GENERAL COUNSEL'S REPORT

June 22, 2016

B. The Farms at Bailey Station, Collierville (Shelby County), TN – CN1311-045A

Request for an 15 month extension from April 1, 2017 to July 1, 2018.

The project was previously approved February 26, 2014, by a 7-0 vote.

The addition of thirty (30)* Medicare-certified skilled beds to be part of the thirty (30) Bed SNF approved by CN1303-008A for a total of 60 SNF beds. The estimated project cost is $6,306,575.00.

*These beds are subject to the 2013-2014 Nursing Home Bed Pool

Groundbreaking is expected to occur in the 3rd quarter of 2016, with completion in early 2018.

BURR • • • FORMAN LLP

results matter

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May 27, 2016

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:
Farms at Bailey Station, CN1303-008A
Farms at Bailey Station, CN1311-045A

Dear Jim,

The two CONs referenced above are both part of the same overall project – an approximately $160M+ continuing care retirement community (CCRC) to be located on 34 acres in Shelby County. 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 was approved on June 26, 2013 and has an expiration date of August 1, 2016. CN1311-045A was approved on February 26, 2014 and has an expiration date of April 1, 2017. The CON holder, Luke, Inc., a Tennessee not-for-profit corporation, requests an extension of both CONs to July 1, 2018.

The need for the extensions stems primarily 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. Also included in the complex will be a 400,000 square foot Clubhouse with 6 restaurants, a 300+ seat performing arts center, a fitness center with an indoor pool, sauna, steam, chapel, health clinic, salon, movie theater, arts and crafts room, library and business center, and a park-like courtyard called "Central Park" the size of a Canadian football field. Future phasing will include assisted living and memory care services. The sprawling complex will be located on approximately 34 acres of currently undeveloped land in the Collierville community in eastern Shelby County. The estimated cost of the entire CCRC project is approximately $160 million.

A number of pre-construction steps are required before ground-breaking can occur. Those steps are well underway, but are not yet completed. A certain number of independent

living apartments (70% of phase one or 126 apartments) must be pre-sold with 10% deposits in order to assure viability. The sales team has reached approximately 44% (or 55 10% apartment deposits) of its goal, and those efforts are continuing. 17 garden home lots have been sold in addition to the 55 apartments and 7 couples will start building their garden homes this summer. In March of this year, Retirement Companies of America ("RCA") retained the services of Greystone, a national developer and manager of Senior Living communities, to assist them in the areas of marketing and finance. This added bench strength has already had an impact on the pace of sales and interest in financing the project. In addition, a financing package including both public and private financing has to be negotiated and closed. To date, two well-known national issuers of bonds (HJ Sims and Ziegler) have expressed interest in financing the project.

The current best estimate as to ground-breaking is as follows: Garden Homes: ground-breaking 3rd Quarter of 2016; Skilled Nursing Facility: ground-breaking 1st Quarter of 2017; Senior Apartments and Clubhouse: ground-breaking 3rd Quarter of 2017. This estimated schedule should permit the SNF to be completed by the 1st Quarter of 2018, but an additional cushion is needed to allow for unknown contingencies and the licensure survey.

Please place this matter on the agenda for the June 22, 2016 Agency meeting. I and other representatives will be there to answer questions and provide additional information as needed. A check for the two extensions in the total amount of $16,372.48 is submitted herewith ($10,473.28 for CN1303-008A and $5,899.20 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 assistance.

Sincerely yours,

Burr & Forman LLP

Jerry W. Taylor

State of Tennessee
Health Services and Development Agency
Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

March 26, 2014

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

RE: The Farms at Bailey Station - CN1311-045A

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 February 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: Trent Sansing, Division of Health Statistics, Office of Policy, Planning & Assessment
Ann R. Reed, Health Care Facilities - Licensure
Bill Harmon, Director of Engineering, Health Care Facilities

STATE OF TENNESSEE
Health Services and Development Agency

Certificate of Need No. **CN1311-045A** is hereby granted under the provisions of T.C.A. § 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

This Certificate is issued for: The addition of thirty (30)* Medicare-certified skilled beds to be part of the thirty (30) Bed SNF approved by CN1303-008A for a total of 60 SNF beds.

*These beds are subject to the 2013-2014 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: $6,306,575.00

The Expiration Date for this Certificate of Need is

April 1, 2017

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: February 26, 2014

Chairman

Date Issued: March 26, 2014

Executive Director

HF-0022 (Rev.1/04)