

Constantino, Mike

From: EGreen@foley.com
Sent: Friday, February 21, 2014 11:12 AM
To: Constantino, Mike
Subject: AegeanMed Transitional Care of Lockport, Project No. 13-048
Attachments: Aegean Additional Exhibits.pdf

Re: AegeanMed Transitional Care of Lockport, Project No. 13-048

Dear Mike:

As you know, we were recently engaged by AegeanMed Holdings LLC, AegeanMed Healthcare LLC, and Gerokomeio LLC (collectively, the “Applicants”), to assist the Applicants with the above-referenced Project.

In answer to your questions, please see the below responses and attachments.

1. I asked the consultants to prepare a new page 23, a copy of which is attached. I should note that the difference between this page 23 and the page 23 that the Applicants filed in January is directly related to the \$1,550,000 purchase price for the land associated with this Project. This page 23 shows a total of \$26,860,298 in available funding, which ties to the “sources of funds” of \$26,860,298 on Appendix A.

2. I asked the consultants to prepare a new page 27, a copy of which is attached. I should note that the difference between this page 27 and the page 27 that the Applicants filed in January is directly related to the \$1,550,000 purchase price for the land associated with this Project. This page 27 shows a total of \$26,860,298 in costs, which ties to the “uses of funds” of \$26,860,298 on Appendix A.

3. I asked the consultants to explain why the Project completion date moved from October 30, 2015 to October 30, 2017. The consultants explained that delays in the review process have delayed the proposed start date for the construction (and hence, the completion date for the construction). There is also a very real concern that the horribly cold winter will likely cause additional delays on the construction this spring. I would note that the Applicants filed their original CON Application back in August of 2013.

4. I asked the consultants to explain why the land costs associated with the Project increased from \$875,000 to \$1,550,000. The consultants explained to me that the \$875,000 figure was submitted in error. Meaning, the consultants were mistaken when they listed the land price at \$875,000. The land price has always been \$1,550,000.

5. I asked the consultants to explain why the Applicant’s supplemental Appendix A filing did not include any pre-planning costs and site preparation costs. The consultants explained to me that the zeroing out of the pre-planning costs and site preparations costs was done in error. More specifically, the consultants explained to me that their supplemental Appendix A spreadsheet mistakenly included the pre-planning costs and site preparation costs in the “other costs to be capitalized” column. So, I asked the consultants to prepare a new Appendix A, a copy of which is attached. This Appendix A is showing \$20,000 in pre-planning costs and \$750,000 in site preparation costs. These were the same amounts that were listed by the Applicants in their original CON application filed back in August of 2013.

6. I asked the consultants to explain why the estimated start-up costs increased from \$140,987 to \$741,954. The consultants explained to me that the increase in start-up charges are mainly attributable to additional interest costs and carrying cost charges.

7. Finally, in answer to your question about the Eastern Capital Class B Unit Commitment Letter, Eastern Capital will be responsible for syndicating the Class B Units to investors. If the Class B Units are not fully subscribed, Eastern Capital (as the underwriter) will purchase and hold the Class B Units.

Please shoot me a note if you need anything else.

Best regards,

Ed

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Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable: **Indicate the dollar amount to be provided from the following sources:**

\$7,300,000	a. Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: <ol style="list-style-type: none"> 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
_____	b. Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
_____	c. Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
\$19,560,298	d. Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: <ol style="list-style-type: none"> 1. For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2. For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3. For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4. For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5. For any option to lease, a copy of the option, including all terms and conditions.
_____	e. Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
_____	f. Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
_____	g. All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
\$26,860,298	TOTAL FUNDS AVAILABLE
APPEND DOCUMENTATION AS ATTACHMENT-27, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

COST AND GROSS SQUARE FEET BY SERVICE									
Area (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. \$ (A x C)	Mod. \$ (B x E)	
NursingCare/ Assisted Living	\$229		109,335				24,999,901		24,999,901
Contingency	\$17		109,335				1,860,397		1,860,397
TOTALS	\$246		109,335				26,860,298		26,860,298

* Include the percentage (%) of space for circulation

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	\$ 7,080	\$ 12,920	\$ 20,000
Site Survey and Soil Investigation	\$ -	\$ -	\$ -
Site Preparation	\$ 265,500	\$ 484,500	\$ 750,000
Off Site Work	\$ -	\$ -	\$ -
New Construction Contracts	\$ 5,927,224	\$ 10,816,348	\$ 16,743,572
Modernization Contracts	\$ -	\$ -	\$ -
Contingencies	\$ 658,581	\$ 1,201,816	\$ 1,860,397
Architectural/Engineering Fees	\$ 326,819	\$ 596,399	\$ 923,218
Consulting and Other Fees	\$ 881,460	\$ 1,608,540	\$ 2,490,000
Movable or Other Equipment (not in construction contracts)	\$ 354,000	\$ 646,000	\$ 1,000,000
Bond Issuance Expense (project related)	\$ -	\$ -	\$ -
Net Interest Expense During Construction (project related)	\$ 304,794	\$ 556,206	\$ 861,000
Fair Market Value of Leased Space or Equipment	\$ -	\$ -	\$ -
Other Costs To Be Capitalized	\$ 783,086	\$ 1,429,025	\$ 2,212,111
Acquisition of Building or Other Property (excluding land)	\$ -	\$ -	\$ -
TOTAL USES OF FUNDS	\$ 9,508,544	\$ 17,351,754	\$ 26,860,298
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$ 2,584,200	\$ 4,715,800	\$ 7,300,000
Pledges	\$ -	\$ -	\$ -
Gifts and Bequests	\$ -	\$ -	\$ -
Bond Issues (project related)	\$ -	\$ -	\$ -
Mortgages	\$ 6,924,344	\$ 12,635,954	\$ 19,560,298
Leases (fair market value)	\$ -	\$ -	\$ -
Governmental Appropriations	\$ -	\$ -	\$ -
	\$ -	\$ -	
TOTAL SOURCES OF FUNDS	\$ 9,508,544	\$ 17,351,754	\$ 26,860,298