Issuance Expense	$	939,370	$	1,011,844	**$**	**1,951,214**	**$**	**1,951,214**	
Total	$	37,935,882	$	40,862,714	**$**	**78,798,596**	**$**	**78,798,596**	**$13,656,283.97**