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HEALTH FACILITIES &
SERVICES REVIEW BOARD

January 29, 2014

VIA FED EX

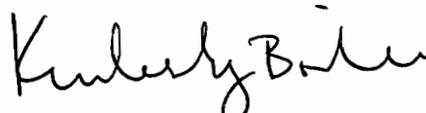
Ms. Courtney R. Avery, Administrator
Illinois Health Facilities and Services Review
Board
525 West Jefferson Street
2nd Floor
Springfield, IL 62761

Re: Project 13-067, Luther Oaks, Inc., Bloomington
Applicants: Luther Oaks, Inc.
Lutheran Life Ministries

Dear Ms. Avery:

The aforementioned applicants have received a loan commitment letter from the Mission Investment Fund of the Evangelical Lutheran Church in America ("MIF") dated December 19, 2013 (and updated January 17, 2014) in the amount of \$6,700,000 to finance Project 13-067, a copy of which is enclosed. If you have any additional questions, please do not hesitate to contact me directly.

Sincerely,



Kimberly T. Boike

KTB:jmp
Enclosure
cc: Andrew P. Tecson



Mission Investment Fund
Evangelical Lutheran Church in America
God's work. Our hands.

December 19, 2013

Updated: January 17, 2014

Luther Oaks, Inc.
Mr. Carl Moellenkamp (CFO)
601 Lutz Road
Bloomington, IL 61704

Dear Mr. Moellenkamp:

Greetings in the name of our Lord and Savior Jesus Christ! The Mission Investment Fund of the Evangelical Lutheran Church in America, a nonprofit Minnesota Corporation (herein after referred to as "MIF") is pleased to inform you that the loan application for Luther Oaks, Inc. (hereinafter referred to as the "Ministry") has been approved in the amount of \$6,700,000.00 based upon the terms outlined below. **This Loan Commitment is effective as of today and valid through June 19, 2014.**

Section I **Approved Loan Terms**

The loan is approved contingent upon the following covenants and conditions:

- The Ministry will keep the information contained in this Loan Commitment confidential, and not disclose its terms to any other lending institution.
- The proceeds of the loan are to be used to construct a skilled nursing unit as well as complete some renovations to the existing structure.
- The loan will be secured by a guarantee from Lutheran Life Ministries.
 - The guarantee will be in effect for a minimum of 5 years after the start of principal and interest payments.
 - The guarantee can be removed once Luther Oaks demonstrates 5 consecutive years of on-time principal and interest payments, while maintaining all other loan covenants.
- The loan will be secured by a first position mortgage on the real property of Luther Oaks. This lien will have equal lien priority with the existing 2006 bonds.
- Lutheran Life Ministries will maintain a cash investment during the life of the loan.
 - The initial investment at loan origination will be \$1,000,000, and increased to \$1,500,000 by the end of 2014.
 - The balance will be no less than \$1,500,000 thereafter.
 - The balance will be measured on the last day of each fiscal quarter.
 - Within a quarter, the balance will not drop below \$1,000,000 on any given day.
 - This investment will provide "right of offset" if the loan ever becomes delinquent.
- Financial Covenants:
 - The ministry will maintain minimum annual debt service coverage of 1.2.
 - The ministry will maintain 180 days of operating cash on hand.
 - The ministry will provide unaudited financials within 45 days of each fiscal quarter, and audited financials within 120 days from the end of each fiscal year.
- The terms of the loan will be amortized over 25 years at an initial interest rate of 4.625%. The interest rate will be adjusted every 7 years to our then current interest rate. If the loan is not closed by the expiration date of this Loan Commitment, then, at the option of the Fund, a new interest rate and payment will be set at the rate in effect at

that time. During the construction period the payments will be interest only, based on the increasing balance of the loan. Once the project has been completed and there are no additional advancements, the loan payments will be adjusted based on the 4.625% interest rate and the remaining term of the loan. Given your estimated date of completion, we anticipate that the payments will be approximately \$37,718.00. If the construction extends beyond the estimated date the payments will increase.

- There is no penalty for partial or full prepayment of this loan by the ministry. If such prepayment is for the purpose of refinancing all or any part of this loan with another lender in the first three years, such prepayment shall be accompanied by payment of a fee equal to 2% of the principal balance.
- The Ministry will display an MIF yard sign in a prominent place during construction.

Section II Documentation Required Prior to Closing

The items below are required before we can prepare the legal documents:

- 1. Luther Oaks and Lutheran Life Ministries: Commitment letter** - Sign this letter and return it **within 20 days** of the date of this letter. Please retain a copy for your file.
- 2. Luther Oaks: Updated Loan Application** – Update the original loan application to reflect the final bids to ensure the construction budget will balance with the approved loan amount.
- 3. Luther Oaks and Lutheran Life Ministries: IRS Form (W-9)** - Please complete and return the enclosed form confirming the Ministry's federal tax ID number.
- 4. Luther Oaks and Lutheran Life Ministries: Articles of Incorporation** – Please provide us with a copy of the Ministry's articles of incorporation, along with any amendments.
- 5. Luther Oaks and Lutheran Life Ministries: Constitution and By-Laws** - A copy of the Ministry's constitution and by-laws. This should be submitted along with a statement signed by the proper official of your ministry certifying the attached constitution/by-laws, including all amendments to the date of certification, are in full force and effect.
- 6. Luther Oaks: Fire and Extended Coverage Insurance** - A copy of the builders risk, property, hazard and flood insurance policies, including the declarations page. The payee clause should show "MISSION INVESTMENT FUND of the Evangelical Lutheran Church in America, as its interest may appear." The policy must include a provision for 30 day written notice to MIF in the event of policy cancellation.

The insurance information must include the limits of bodily injury and property damage liability coverage. The amount of All Risk Insurance must not be less than the full replacement value of all improvements located on the property. The General Liability Insurance must be in an amount of no less than \$1,000,000 per occurrence and in the aggregate.

- 7. Luther Oaks: Documentation Fees** - A check for **\$3,500**, payable to the Mission Investment Fund, to cover the cost of document preparation. Upon receipt of this fee, our legal counsel will order the title insurance commitment and begin to prepare the legal papers evidencing the loan, including the promissory note, mortgage or deed of trust and related documents. *Please note, if additional documents are needed, the documentation fee may increase.*

The estimated additional cost for Lender's Title Insurance Policy for which the ministry will be responsible are as follows:

Title search	\$400.00
Title insurance premium	\$5,700.00
Other Title Costs	\$1,000.00
Mortgage recording fees	\$150.00
Total Expenses	\$7,250.00

Your closer will arrange for the payment of these expenses. We will provide an exact tabulation of all such expenses at closing.

8. Luther Oaks: Collateral – To expedite the “document preparation process”, please include: (a) copy of legal description of the property (from your deed or prior mortgage) and/or (b) your official property identification (official block/lot number, property tax notice, or official notices concerning your property). This information will be provided to the Title Company to expedite the return of the Title Report.

9. Luther Oaks: Payment Authorization Form – (Optional) Automatic deduction of the Ministry’s monthly payments. Please send a voided blank Check to set- up automatic deduction. This will help ensure that all monthly payments are timely, as well as eliminating check writing and mailing expenses.

10. Luther Oaks: Resolution/Affidavit to Authorize Mortgage – We have enclosed the resolution that should be adopted by the board at a legally-called meeting of the ministry based upon your constitution and by-laws and the statutes of the state of Illinois. If the board has already passed a proper resolution, you may attach your meeting minutes, but please use the resolution/affidavit as this form has already been approved.

11. Luther Oaks: Appraisal – Provide a summary narrative appraisal of the subject property demonstrating the current value, and the projected value after completion of the project. The value should be sufficient to obtain a minimum loan to value ratio of 80%.

12. Open a Demand Investment Construction Account (application enclosed): All construction disbursements from the loan will be transferred into this account. During the disbursement period, this account will earn interest at MIF’s lowest Demand Investment Tier. (This is your building fund account only, PLEASE DO NOT COMMINGLE BUILDING FUNDS WITH OTHER MINISTRY FUNDS).

13. Evidence of compliance with bond covenants: Please provide evidence Luther Oaks is in compliance with the covenants required by the existing bond holders.

Section III Closing

Your closer will be Ms. Arwen Peszynski. Please send items 1 thru 13 listed above to (item 2 can be returned with the legal documents):

Ms. Peszynski
Mission Investment Fund of the ELCA
8765 West Higgins Road
Chicago, IL 60631
(877) 886-3522

Once we have received and accepted the above documents our attorney will prepare the Promissory Note, Mortgage securing the loan, guarantee agreement, and order the Lender’s Title Insurance Policy.

The documents will then be sent to the ministry for review and execution by the officers of the ministry. You may choose to have your own legal counsel review the transaction and all documents.

When the documents have been signed and returned to us, the mortgage will be given to the Title Insurance Company for recording. The Title Insurance Company will confirm to us that all necessary documents and information for recording have been received. When we receive confirmation from the Title Insurance Company, we will be ready to fund the loan. *Normally, the entire preparation and closing process takes approximately 30 to 45 days to complete.*

Section IV

Disbursement of Funds

The following additional construction-related documents will be required prior to the disbursement of the building program funds:

- **Construction Contract.** A copy of the contract with the contractor that is to include a provision that final waivers and release of liens will be furnished upon completion of contract. Contract shall include a guarantee against defects for a period of one year from date of acceptance of the building.
- **Payment and Performance Bond.** This bond, covering the performance of the contractor shall be underwritten by a reliable bonding organization.
- **Request for Funds Letter (sample enclosed)**
- **Escrow Status Report (enclosed)**
- **Copies of invoice to be paid**

Please review the "Release of Funds" package as it explains how funds will be disbursed.

The ministry is responsible for paying expenses in connection with the preparation, issuance and delivery of its obligation and all supporting instruments and related documents.

If you have any further questions, please contact me at (877) 886-3522 or email at mifloandepartment@elca.org.

Please sign this letter in the space provided below and return it within 20 days of the date of this letter so that the commitment will be in full force and effect. You should retain a copy for your files.

Mission Investment Fund



Amelia Dawkins, Director for Loans

THE FOREGOING IS AGREED TO:

Luther Oaks, Inc.

Lutheran Life Ministries

Printed Name

Printed Name

Signature of Officer

Signature of Officer

Title

Title

Date

Date