



\$20,160,000 – FINAL ISSUANCE AMOUNT – CLOSED 5/4/2017

PAB CONDUIT

**\$20,160,000
The Lodge of Northbrook, Inc.**

April 13, 2017

REQUEST	<p>Purpose: Bond proceeds will be used by The Lodge of Northbrook, Inc. (the “Borrower”, the “Corporation” or “The Lodge”) for refinancing existing construction indebtedness and for financing capital improvements including: (i) the acquisition of an additional leasehold interest in approximately 5.303 acres of land, (ii) the construction of 60 independent living units and 8 two-bed assisted living units in a 157,983 square foot three story building, including the construction of a 26,266 square foot underground parking facility, Phase IV of a housing complex for the elderly at 2244 Founders Drive in Northbrook, Cook County, Illinois, and (iii) the acquisition, construction, renovation and refinancing of various other capital improvements and equipment related to the complex (collectively, the “Project”), and pay certain expenses in connection with the issuance of the Bonds.</p> <p>Program: Conduit 501(c)(3) Revenue Bonds</p> <p>Extraordinary Conditions: None.</p>																																								
BOARD ACTIONS	Final Bond Resolution (<i>One-time consideration</i>).																																								
JOB DATA	<table border="0"> <tr> <td>13</td> <td>Current jobs</td> <td>18</td> <td>New jobs projected</td> </tr> <tr> <td>N/A</td> <td>Retained jobs</td> <td>75</td> <td>Construction jobs projected</td> </tr> </table>	13	Current jobs	18	New jobs projected	N/A	Retained jobs	75	Construction jobs projected																																
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DESCRIPTION	<ul style="list-style-type: none"> • Location: Northbrook, Illinois (Cook County/Northeast Region) • The Lodge of Northbrook has completed Phase I, II and III containing 96 units and common areas and services located at 2220 Founders Drive in Northbrook. Phase IV, containing 60 independent living units, 8 two-bed assisted living units and common areas will commence construction in February 2017. The Lodge is designed around the needs and wants of seniors who want to take advantage of home ownership atmosphere without all the responsibility and liability that comes with home ownership. Essex Corporation, as developer of the community, brings substantial expertise to The Lodge of Northbrook, having designed, built, and managed three similar projects in the Chicago area as well as 30+ senior residences throughout the Midwest. 																																								
SECURITY	<ul style="list-style-type: none"> • The 2017 bondholder will have a leasehold mortgage and an assignment of rents and leases. The leasehold has approximately 95 years left before the lease expires on February 29, 2112. • Guaranty by individual shareholders of Essex Corporation (Developer) as to prompt payment of the indebtedness and punctual performance of all obligations of the Borrower undertaken pursuant to the Indebtedness or as otherwise required by the Loan Documents. Guaranty is in place during marketing of Phase IV. Guaranty will be released upon the Net Revenues of the Borrower equaling or exceeding 115% of the Average Annual Debt Service Requirements of the Borrower for one full calendar year (which will indicate sufficient occupancy levels). 																																								
MATURITY	<ul style="list-style-type: none"> • Not later than 30 years after 2017 issuance date. 																																								
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SOURCES AND USES	<table border="0"> <thead> <tr> <th colspan="2">Sources:</th> <th colspan="2">Uses:</th> </tr> </thead> <tbody> <tr> <td>IFA Bonds</td> <td>\$20,160,000</td> <td>Land Costs</td> <td>\$565,000</td> </tr> <tr> <td>Entrance Fees</td> <td><u>18,668,286</u></td> <td>New Construction</td> <td>\$28,651,268</td> </tr> <tr> <td></td> <td></td> <td>Absorption / Debt Service Reserve</td> <td>\$1,541,715</td> </tr> <tr> <td></td> <td></td> <td>Furniture / Equipment</td> <td>\$893,326</td> </tr> <tr> <td></td> <td></td> <td>Architectural, Engineering & Design</td> <td>\$952,004</td> </tr> <tr> <td></td> <td></td> <td>Legal & Financing</td> <td>\$738,561</td> </tr> <tr> <td></td> <td></td> <td>Professional / Marketing</td> <td>\$4,808,178</td> </tr> <tr> <td></td> <td></td> <td>Capitalized Interest</td> <td><u>\$678,234</u></td> </tr> <tr> <td>Total</td> <td><u>\$38,828,286</u></td> <td>Total</td> <td><u>\$38,828,286</u></td> </tr> </tbody> </table>	Sources:		Uses:		IFA Bonds	\$20,160,000	Land Costs	\$565,000	Entrance Fees	<u>18,668,286</u>	New Construction	\$28,651,268			Absorption / Debt Service Reserve	\$1,541,715			Furniture / Equipment	\$893,326			Architectural, Engineering & Design	\$952,004			Legal & Financing	\$738,561			Professional / Marketing	\$4,808,178			Capitalized Interest	<u>\$678,234</u>	Total	<u>\$38,828,286</u>	Total	<u>\$38,828,286</u>
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RECOMMENDATION	Credit Review Committee recommends approval.																																								

**ILLINOIS FINANCE AUTHORITY
 BOARD SUMMARY
 April 13, 2017**

Project: The Lodge of Northbrook, Inc.

STATISTICS

Project Number: 12375	Amount: \$20,160,000 (not-to-exceed)
Type: 501(c)(3) Bonds	IFA Staff: Pam Lenane
Location: Northbrook, Illinois	County/Region: Cook County/ Northeast

BOARD ACTION

Final Bond Resolution (<i>One-time consideration</i>)	
Conduit 501(c)(3) Bonds	No extraordinary conditions
Credit Review Committee recommends approval	No IFA funds at risk

PURPOSE

Bond proceeds will be used by **The Lodge of Northbrook, Inc.** (the “**Borrower**”, the “**Corporation**” or “**The Lodge**”) for refinancing existing construction indebtedness and for financing capital improvements including: (i) the acquisition of an additional leasehold interest in approximately 5.303 acres of land, (ii) the construction of 60 independent living units and 8 two-bed assisted living units in a 157,983 square foot three story building, including the construction of a 26,266 square foot underground parking facility, Phase IV of a housing complex for the elderly at 2244 Founders Drive in Northbrook, Cook County, Illinois, and (iii) the acquisition, construction, renovation and refinancing of various other capital improvements and equipment related to the complex (collectively, the “**Project**”), and pay certain expenses in connection with the issuance of the Bonds.

IFA PROGRAM AND CONTRIBUTION

501(c)(3) Bonds are a form of municipal bond financing that 501(c)(3) corporations can use to finance and refinance capital projects that will be used to further their charitable mission. IFA’s issuance will convey federal income tax-exempt status on interest earned on the Bonds paid to bondholders, thereby reducing the Borrower’s interest expense.

VOLUME CAP

501(c)(3) Bonds do not require Volume Cap.

ESTIMATED SOURCES AND USES OF FUNDS

Sources:		Uses:	
IFA Bonds	\$20,160,000	Land Costs	\$565,000
Entrance Fees	<u>18,668,286</u>	New Construction	28,651,268
		Absorption / Debt Service Reserve	1,541,715
		Furniture / Equipment	893,326
		Architectural, Engineering & Design	952,004
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		Professional / Marketing	4,808,178
		Capitalized Interest	678,234
Total	<u>\$38,828,286</u>	Total	<u>\$38,828,286</u>

JOBS

Current employment:	13	Projected new jobs:	18
Jobs retained:	N/A	Construction jobs:	75

FINANCING SUMMARY/STRUCTURE

Security: The bondholder will have a leasehold mortgage and an assignment of rents and leases. The leasehold has approximately 95 years left before the lease expires on February 29, 2112.

Guaranty by individual shareholders of Essex Corporation (Developer) as to prompt payment of the indebtedness and punctual performance of all obligations of the Borrower undertaken pursuant to the Indebtedness or as otherwise required by the Loan Documents. Guaranty is in place during marketing of Phase IV. Guaranty will be released upon the Net Revenues of the Borrower equaling or exceeding 115% of the Average Annual Debt Service Requirements of the Borrower for one full calendar year (which will indicate sufficient occupancy levels).

Structure: The plan of finance contemplates a Direct Purchase Bond by Great Western Bank. The Bonds will be issued to take-out a bank construction loan on Phase III of this project and provide financing of the fourth phase of construction.

Interest Rate: 3.95%

Interest Modes: Variable rate adjusted every 5 years

Current Rating: The Bonds will not be rated.

Maturity: Not later than 30 years after 2017 issuance date.

Estimated Closing Date: April 2017

PROJECT SUMMARY (FOR FINAL BOND RESOLUTION)

Bond proceeds will be used by **The Lodge of Northbrook, Inc.** (the “**Borrower**”, the “**Corporation**” or “**The Lodge**”) for refinancing existing construction indebtedness and for financing capital improvements including: (i) the acquisition of an additional leasehold interest in approximately 5.303 acres of land, (ii) the construction of 60 independent living units and 8 two-bed assisted living units in a 157,983 square foot three story building, including the construction of a 26,266 square foot underground parking facility, Phase IV of a housing complex for the elderly at 2244 Founders Drive in Northbrook, Cook County, Illinois, and (iii) the acquisition, construction, renovation and refinancing of various other capital improvements and equipment related to the complex (collectively, the “**Project**”), and pay certain expenses in connection with the issuance of the Bonds.

BUSINESS SUMMARY

Background: **The Lodge of Northbrook, Inc.** (the “**Borrower**”) is an Illinois not-for-profit 501(c)(3) organization that was incorporated on August 16, 2011 to provide residential facilities for the aged. The facilities are designed to meet the needs of the aged, including suitable housing, civic, cultural and recreational activities, and an overall environment conducive to dignity and independence. Phases I, II and III of The Lodge of Northbrook, Inc. are three story brick buildings designed around the needs and wants of seniors who want to take advantage of home ownership atmosphere without all the responsibility and liability that comes with home ownership. Phases I, II and III consist of 96 independent living units and common areas. Construction of

Phase IV on a site adjacent to Phases I, II and III of the project will begin in February 2017 and will consist of 60 independent living units and 8 two-bed assisted living units and common areas.

According to US Census data, there are 20,685 households with people over 65 years of age and annual incomes over \$35,000 living within a 5-mile radius of the project site.

The units are now priced with entrance fees ranging from \$88,886 to \$667,058 and monthly fees ranging from \$992 to \$4,547. Residents may participate in an optional meal plan for an additional charge. Residents paying a supplemental fee in addition to the entrance fee will receive a discount in the standard monthly fee. The entrance and supplemental fees are returned to residents (or their estate) upon leaving the community from payments made by new incoming residents.

The site is zoned appropriately (“RS”).

The Developer: **Essex Corporation (“Essex” or the “Developer”)**, a Nebraska corporation, is the project developer and administrator pursuant to a development and management agreement with The Lodge of Northbrook, Inc.

Essex Corporation has been active in designing, developing, constructing, marketing, financing and managing senior housing since its inception in 1976. The company offers its services to not-for-profit (or for-profit) owners on a bundled or unbundled basis and on a turn-key or joint venture format.

Essex has developed over 3,000 senior housing units in 11 states in the West and Midwest, in projects ranging in size from \$500,000 to \$25,000,000. Essex Corporation currently manages The Lodge of Northbrook and other similar facilities.

Essex Corporation was the developer for The Reserve of Geneva, a senior living facility financed with IFA Bonds in 2005 and 2014. All payments on The Reserve of Geneva project (owned by another entity, but pre-developed with the assistance of Essex) have been made as scheduled as of 3/1/2017.

The Investor: **Great Western Bank (the “Bank” or the “Investor”)** has experience in the acquisition, holding, selling and otherwise dealing with a portfolio of federally tax-exempt mortgage revenue bonds which have been issued to provide construction and/or permanent financing of senior housing properties.

Great Western Bancorp, Inc. (NYSE: GWB) is the bank holding company for Great Western Bank, a regional bank with over 170 branches in markets across nine states. The Bank was founded more than 80 years ago as a hometown, community bank. Great Western Bank retains their position as a hometown bank in the communities they serve. The Bank has \$11.42 billion in assets, and equity of nearly \$1.7 billion. Credit Ratings: Kroll Senior Unsecured BBB+ (Holding Company), A- (Bank).

ECONOMIC DISCLOSURE STATEMENT

Applicant: The Lodge of Northbrook, Inc.

Site Address: 2220 Founders Drive
Northbrook, IL 60062
(847) 772-9100

Contact: Julie Bennett, Vice President, Essex Corporation, Developer

Website: <http://www.lodgeofnorthbrook.com>

Project name: The Lodge of Northbrook, Inc. (Series 2017)
Organization: 501(c)(3) Not-for-Profit Corporation
State: Illinois
Board Members: Charles Bell Jenanne Rock
Patrick Brown Art Brantman
Mary Staackmann Robert Lozaro

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Aronberg Goldgehn	Omaha	Robert Sodikoff
Bond Counsel:	Baird Holm	Omaha	Chuck Addy
Bond Purchaser:	Great Western Bank	Omaha	Gordon Harnisch
Accountant:	Lutz & Company	Omaha	Shawn Wederquist
Architect:	Avant Architects	Omaha	Larry Smith
General Contractor:	McShane Construction	Rosemont	Matt Dougherty
IFA Counsel:	Charity & Associates	Chicago	Tim Hinchman
IFA Financial Advisor:	Sycamore Advisors, LLC	Chicago	Courtney Tobin

LEGISLATIVE DISTRICTS

Congressional: 9
State Senate: 9
State House: 17

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SERVICE AREA

The Lodge of Northbrook, Inc.'s primary service area includes the city of Northbrook, IL and its surrounding community.

