



Good Samaritan

Pontiac

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Mr. Mike Constantino
Illinois Health Facilities and Planning Review Board
525 W. Jefferson St., 2nd Floor
Springfield, IL 62761

June 5, 2013

HEALTH FACILITIES &
SERVICES REVIEW BOARD

RE: Pontiac Certificate of Need Application – Project Number 12-027
Second request for extension of Final Financial Letter Commitment

Dear Mr. Constantino,

In response to your request for information of activity since receiving the Financial Letter extension in December 2012, I submit the following information.

In late fall 2012, Good Samaritan – Pontiac (the “Facility”) submitted all the requested information to the USDA for a loan consideration, but the USDA informed us we would need to update the market and feasibility report it had submitted. Around that same time, the Facility became aware of the accounting firm Wipfli, LLP, which had prepared other market and feasibility reports for the USDA. After meeting Wipfli representative Kelly Arduino and receiving information about the firm, the Board of Directors of Good Samaritan – Pontiac (the “Board”), in its October 29, 2012, meeting, discussed engaging Wipfli to prepare a Market Study and Feasibility Study for submission to the USDA. The Board signed an engagement letter with Wipfli, on November 19, 2012, to prepare the Feasibility Study and to submit it to the USDA.

After the Board signed the engagement letter, Kelly Arduino and I met and introduced Wipfli to Mr. Thomas Good of Busey Bank for strategic planning purposes, met with the Nursing Home Committee of the Livingston County Board to describe the required work, and met with Mr. Ed Clancy, our attorney, in Chicago to lay out strategy and work flow during the month of December and January. Additionally, Kelly talked with the representatives of the USDA to introduce and discuss the plan of work.

On January 3, 2013, USDA representatives met with Glenda Tannahill, CEO/CFO, and me to discuss the details of the Facility’s invitation letter from the USDA to submit an application for the loan and the required details for the application package. During the next several weeks, we had several discussions with the Wipfli staff. On February 18, 2013, Wipfli representatives presented the results of the Market study to the Board. The Good Samaritan Board and Wipfli had a detailed and thorough discussion of the information, and we determined that further investigation was needed to verify specific information about the market area, the current nursing facilities’ statistics in the area, the business operation of some of the identified facilities, as well as gathering more current information that is not readily available from open statistics, which can be a year or more old.

In addition to gathering more specific data, we needed to analyze the changing dynamics in the health care industry; taking place almost on a day-to-day basis, the needs of the community for a new facility, and how a new facility could compliment the entire market area.

Upon further analysis, we determined that we needed to consider a smaller facility, somewhere between 76 to 100 beds. We updated the Board at its April 15, 2013, meeting. The Board acknowledged the information we provide and directed that Wipfli complete the report, with the new numbers.

Wipfli completed a first draft of the combined market and feasibility studies, on April 10, 2013. Wipfli and we had several conference calls and discussed additional information we had gathered. During this time, Wipfli prepared five additional drafts, using different scenarios to create the final efficient plan. Wipfli provided us the final "draft" report, on May 15, 2013. In this report, the Good Samaritan Project calls for a nursing home of 90 beds, with a project cost of \$13,660,000. In our opinion, the market and feasibility studies generate the required cash flow and meet the applicable criteria to be acceptable for consideration of the USDA loan.

In addition to the above, we received feedback that our architect, KDA, was not going to work out well with the USDA loan consideration for the project. Therefore, we needed to engage a new architect to help with all of the necessary and detailed information to put together the estimates, building configuration, costs, square footage, etc.

We believe we have assembled a sound report, which Kelly Arduino sent on May 17th to the USDA for review. This submission takes place before Wipfli prepares the final report, with an opinion letter. We have not heard back from the USDA on what they want to see in the final reports, as the USDA staff was in training for the week of May 17th and, with the Memorial Day weekend, they have not be able to finish their review and give us that feedback. We are waiting to hear whether they have any concerns with the draft report.

We have not stopped working to comply with the condition the Health Facilities Services and Review Board place on the Facility's CON permit and have made every effort to provide proof of financing by June 30, 2013. We have accomplished quite a bit, since our last request for an extension, but, due to timing of Board meetings and approval processes, we needed to respectfully request an extension of the condition to December 31, 2013. This will give adequate time for the Facility to secure financing and allow the Facility to comply with other requirements the USDA might request, as we work through the Livingston County Board, the USDA, and the Health Facilities Board.

Respectfully,



Richard H. Hiatt
Chairman Good Samaritan Group

Timeline of Activities

Engagement letter signed /received	11/19/12 and received 11/28/12
Various meetings with/bank, lawyer, County	End of November early December
Data Request for Market Study	12/11/12
On site visit for Market Study	1/13/13
Market Study presented to Board	2/18/13
Engage New Architect for Loan Data, size, design	2/28/13
Further refinement of Market Study completed	2/28/13
Financial Modeling Data Request Submitted	3/05/13
Initial Draft prepared for review	4/10/13 with 90 beds
Discussions of revisions to financial model	Ongoing from 4/10/13 to 5/3/13
Good Samaritan Board updated on progress and facility size changes	4/15/13
Updated cost estimates received from architect	5/13/13
Final draft complete and submitted to USDA	5/17/13