Transitional Care Center of Naperville, LLC
1630 Des Peres Rd., Suite 310
St. Louis, MO 63131
(314) 238-3800

RECEIVED
DEC 1 1 2013
HEALTH FACILITIES &
SERVICES REVIEW BOARD

December 10, 2013

via overnight mail

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

Re: Project # 13-038
Transitional Care Center of Naperville

Dear Mr. Constantino:

Attached to this letter is the evidence of availability of funds for the above referenced project.

Sincerely,

David Weiss
Transitional Care Center of Naperville, LLC

Great Southern Bank

Carol L. Hanson
Great Southern Bank – Vice President
8235 Forsyth Blvd., Ste. 150
Clayton, MO 63105
Email: chanson@greatsouthernbank.com
Phone: 314-889-8924
Fax: 855-615-9330

December 5th, 2013

Lockwood NP Partners, LLC
Attn: David B. Weiss and Jeffrey L. Cook
1630 Des Peres Road Suite 310
St. Louis, MO 63131

RE: Transitional Care Center of Naperville, LLC

Dear Lockwood NP Partners, LLC,

I have reviewed your financing request for land acquisition and construction of a skilled nursing facility located in Naperville, Illinois. This is a project that Great Southern Bank ("Lender") would be very interested in pursuing with you. This letter does not set forth all the terms and conditions of a future credit facility but rather is only an outline, in summary format, of the major points of understanding which will begin to form the basis of a credit facility.

Borrower(s):	Lockwood NP Partners, LLC ("Borrower").
Loan Purpose:	The Loan shall be for the purpose of acquiring a 9.7 acre parcel of land and constructing a 120 bed skilled nursing facility located in Naperville, IL. ("Project").
Type of Credit:	5 year balloon note.
Loan Amount:	The amount of the Loan shall be $17,250,000 ("Loan Amount") limited to 80% of the appraised value of the Project.
Interest Rate:	During the Construction Period, as hereinafter defined, the interest rate charged on the Loan shall be the 30 Day LIBOR plus 325 bps, adjusting daily. Notwithstanding the foregoing, the variable interest rate provided on the Loan will not be less than 4.50% or more than the maximum rate allowed by applicable law. The Borrower will have the one time option upon the earlier of 24 months from

licensure of the facility or the project achieves a 1.75x DSCR using a 5.00% interest rate and 25 year amortization to select the interest rate based on the following choices.

A) 30 day LIBOR + 325 bps, floating
B) 3 year Federal Home Loan Bank of Des Moines Future Advance Rate + 350 bps, fixed.

Loan Fee:	1% ($172,500) of the total loan amount.
Repayment:	Borrower shall make interest only payments monthly on disbursed funds during the period in which the Project is being constructed (the "Construction Period"). At the earlier of 24 months from the licensure of the facility or at which time the Project has achieved a 1.75x DSCR based on trailing 90 day information at 5% and 25 year amortization, (the period of time not to exceed 40 months from closing the Loan) the loan will be modified to a permanent loan ("Permanent Loan Period"). Borrower shall make monthly principal and interest payments amortized over a 25 year period until Maturity.
Maturity:	The full amount of the Loan will be due and payable at the end of 5 years from the Closing Date ("Maturity").
Guaranty:	David B. Weiss and David B. Weiss Revocable Trust dated January 5, 2001 as amended and Jeffrey L. Cook and Jeffrey L. Cook Trust dated August 7, 1997 as amended.
Spousal Waivers:	Barbara L. Weiss and Rebecca M. Cook, David and Jeffrey's wives, respectively will provide spousal waivers.
Late Charge:	If any payment on the Loan is not made when due, a late charge equal to five percent (5%) of such payment shall be charged. The late charge only applies to the monthly payments due.
Prepayment Premium:	Borrower may prepay this Loan in full or in part upon paying to Lender a prepayment premium in an amount equal to the Yield Maintenance (as such term will be defined in the Promissory Note). This prepayment penalty only applies if the Borrower chooses the fixed rate during the Permanent Loan Period.
Equity Funds:	Borrower agrees to inject cash or other assets into the Project in the amount of $5,631,008 ("Equity Funds"). The cash equity will be expended on the Project prior to any disbursements of the Loan.
Collateral:	As Collateral for the Loan, Lender shall receive a first future advance deed of trust and assignment of rents on the Project, as well as a security interest in all Project assets including but not limited to all furniture, fixtures, equipment, machinery, accounts, and general intangibles. Additionally, Lender shall receive an Assignment of the Management Contract between Lockwood NP

Partners, LLC and Transitional Care Management, LLC, Assignment of Borrower's membership interest in Transitional Care Center of Naperville, LLC and Assignment of the lease between the Borrower and operating entity.

Appraisal: Project shall be appraised by an appraiser approved by Lender and such appraisal must accepted by Lender (appraisal fees to be paid by Borrower). In the event the Project appraises for less than $21,562,500, Lender shall lower the Loan Amount such that the Loan Amount not exceed 80% of the appraised value. A re-certification of the appraised value is required upon completion of the Project to indicate a final market value (such appraisal and re-certification to be paid for by Borrower).

No Other Encumbrances: Borrower will not, without the prior written consent of Lender, create, place or permit to be created or placed, or allow to remain, any deed of trust, mortgage, voluntary or involuntary lien, security interest, encumbrance or charge against or covering the Project, or any part thereof, regardless of whether the same are expressly or otherwise subordinate to the lien or security interest created in Lender's deed of trust or mortgage. Borrower will cause any of such encumbrances that arise outside of the ordinary course of business and without the prior written consent of Lender to be promptly discharged and released.

Zoning: Borrower will provide acceptable evidence that the Project is zoned for the intended use.

Skilled Nursing Facility State Requirements: It is the Lender's understanding that a Certificate of Need is required by the state of Illinois. The Borrower will provide acceptable evidence that all required document/permits have been obtained to operate a skilled nursing facility upon construction completion.

Title Insurance: Lender requires an ALTA lender's extended coverage title insurance commitment from a company acceptable to Lender ("Title Company") insuring Lender for the Loan Amount, evidencing Borrower's title to the Collateral and showing Lender's lien on the Project is or will be upon recordation of a valid first lien.

Plans/Specs: A complete set of final working plans, including drawings, specifications, details and manuals, for the Project ("Plans"). Borrower represents and warrants that the Plans shall be in full accordance with all applicable statutes, laws, ordinances, regulations and requirements of all governmental agencies having jurisdiction over the Project, including without limitation the Americans With Disabilities Act and any other statutes, laws, ordinances, regulations and requirements dealing with access to real estate properties by persons with disabilities. All specialized

drawings shall be signed by licensed engineers of the respective disciplines normally responsible for such drawings.

Contractors: A list of all contractors, subcontractors, and materialmen to be employed in connection with the Project. Said list shall provide a name and telephone number, a general description of the nature of the work to be performed, and an approximate dollar value of the services or material to be provided. Lender is hereby authorized to confirm this information.

Permits: Copies of all permits required for each phase of the construction of the Project.

Organizational Documents: Financial statements, tax returns and lists of contingent liabilities for Borrower, and Guarantors, which shall be acceptable to Lender.

If Borrower is an organization, complete and current copies of Borrower's organizational documents, including, as applicable, Articles of Incorporation, bylaws, Articles of Organization, operating agreements, partnership agreements, incumbency certificates, certificates of good standing and such other documents as Lender may require.

Budget: A detailed budget showing a schedule of the estimated construction costs and the estimated timing of disbursements. Lender is hereby authorized to confirm this information.

All fully executed construction contracts for the construction of the improvements shown on the Plans.

Insurance: During the Construction Period, evidence the Project is covered by an all-risks course of construction policy (builder's risk policy) in an amount satisfactory to Lender and showing Lender as Loss Payee. Borrower shall also provide evidence that the general contractor is covered by general liability and workmen's compensation insurance policies.

Written confirmation from the suppliers of water, storm and sanitary sewer, gas, electric and telephone utilities for the Project.

Survey: An ALTA survey (at Borrower's expense) showing that the Project, if constructed in accordance with the plans and specifications provided, shall lie wholly within the boundaries of the property described on Lender's deed of trust or mortgage without encroachment or violation of any zoning ordinances, building codes or regulations, or setback requirements. This survey must show the complete legal description and zoning of the Project. The survey must be acceptable to the title company such that the title company will remove the standard survey exception from the final title policy covering Lender's deed of trust or

mortgage. The survey must be updated with a "footing certificate" once footings are in place and an "as-built" certificate upon completion of the Project.

Environmental:

A current report, prepared in accordance with the Environmental Protection Agency (EPA) "all appropriate inquiry" regulation set forth in 40 Code Fed. Reg. Part 312 and the Standard Practice for Environmental Site Assessment Process ASTM Standard E1527 (2005), which shall (a) be prepared by a qualified environmental engineer or consultant satisfactory to Lender, (b) be satisfactory in form and substance to Lender, (c) identify and evaluate any "recognized environmental condition" associated with the Project, (d) evaluate current and past uses of the Project and the Land, (e) state that there are no Hazardous Materials (as defined below) in, on or under the Project which would give rise to any liability, responsibility or notification requirement on the part of Borrower or Lender, or both, under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the Resource Conservation and Recovery Act (RCRA), or any other Federal, state or local statute, law, rule, regulation or ordinance respecting the environment or the use and management of Hazardous Substances, including but not limited to the presence of any asbestos in any form or condition or underground storage tanks in, on or under the Project, whether or not such presence gives rise to any liabilities. The term "Hazardous Materials" means any substances or materials defined or designated as hazardous waste, hazardous material, a hazardous substance, or infectious or toxic material, substance or waste, or other similar term, by any federal, state or local environmental statute, regulation, ordinance or decree presently in effect or that may be promulgated in the future, as such statutes, regulations, and ordinances may be amended from time to time, including without limitation, asbestos in any form or condition, radioactive materials, petroleum products regardless of form, mining wastes, fly ash and agricultural chemical products. Borrower shall also provide at the Closing a Borrower's Certificate regarding environmental matters, containing such covenants, warranties and representations as Lender may require, concerning the status of the Project's compliance with all environmental laws and regulations, and the status of specific environmental conditions, including filled ground, underground storage tanks, dumping activities, water contamination, the presence or use of Hazardous Materials, and also including indemnity provisions, in form and substance satisfactory to Lender and its counsel.

Such other agreements, documents and exhibits, without limitation, which may be required, in Lender's judgment, to assure compliance with the requirements of this Letter.

Flood Insurance:

Should the Project at any time prior to the Closing Date or during the term of the Loan be deemed to be located in an area designated

by the Director of the Federal Emergency Management Agency as a special flood hazard area, Borrower agrees to obtain and maintain federal flood insurance, if available, for the full unpaid principal balance of the Loan and any prior liens on the Collateral, up to the maximum policy limits set forth under the National Flood Insurance Program, or as otherwise required by Lender. Flood insurance may be purchased under the National Flood Insurance Program or from private insurers; however, the amount of insurance must be approved by Lender.

Cost Overruns: If Lender, in its sole discretion, determines at any time that the contingency amount of within the approved budget has been erased due to Change Orders and that the Loan Amount is or will be insufficient to fully complete and pay for the Project, Borrower shall fund any such deficiency as part of the following month's draw. Borrower shall take all steps necessary to prevent the actual costs of the Project from exceeding the projected costs.

Change Orders: Borrower will notify Lender of Change Orders that will in aggregate exceed the contingency as referenced in the budget submitted and approved by Bank. Lender must approve all requests in excess of $250,000 for major modifications, additions, and/or deletions to the original plans and specifications and/or contracts, other than minor items involving no extra aggregate Project cost. These requests must be submitted in writing and signed by Borrower and architect. Borrower will not permit the performance of any work related to any modification, addition, or deletion prior to Lender's approval.

Disbursements on Loan: Disbursements shall be made through a title company satisfactory to Lender or disbursements shall be made by Borrower. Updated title insurance endorsements insuring Lender against mechanics liens will be obtained with each disbursement. Borrower agrees to pay all fees and expenses related to these services.

Third Party Disbursement Requests and Inspection Reports: All disbursement requests must be signed by Borrower and general contractor (if applicable) and submitted on the standard AIA G702–G703 payment request form (or any payment request form required by HUD). The form must detail amounts requested and certify that the construction has been performed in a workman-like manner and in accordance with plans and specifications. Each disbursement request must also be accompanied by a written inspection report completed by a qualified third party individual satisfactory to Lender stating that the percentage of completion is equal to the amount of funds disbursed. Supporting invoices identifying the specific project must accompany any disbursement request. Failure to submit proper documentation may result in denied disbursement requests.

Operating Accounts:	Borrower shall maintain all operating accounts for the Project with Lender throughout the term of the Loan.
Financial and Other Information:	Periodically during the term of the Loan, as provided in the Loan Documents, Borrower shall provide Lender with financial statements and tax returns for each Borrower and Guarantor.
Financial Covenants:	After stabilization, Borrower shall at all times comply with the following financial covenants and ratios: (a) Debt Service Coverage Ratio – Maintain a Debt Service Coverage Ratio of 1.75 to 1.00. The term Debt Service Coverage Ratio, as used herein, shall mean: (1) Net Operating Income for the Project for the period of calculation; divided by (2) Debt service for the period of calculation. For purposes of this Note, the term "Net Operating Income" shall mean all revenue or other income produced by or derived from the Project, including but not limited to all rental Income ("Gross Income") less all normal and customary operating expenses, including by not limited to, administrative expenses, legal expenses, accounting expenses, management fees, all payroll and wages and benefits, insurance, advertising and other marketing expenses, leasing commissions, utilities, repairs, and maintenance, service contracts, supplies, and real estate and property taxes but excluding interest and principal payments due under the Note (Operating Expenses). Gross Income shall not include security deposits received from tenants or interest income or income from sources other than the project. Operating Expenses shall not include security deposit refunds and capital expenses with respect to the Project that would normally be capitalized in accordance with generally accepted accounting principles. Debt Service shall mean the aggregate principal and interest payments due under the Note for the period of calculation, assuming a fixed interest rate of 5% per annum and a 25 year amortization period. Such Debt Service Coverage Ratio shall be calculated by Lender at the end of each fiscal quarter of Maker and shall be based upon the financial performance of the Project during such trailing fiscal quarter utilizing the financial statements to be provided to Lender.
Additional Requirements:	Borrower shall provide all due diligence items reasonably requested by Lender, and all due diligence shall be subject to the approval of Lender in Lender's sole discretion. Approval of all due diligence, all Loan Documents, and all documentation associated with any other source of funding for the Project, shall be approved by Lender.

Borrower agrees not to disclose, directly or indirectly, this Letter or the contents of the foregoing to any person without the prior approval of Lender except that you may disclose this Letter and the contents hereof (a) to your officers, employees, attorneys, accountants and advisors directly involved in the consideration of this matter on a confidential basis and (b) as required by applicable law or compulsory legal process (in which case you agree (to the extent that you may lawfully do so) to inform us promptly thereof). This Letter is tendered only to Borrower and is not available to any other party.

Lender hereby notifies you that, pursuant to the requirements of the U.S.A. PATRIOT ACT (Title III of Pub. L. 107 56 (signed into law October 26, 2001)) (the "Patriot Act"), Lender may be required to obtain, verify and record information that identifies you and each of your respective subsidiaries, which information may include your name and address, the name and address of each of your respective subsidiaries, and other information that will allow Lender to identify you and each of your respective subsidiaries in accordance with the Patriot Act. This notice is given in accordance with the requirements of the Patriot Act and is effective for Lender.

Lender participates in the U. S. Department of Treasury's Small Business Lending Fund (SBLF) and is required to comply with all aspects of the Small Business Jobs Act of 2010, including the requirement that Borrower make certain affirming statements. If the Borrower should be unable to do so then Lender shall be relieved of its commitment. Please visit the following website for further information: http://www.treasury.gov/resource-center/sb-programs/Pages/FAQs-SBLF.aspx

Closing Costs: Borrower will pay all of Lender's costs associated with the Loan including but not limited to fees and expenses for disbursements, inspections, attorney fees, and filing and recording fees. Borrower will further agrees to pay all out-of-pocket costs associated with any commitment issued by Lender and the preparation of loan documents.

The terms and conditions discussed herein are non-binding and subject to change upon full underwriting of the loan request. Any future commitment to lend on this project will first be subject to receipt of the required certificate of need, full underwriting and due diligence by Lender and approval by the Great Southern Bank Loan Committee; therefore, the terms and conditions below should not be construed as a binding obligation.

Oral agreements or commitments to loan money, extend credit or to forebear from enforcing repayment of a debt including promises to extend or renew such debt are not enforceable, regardless of the legal theory upon which it is based that is in any way related to the credit agreement. To protect you (Borrower(s)) and us (Lender) from misunderstanding or disappointment, any agreements we reach covering such matters are contained in this writing, which is the complete and exclusive statement of the agreement between us, except as we may later agree in writing to modify it.

If you have any questions regarding the above, please do not hesitate to call.

Sincerely,

Carol L. Hanson

Carol L. Hanson
Vice President

clh

Accepted this 10th day of December, 2013

Lockwood NP Partners, LLC

David H. Weiss, President