GENERAL COUNSEL'S REPORT

April 25, 2018

C. The Farms at Bailey Station SNF, Collierville (Shelby County), TN – CN1303-008AE

- Request for a 24 month extension from July 1, 2018 to July 1, 2020 and increase in project cost from $7,285,568 to $13,276,833.

The project was approved on June 26, 2013 with an extended expiration date of three years for the establishment of a skilled nursing facility consisting of 30 Medicare certified skilled nursing beds to be part of a continuing care retirement community. These beds were subject to the 2012-2013 Nursing Home Bed Pool. A 23-month extension was granted on June 22, 2016 extending the expiration date from August 1, 2016 to July 1, 2018.

This project is part of The Farms at Bailey Station, a massive continuing care retirement community (CCRC), which will include independent living, garden homes, memory care, assisted living and a 60-bed skilled nursing home upon completion.

Staff recommends approval because the owners have invested $13 million toward the development of the CCRC of which this project is a part. Groundbreaking for the skilled nursing facility is expected to occur in mid-May, 2018.

BURR FORMAN LLP
results matter

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MAR 29 '18 PM3:51

March 29, 2018

James B. Christoffersen
General Counsel
Tennessee Health Services and Development Agency
502 Deaderick Street, 9th Floor
Andrew Jackson Building
Nashville, TN 37243-0200

Re: Request for Extensions of Time and for Cost Increases:
Farms at Bailey Station, CN1303-008A
Farms at Bailey Station, CN1311-045A

Dear Jim,

The CON holder, Luke, Inc., a Tennessee not-for-profit corporation, requests extensions of time and cost increase approvals on each of the two above referenced projects, as explained in detail herein below. While the requested time extensions are relatively long in terms of the total time from approval to completion, and the requested cost increases are very high, the unique facts and circumstances of this project and the significant benefits it will bring to the senior community justify the approvals sought. The Agency may rest assured the owners and its partners in this development are fully committed to implementing both CONs, and to bringing this project to fruition. In addition to the countless hours of time which have been dedicated to the project, the owners and its development partners have already invested in excess of $13 million towards its development.

Background and Project Description

The two CONs referenced above are both part of the same overall project – an approximately $215 million continuing care retirement community (CCRC) to be located on 36 acres in Shelby County. The CONs collectively approve a 60 bed skilled nursing facility (SNF) which will serve residents of the CCRC, but will also be available to serve the general community. Two separate CONs were required because of the 30 bed per application limitation on skilled nursing beds. A total of 60 beds are needed in order to achieve and maintain feasibility.

CN1303-008A ("FBS I") has an expiration date of July 1, 2018. The approved estimated cost for this CON is $7,285,568 (exclusive of the filing fee). CN1311-045A ("FBS II") likewise

has an expiration date of July 1, 2018. The approved estimated cost for this CON is $6,292,417 (exclusive of the filing fee). The total approved cost for both projects is $13,577,985.

The requested extension of time for each CONs is from July 1, 2018 to July 1, 2020. The requested cost increase for FBS I is from $7,285,568 to $13,276,833. The requested cost increase for FBS II is from $6,292,417 to $10,896,514. The requested combined cost increase for both projects is from $13,608,536 to $24,223,944.

Although the two CONs are technically separate, the two "components" of 30 beds each will be developed, opened and operated simultaneously. For development purposes, it is not practical to treat the two CONs as separate projects. Accordingly, the justifications for the extensions of time and for the cost increases for each of the two CONS are essentially the same. In regard to the requested cost increases the overall estimated costs for the SNF have been determined, and then allocated to the respective CONs based on the square footage of each.

The necessity for the extensions and cost increases stem in large part from the sheer scope and complexity of the project. The CCRC will include 266 independent living apartments, 63 garden homes, and the 60 bed skilled nursing and rehabilitation facility. Future phasing will include 48 assisted living suites and 32 memory care suites. The CCRC will also include ancillary facilities for dining, entertainment, and recreation and fitness. The sprawling complex will be located on approximately 36 acres of currently undeveloped land in the Collierville community in eastern Shelby County. It is the largest project being developed in The Town of Collierville. The estimated cost of the entire CCRC project is approximately $215 million.

Frankly, when the CCRC was originally planned, and at the time the CON applications were filed, the enormity of the task of developing the project was not fully appreciated. The owner and its partners have since invested tremendous effort and resources, and have brought in additional third party assistance, in pursuing the development of the CCRC. The future of the project is solid, but significant modifications of the CON for the SNF component are necessary.

Extensions of Time

A twenty four month extension of time for each CON is requested, from July 1, 2018 to July 1, 2020. Justifications for the requested extensions include the following considerations.

The size and complexity of the project, and the required coordination and timing of the various components (SNF, independent apartments, garden homes, and future assisted living and memory care suites) are contributing factors to the longer than originally expected development time. The financing package, which will include a tax exempt bond issuance as well as a traditional commercial loan element, has taken an enormous amount of time and effort to

finalize. The availability of funding is not in doubt. Several well established lending institutions have submitted proposals or indicated significant interest. Luke, Inc. has put considerable time into evaluating and negotiating the financing proposals, and has narrowed it down to two competing lenders: IberiaBank, a $33 billion institution, and Simmons Bank, a $17 billion institution. Financing letters from both institutions are attached as Attachment 1.

The tax exempt bond issuance has been a time consuming process, but has now been completed. The Health, Educational and Housing Facility Board of Shelby County has unanimously approved a $215 million bond issuance for the project. This is among the largest bond issues to be approved unanimously by the Health, Educational and Housing Facility Board of Shelby County. A copy of the Resolution of the Board is attached as Attachment 2.

In addition to the above time factors, a number of pre-construction sales goals are required to be met before ground-breaking can occur. Those steps have been underway for over two years, and are now completed. A condition of the bond issuance is that 70% of the Phase I independent living apartments, or 126 units, be under contract with a 10% deposit. This goal is met as of March 30, 2018. In addition, 22 garden home lots out of a total of 63 have been contractually reserved, and 4 families are already living on site in the garden homes. An additional 5-6 garden homes are being built this year. These marketing and sales efforts obviously take time, especially when much of it was being conducted prior to the beginning of construction.

Other significant steps which have been achieved include the following: (1) Construction plans will soon be submitted to the Department of Health for preliminary review. Due to the size of the overall project, the plan review staff has agreed to conduct a preliminary review in order to point out any obvious areas that need to be addressed before formal construction plan review is conducted. This should contribute to a more efficient plan review process; (2) Various required plans, including the Site Grading Plan and Final Site Plan, have been submitted to the Town of Collierville for its review. Town staff has given favorable reviews, and the plans will be the subject of Public Hearings in early and late April for the Planning Commission and the Mayor and Board approval, respectively. The Final Plan is expected to go before the Mayor and Board for approval on May 14, 2018.

With all of these required pre-construction steps nearing conclusion, ground-breaking is expected to occur on May 29, 2018. The estimated time for construction is 15 months. This is confirmed in a letter from the general contractor for the project, attached as Attachment 3. While this projected time table would not require the entire 24 months of extension sought, it is prudent to secure the additional time to allow for yet unforeseen contingencies, and to allow for several months of pre-certification operations of the SNF, which is necessary to secure final licensure approval.

Cost Increases

A significant cost increase for each of the two CONs is requested. Details of the itemized requested cost increases are reflected on the Project Cost Charts attached as Attachment 4. The Attachment includes a chart for each CON showing the original approved costs, and the requested revised costs. Also included is a similar chart reflecting the combined original approved costs and the requested revised costs.

The reasons for the cost increases fall into several categories: (1) the passage of time and inflation, especially inflation in construction costs which has out-paced general inflation significantly; (2) some unexpected and not reasonably foreseeable site preparation challenges, including wetlands studies and mitigation; (3) growth of the SNF floor plan by approximately 4,600 square feet to accommodate more inpatient and outpatient rehabilitation space and other areas to enhance patient care and comfort; and (4) increases in soft costs such as A & E fees and development fees, the latter of which were necessary expenditures for the services of Greystone Communities, a national developer and manager of Senior Living communities, retained in 2016 to assist in the areas of marketing and finance.

Detailed explanations and justifications for each itemized area of cost increase can be found on the last page of Attachment 4. Each line item of increased costs is legitimate and fully justified in light of the overall circumstances. The fact that several lenders have bided to provide financing, and that the Health, Educational, and Housing Facility Board of Shelby County has unanimously authorized a $215 million tax exempt bond issuance for the project, verify that the projected costs are reasonable and are being invested for the benefit of the public.

Summary and Conclusion

While the SNF is the only aspect of the larger CCRC project which is subject to the control of this Agency, it is vital to the feasibility and success of the CCRC project. While the requested time extensions and cost increases for the SNF are greater than are normally considered and approved this Agency, these modifications are necessary to allow not only the SNF, but the larger CCRC project to continue to go forward as envisioned. We respectfully request that the Agency approve these requests. For your convenience, a succinct summary of the approvals requested is attached as Attachment 5.

Please place this matter on the agenda for the April 25, 2018 Agency meeting. I and other representatives will be there to answer questions and provide additional information as needed. A check for the two 24 month extensions in the total amount of $20,928.64 is submitted herewith ($10,928.64 for CN1303-008A and $9,438.72 for CN1311-045A). Please let me know

if we have miscalculated the fee and we will be glad to rectify that. Thank you for your consideration of this request.

Sincerely yours,

Burr & Forman LLP

Jerry W. Taylor

ATTACHMENTS

REQUEST FOR MODIFICATION

The Farms at Bailey Station

CN1303-008A

CN1311-045A

Financing Letters	Attachment 1
Resolution of the Board of Health, Educational, And Housing Facilities Board	Attachment 2
General Contractor Letter	Attachment 3
Project Costs Charts and Notes to Same	Attachment 4
Approvals Requested	Attachment 5

IBERIABANK

4894 Poplar Avenue
Memphis, TN 38117

www.iberiabank.com

March 29, 2018

Mr. Rudy Herzke
President
Luke, Inc.
6465 N. Quail Hollow Rd., Suite 400
Memphis, TN 38120

Dear Mr. Herzke:

Based upon our discussions the Bank has the following framework understanding of the potential financing of the construction and mini perm associated with the 60 bed skilled nursing facility at The Farms at Bailey Station:

1) The Borrower will be Luke, Inc. dba The Farms at Bailey Station
2) The facility will be a Seven Year Construction/Mini Perm with the amount based upon the lesser of $26,500,000 or 80% of the "as completed" appraised value.
3) During the construction period (24 months) the line will only require payments of monthly accrued interest. On the twenty-fifth month, the funded amount will roll to a five year term loan (tax-exempt bond financing) with principal and interest payments based upon a 25 year amortization schedule.
4) Retirement Companies of America, LLC will guarantee the loan.
5) The loan will be collateralized by a priority 1st lien on the parcel of land and improvements for the 60-bed skilled nursing facility, located on the south side of Crooked Creek Rd., in Collierville.
6) During the construction period the line will accrue interest at the Wall Street Journal Prime Rate. The accrued interest will be due monthly. Once the outstanding debt rolls to the permanent phase the interest rate will be fixed at a rate equivalent to the 5 Year LIBOR SWAP rate + 120 basis points and monthly P&I payments will be based upon a 25 year amortization. As of today that "tax free" fixed rate would be 3.90%.

As we've discussed, any final commitment from the Bank will only be issued after further underwriting, due diligence and a formal credit approval. Of course any additional requirements will be covered as we move closer to closing. Hope this helps supply a clearer idea of what we're hoping to offer Luke, Inc.!

Sincerely,

John H Stevens
Senior Vice President

Attachment 1

RESOLUTION OF THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE COUNTY OF SHELBY, TENNESSEE PRELIMINARILY APPPROVING THE ISSUANCE OF REVENUE BONDS TO FINANCE AND/OR REFINANCE THE ACQUSITION, CONSTRUCTION, INSTALLTION AND EQUIPPING OF A SENIOR LIVING COMMUNITY AND RELATED MATTERS

WHEREAS, The Health, Educational and Housing Facility Board of the County of Shelby, Tennessee (the "Issuer") has been created pursuant to the provisions of Chapter 333 of the 1969 Public Acts of Tennessee, as codified in Title 48, Chapter 101, Part 3, Section 48-101-301 *et seq.*, Tennessee Code Annotated, as amended (the "Act"), and is now existing and operating as a public corporation under the Act; and

WHEREAS, the Issuer was created, among other purposes, for the benefit of the people of the State of Tennessee, the increase of their commerce, welfare and prosperity and the improvement and maintenance of their health and living conditions, and to enable "hospital institutions" in the State of Tennessee to provide congregate elderly facilities, dining halls, elderly housing, extended care facilities, food service and preparation facilities, health care facilities, laundry, maintenance facilities, nursing homes, nonprofit homes for the aged, offices, parking areas, recreational facilities, storage facilities, or any combination of the foregoing, which are sorely needed to accomplish such purposes, all to the public benefit and good; and

WHEREAS, "hospital institution" means any institution organized for-profit or not for profit authorized by law to provide congregate elderly facilities or extended care, or nursing home facilities in the State of Tennessee; and

WHEREAS, the Issuer has been informed by Luke, Inc., a Tennessee nonprofit corporation (the "Corporation"), that is an exempt organization within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), that the Corporation or an affiliate thereof proposes to acquire, construct, furnish and equip a senior living community expected to consist of independent living units, assisted living units, memory care units and skilled nursing beds to be located at or in close proximity to 3382 Grand Central Circle East Collierville, TN 38017 (the "Project"); and

WHEREAS, the most feasible method of financing the proposed project is for the Issuer to issue its revenue bonds or other appropriate obligations (the "Bonds") and lend the proceeds from the sale of the Bonds to the Corporation, with loan payments sufficient and timely to pay the principal of, premium (if any) and interest on said Bonds; and

WHEREAS, it is proposed that the Issuer issue its Bonds in one or more series and at one or more times in order to provide funds to (a) to pay the predevelopment costs and/or costs related to the acquisition, construction, furnishing and equipping of a senior living community to be located at or in close proximity to 3382 Grand Central Circle East Collierville, TN 38017 (the "Project"); (b) fund certain reserves, including capitalized interest, working capital and debt service reserves, and (c) pay the costs of issuance of the Bonds; and

WHEREAS, after careful study and investigation of the nature of the proposed Project at a meeting open to the public, held in accordance with all open meetings laws, the Issuer has determined that in assisting with the financing of the acquisition of the Project, it will be acting in furtherance of the public purposes of Chapter 101, Part 3 of Title 48, Tennessee Code Annotated (T.C.A. Section 48-101-301 *et seq.*) as amended; and

WHEREAS, the Corporation has requested that the Issuer indicate its willingness to issue its Bonds to finance and/or refinance the proposed Project so that the Project may proceed; and

WHEREAS, the Issuer has determined that it is in the best interest of the people of the State of Tennessee and the inhabitants of Shelby County, that the proposed Project should proceed without delay.

NOW, THEREFORE, BE IT RESOLVED as follows:

1. The Issuer hereby finds that the proposed Project is for the benefit of the people of the State of Tennessee and will increase their commerce, welfare and prosperity and improve their health and living conditions.

2. In order to indicate the Issuer's willingness to issue its Bonds in an amount up to $215,000,000 to finance and/or refinance, in whole or in part, Project and the other purposes described above, the execution and delivery to the Corporation of an inducement agreement is hereby authorized, said inducement agreement to be in substantially the form attached hereto as Exhibit "A" subject to such minor changes, insertions and omissions as may be approved by the Chairman or Vice Chairman of the Issuer and the execution of said inducement agreement by the Chairman or Vice Chairman and Secretary or Assistant Secretary of the Issuer as herewith authorized shall be conclusive evidence of any such approval.

3. The Chairman or Vice Chairman and Secretary or Assistant Secretary of the Issuer are further hereby authorized to take any and all further action and execute and deliver any and all other documents as may be necessary to issue and deliver the aforementioned Bonds and to effect the undertaking for which said Bonds are proposed to be issued. The Bonds will not be issued unless the Issuer adopts a Bond Resolution approving such documents.

4. The Issuer hereby appoints Stephen L. Anderson, counsel to the Issuer, as hearing officer (the "Hearing Officer") to schedule, advertise and hold a public hearing, at the office of the Hearing Officer, following reasonable public notice given at least fourteen (14) days prior to the hearing, with respect to the financing of the Project. The Hearing Officer shall prepare or cause to be prepared and file with the Issuer and with the chief elected executive officer of Shelby County, Tennessee a report of the statements made and materials submitted at the hearing. The Hearing Officer is authorized, following such hearing and report, to request approval of the Bonds by the chief elected executive officer of Shelby County, Tennessee in accordance with the provisions of Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code") and Treasury Regulations Section 5f.103-2.

5. Butler Snow LLP is designated as bond counsel for the Bonds.

6. It is the intention of the Issuer that this resolution constitutes a declaration of "official intent" of the Issuer to reimburse expenditures with the proceeds of Bonds, within the meaning of Treasury Regulations Section 1.150-2.

Adopted this March 14th 2018.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE COUNTY OF SHELBY, TENNESSEE

By: _____
Chairman

[SEAL]

Attest: _____
Secretary

SECRETARY'S CERTIFICATE

I, Natalie Lefkowitz, Secretary of The Health, Educational and Housing Facility Board of the County of Shelby, Tennessee, DO HEREBY CERTIFY that the foregoing two (2) pages of typewritten matter constitute a true and correct copy of the resolution adopted on March __ 2018, by said Board in a meeting, in accordance with all open meetings laws and the procedures of the said Board, duly called and assembled, which was open to the public and at which a quorum was present and acting throughout, and that the original of said resolution appears of public record in the Minute Book of said Board which is in my custody and control.

Given under my hand and the seal of said Board, this 14th day of March 2018.

Natalie Lefkowitz
Secretary

(SEAL)

LINKOUS
CONSTRUCTION COMPANY, INC

March 28, 2018

Mr. Rudolph Herzke, President
Luke, Inc.
6465 North Quail Hollow Rd., Suite 400
Memphis, Tennessee 38120

RE: Farms at Bailey Station
Jordan River Health Care Center

Dear Mr. Herzke:

Please accept this letter as confirmation that Linkous Construction Co., Inc. (State of Tennessee Contractors License No. 21690) shall serve as the General Contractor/Construction Manager for Farms at Bailey Station Jordan River Health Care Center. This project should have an approximate construction duration of 15 months. We will be hosting an official groundbreaking for this exciting project on May 29, 2018.

Please contact me with any questions you may have.

Sincerely,

Linkous Construction Co., Inc.

Rusty Linkous, President

RL/ml

1661 Aaron Brenner Drive • Suite 207 • Memphis, Tennessee 38120-1465
Tel. (901) 754-0700 • Fax (901) 754-0302
www.linkousconstruction.com

Attachment 3

PROJECT COSTS CHART

		ORIGINAL	REVISED
		1ST 30 BEDS CON	
A.	Construction and equipment acquired by purchase:		
	1. Architectural and Engineering Fees	$ 260,678	$ 642,000
	2. Legal, Administrative, Consultant Fees	213,282	559,000
	3. Acquisition of Site	360,000	360,000
	4. Preparation of Site	90,000	1,000,000
	5. Construction Costs	4,739,608	7,405,901
	6. Contingency Fund	236,980	388,000
	7. Fixed Equipment (Not included in Construction Contract)	-	163,000
	8. Moveable Equipment (List all equipment over $50,000.00)	183,000	575,000
	9. Other (Specify) Pre-Lease Marketing & Development Fees	210,000	704,000
B.	Acquisition by gift donation, or lease:		
	1. Facility (Inclusive of building and land)	-	-
	2. Building Only	-	-
	3. Land Only	-	-
	4. Equipment (Specify)	-	-
	5. Other (Specify)	-	-
C.	Financing Costs and Fees:		
	1. Interim Financing	330,411	578,000
	2. Underwriting Costs	-	175,000
	3. Reserve for One Year's Debt Service	346,932	346,932
	4. Other (Specify) Overall Project Contingency	314,677	380,000
D.	Estimated Project Cost (A+B+C)	7,285,568	13,276,833
E.	CON Filing Fee	16,393	27,000
F.	Total Estimated Project Cost (D & E)	7,301,961	13,303,833
	TOTAL	**$ 7,301,961**	**$ 13,303,833**

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L:\FABS HC INFO\FABS NURSING HOME\FABS CON EXTENSIONS--3-29-2018\FABS CON Project Costs Chart-CONST.xls

Attachment 4

PROJECT COSTS CHART

		ORIGINAL	REVISED
			2ND 30 BEDS CON
A.	Construction and equipment acquired by purchase:		
	1. Architectural and Engineering Fees	$ 241,169	$ 588,000
	2. Legal, Administrative, Consultant Fees	197,320	512,000
	3. Acquisition of Site	-	-
	4. Preparation of Site	-	-
	5. Construction Costs	4,384,893	6,773,875
	6. Contingency Fund	219,245	354,000
	7. Fixed Equipment (Not included in Construction Contract)	-	149,000
	8. Moveable Equipment (List all equipment over $50,000.00)	183,000	525,000
	9. Other (Specify) Pre-Lease Marketing & Development Fees	210,000	643,000
B.	Acquisition by gift donation, or lease:		
	1. Facility (Inclusive of building and land)	-	-
	2. Building Only	-	-
	3. Land Only	-	-
	4. Equipment (Specify)	-	-
	5. Other (Specify)	-	-
C.	Financing Costs and Fees:		
	1. Interim Financing	285,370	530,000
	2. Underwriting Costs	-	175,000
	3. Reserve for One Year's Debt Service	299,639	299,639
	4. Other (Specify) Overall Project Contingency	271,781	347,000
D.	Estimated Project Cost (A+B+C)	6,292,417	10,896,514
E.	CON Filing Fee	14,158	23,597
F.	Total Estimated Project Cost (D & E)	6,306,575	10,920,111
	TOTAL	**$ 6,306,575**	**$ 10,920,111**

PROJECT COSTS CHART

		ORIGINAL	REVISED
		COMBINED 60 BEDS CON	
A.	Construction and equipment acquired by purchase:		
	1. Architectural and Engineering Fees	$ 501,847	$ 1,230,000
	2. Legal, Administrative, Consultant Fees	410,602	1,071,000
	3. Acquisition of Site	360,000	360,000
	4. Preparation of Site	90,000	1,000,000
	5. Construction Costs	9,124,501	14,179,776
	6. Contingency Fund	456,225	742,000
	7. Fixed Equipment (Not included in Construction Contract)	-	312,000
	8. Moveable Equipment (List all equipment over $50,000.00)	366,000	1,100,000
	9. Other (Specify) Pre-Lease Marketing & Development Fees	420,000	1,347,000
B.	Acquisition by gift donation, or lease:		
	1. Facility (Inclusive of building and land)	-	-
	2. Building Only	-	-
	3. Land Only	-	-
	4. Equipment (Specify)	-	-
	5. Other (Specify)	-	-
C.	Financing Costs and Fees:		
	1. Interim Financing	615,781	1,108,000
	2. Underwriting Costs	-	350,000
	3. Reserve for One Year's Debt Service	646,571	646,571
	4. Other (Specify) Overall Project Contingency	586,458	727,000
D.	Estimated Project Cost (A+B+C)	13,577,985	24,173,347
E.	CON Filing Fee	30,551	50,597
F.	Total Estimated Project Cost (D & E)	13,608,536	24,223,944
	TOTAL	**$ 13,608,536**	**$ 24,223,944**

CON Extension Application – Notes to Cost Projection

- SECTION A. 1. - Architect/Engineer
  - Original estimates did not include the following A&E cost projections: Boundary survey, topographical survey, tree survey, subdivision plat, wetlands study, wetlands mitigation & test plans, revision of overall medical master plan, level one environmental study
- SECTION A.2 – Legal, Administrative , Consultant Fees
  - The original application did not anticipate certain ancillary consultant expenses such as travel. The largest increase in this category is pre-opening operating expenses during the period following certificate of occupancy and prior to final licensure approval .
- SECTION A.4. - Preparation of Site
  - Original estimates could not project the impact of the Wetlands mitigation (6 areas) ; also, additional costs due to many of the above conditions, in addition to increased roadwork and utilities costs.
- SECTION A.5. - Construction Costs
  - Original costs are 5 years old – substantial increase in per square foot cost over 5 years, and addition of approximately 4600 square feet of space.
- SECTION A.6. AND C.4 - Contingency Funds
  - Increased commensurate with construction cost
- SECTION A.7. AND A.8. - Fixed Equipment/ Moveable Equipment
  - Original estimate did not take into account expanded therapy space and additional equipment; also, the impact of equipping a laundry and commercial kitchen sufficient to handle Assisted Living and Memory Support at a future phase was not anticipated.
- SECTION A.9. – Pre-Lease Marketing & Development Fees
  - The original application did not anticipate development fees . The revised plan includes development fees for third party consultants as well as pre-lease marketing fees that were included in the original application.
- SECTION C.1. – Interim Financing Costs –
  - The original application did not provide for funded interest for the construction period. The revised plan includes these costs for the 15 month period of construction.
- SECTION C.2 – Underwriting Costs –
  - The original application anticipated bank debt on a taxable basis, therefore very little underwriting fees; the current plan of finance anticipates tax exempt issuance which requires higher underwriting fees

MAR 29 '18 PM3:52

Approvals Requested:

1. CN1303-008A: Extension of time from July 1, 2018 to July 1, 2020.

2. CN1303-008A: Increase approved estimated project cost from $7,285,568 to $13,276,833 (both exclusive of filing fees).

3. CN1311-045A: Extension of time from July 1, 2018 to July 1, 2020.

4. CN1311-045A: Increase approved estimated project cost from $6,292,417 to $10,896,514 (both exclusive of filing fees).

VOID VOID

Luke, Inc.
6465 N. Quail Hollow Road
Suite 400
Memphis, TN 38120

Trustmark National Bank
1365 South Germantown Road
Germantown, TN 38138

0000002420

TM

85-27
653

March 27, 2018

Pay to the order of

Twenty thousand three hundred sixty seven and 36/100 dollars . . . . . $*20,367.36

Void After 180 Days.

TN Health Services & Development Agency
Frost Building, 3rd Floor
161 Rosa L. Parks Blvd
Nashville, TN 37243

VOID

AUTHORIZED SIGNATURE

Security features included. Details on back.

⑈0000002420⑈ ⑆065300279⑆ 6500134072⑈

MAR 29 '18 PM3:51

Jerry W. Taylor, Esq.
Stites & Harbison, PLLC
401 Commerce Street, Suite 800
Nashville, TN 37219

RE: The Farms at Bailey Station Skilled Nursing Facility - CN1303-008A

Dear Mr. Taylor:

As referenced in our recent letter, please find enclosed your Certificate of Need for the above-referenced application that was approved at the June 26, 2013, meeting of the Tennessee Health Services and Development Agency.

The Health Services and Development Agency Rules require that an *Annual Progress Report be submitted each year* and a *Final Project Report form is to be submitted within ninety (90) days after completion of a project* which shall include completion date, final costs, and other relevant information in regards to the project, pursuant to Public Acts 2002, Chapter No. 780, § 16-11-1609(d). Also required is the registration of certain medical equipment pursuant to Tennessee Code Annotated § 68-11-1607(i), which states "*The owners of the following types of equipment shall register such equipment with the health services and development agency: computerized axial tomographers, lithotripters, magnetic resonance imagers, linear accelerators and positron emission tomography.*" ....."*The survey shall include but not limited to the identification of the equipment and utilization data according to source of payment.*"

The aforementioned forms can be found on the Agency's website at www.tennessee.gov/HSDA. Should you have any questions or require further information regarding this Certificate, please do not hesitate to contact this office.

Sincerely,

Melanie M. Hill
Executive Director

MMH/mab

cc: Dan Henderson, Division of Health Statistics, Office of Policy, Planning & Assessment
Ann R. Reed, Health Care Facilities - Licensure
Bill Harmon, Director of Engineering, Health Care Facilities

68-11-1601, *et seq.*, and rules and regulations issued thereunder by this Agency.

To: Luke, Inc.
2171 Judicial Drive, Suite 215
Germantown, TN 38138

For: The Farms at Bailey Station Skilled Nursing Facility

This Certificate is issued for: The establishment of a skilled nursing facility consisting of thirty (30)* Medicare certified skilled nursing beds to be part of a continuing care retirement community (CCRC).

*These beds are subject to the 2012-2013 Nursing Home Bed Pool.

On the premises located at: Unaddressed site on Crooked Creek Road off Houston Levee Road
Collierville (Shelby County), TN 38017

For an estimated project cost of: $7,301,961.00

The Expiration Date for this Certificate of Need is

August 1, 2016

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the expiration date, this Certificate of Need is null and void.

Date Approved: June 26, 2013 D. Lee Johnson
Chairman

Date Issued: July 24, 2013
Executive Director

HF-0022 (Rev.1/04)

STATE OF TENNESSEE
HEALTH SERVICES AND DEVELOPMENT AGENCY

500 Deaderick Street, Suite 850
Nashville, TN 37243
615/741-2364

ANNUAL PROGRESS REPORT
ANNUAL REVIEW FOLLOWING CERTIFICATION

Project Name: The Farms at Bailey Station Skilled Nursing Facility Certificate of Need #: CN1303-008A

Legal Owner: Luke, Inc. Approval Date: June 26, 2013

Project Description:
The establishment of a skilled nursing facility consisting of thirty (30) Medicare certified skilled nursing beds to be part of a continuing care retirement community (CCRC).

******PLEASE SUBMIT EVIDENCE TO SUPPORT EACH ANSWER******

In a brief narrative, please describe the current stage of completion for the project (use another sheet of paper if necessary). **Please note that this report will not be considered complete without this information.**

A. CONSTRUCTION PROJECTS

1. Anticipated date of project completion. July 1, 2018
2. Provide written confirmation from the contractor documenting the stage of construction at the current time.
3. If proposed construction costs have increased over ten (10%) percent please provide information as an attachment to this form. Please note that such an overrun could require additional action before the Agency.

B. NON-CONSTRUCTION PROJECTS

1. Anticipated date of service implementation, acquisition or operation of the facility or equipment as certified.
2. Provide written confirmation from the institutional representative verifying the occupancy/opening date for the service, equipment, or facility.

Michelle Vincent
Signature of Authorized Agent or Chief Operating Officer

3/31/2017
Date

HSDA-0054 (Revised 1/07 – All forms prior to this date are obsolete)

Annual Progress Report
The Farms at Bailey Station
CN1303-008A and CN1311-045A

Due to the scope and complexity of the comprehensive project, described below, construction on the CON-covered facility has not occurred, but it is anticipated to commence this summer.

The 30 bed SNF authorized by CN1303-008A and the 30 additional beds for the same facility authorized by CN1311-045A will be part of a larger continuing care retirement community ("CCRC") called The Farms at Bailey Station, ("the Farms"), (www.thefarmsatbaileystation.com). The Farms is an approximately $200 million project with three major components: (1) 63 zero lot line garden homes, (2) 266 independent living apartments with a 40,000 sq. ft. clubhouse with 5 restaurants, a Performing Arts Center, an athletic club, a salon and spa, and many other amenities, and (3) a health campus including the 60 bed SNF, assisted living, memory care, and inpatient and outpatient rehabilitation.

Ground-breaking for the SNF and rehabilitation center is anticipated to occur in either the 2nd or 3rd quarter of 2017. The CON expiration date is July 1, 2018, so a short extension may be required. If so, a request for extension will be submitted at the appropriate time.