

INFORMATION PACKET

REGARDING SALE OF CHAMPAIGN COUNTY NURSING HOME

RESOLUTION NO. 2018-141



CHAMPAIGN COUNTY ADMINISTRATIVE SERVICES

1776 East Washington Street, Urbana, Illinois 61802-4581

ADMINISTRATIVE, BUDGETING, PURCHASING, & HUMAN RESOURCE
MANAGEMENT SERVICES

Debra Busey, Interim County Administrator

TO: Members of the Champaign County Board

FROM: Debra Busey, Interim County Administrator *DB*
Van Anderson, Temporary Special Projects Administrator *Van*

DATE: Friday, May 18, 2018

RE: RFP 2018-001 – Information Regarding Public Comments

Several questions have been raised and statements have been made by the public concerning the sale of the Champaign County Nursing Home (CCNH). The information below is provided to address some of those questions and statements to ensure you have received the most complete and accurate information available to us as you make your final decision of the potential sale of CCNH.

The information presented below is divided into the issues that were either questioned or commented on by members of the public. If the information was presented at a County Board meeting, the meeting and time of the speaker's presentation is referenced. For instance, the first commenter below began their presentation at 46 minutes and 12 seconds into the May 15th Committee of the Whole (COW) meeting which is referenced as (COW, May 15th, 46:12). The meeting videos are available on the County Clerks website at: <https://www.youtube.com/user/champaigncountyclerk> for your reference.

Due Diligence and the \$11 Million Asking Price

Question or Comment (COW, May 15th, 46:12): A public commenter indicated that the biggest problem with the sale is the due diligence process or lack thereof. The commenter went on to say that no one on the County Board nor the administrative staff is a health care finance expert; that this was not a simple real estate transaction but rather a specialized and complicated business sale; that there was a need to hire an independent specialist to conduct a valuation and situation analysis; and that we needed to do a local market analysis to include the regulatory environment.

Response: In fact, the county completed the activities identified above leading up to the release of RFP 2018-001 and there was not a lack of due diligence. Not one but two independent valuations were completed by two brokerage firms specializing in seniors housing, including skilled nursing facilities, in the United States. Therefore, a pause should not be initiated as it would only repeat valuations already completed.

Former County Administrator Rick Snider sent information on the first valuation and an effort to find an alternative to the then current management firm operating CCNH. His complete response, including the market evaluation of CCNH, is provided as **Attachment 1**. He stated that in the summer of 2016, as the county began investigating options for the future of CCNH, Evans Senior Investments (Seniors Housing and Skilled Nursing Solutions) provided valuations for CCNH "based on both a financial analysis to yield a capitalization rate investment scenario and a comparable sales scenario." Mr. Snider further stated:

In addition to the valuation, they also provided leads to firms that offered management services that might provide an alternative to the provider (at that time, Management Performance Associates of St. Louis). This was done to explore possibilities to "right the ship" and maintain the home as a public operation. Unfortunately, the leads did not result in any feasible proposals to assume operations of CCNH.

The entire valuation process is problematic as the home has lost money for many years so any ROI calculation is going to have a negative yield. The only means of generating a value is to do so on a prospective basis, which has been done using median expense values for other Illinois skilled nursing facilities. My experience is that the market itself is the best reference for price. In our situation, I think that any claim that the home is worth significantly more than the proposed sale price doesn't hold water. If that were the case, we would have had multiple offers as there is a vigorous market for SNFs. The saving grace for CCNH is that despite the low census and poor financial performance, it is a relatively new building and I think that may hold some interest for a prospective operator that wants to have a long-term presence in the community. In any case, I have yet to see any evidence that CCNH is being undervalued. Homes I have looked up that have sold for greater dollars/bed are also generating positive cash flow.

Finally, the census at the time of the valuation was significantly greater (180) than it is today, so that the value is likely less today than what it would have been in 2016. The original range was \$9.9 million (based on comps) to \$10.1 million to \$12.9 million (direct cap rate valuation). You can see the approximate value on a per-bed basis, which is also another measure used to compare transactions. I am forwarding with this e-mail a copy of the report. **Note that CCNH has expenses that fall into the top quartile of Illinois SNFs but only has revenue that is approximately at the median level.** (Emphasis added.)

The second valuation was done a year later as a result of RFI 2017-004: Property Brokerage and Consulting Services for the Sale or Transfer of the Champaign County Nursing Home issued on May 10, 2017. The County Board approved contracting with Institutional

Property Advisors (IPA), a Division of Marcus and Millichap, through Resolution No. 10008 on June 22, 2017.

IPA Seniors Housing group arranges transactions for independent living, assisted living and skilled nursing facilities, as well as continuing care retirement communities throughout the Midwest and nationwide. The group is led by Joshua Jandris, Senior Managing Director, an industry leader in county-owned nursing home transactions, with a market share over 95 percent. Since 2010, he and his team have closed over \$3 billion in seniors housing transactions across 32 states giving them unmatched experience in the valuation and brokerage of facilities like CCNH.

IPA did a complete market analysis and valuation and arrived at what they considered an aggressive price of \$11 million for a facility that was operating at a loss. To justify the price, they built a Pro Forma analysis for CCNH projecting the performance of the facility if owned and operated by a for-profit entity. Their complete marketing memorandum that was used to market the property for RFP 2018-001 is provided as **Attachment 2**. Matthew Andriano who was part of the marketing team provided the following comments on the pricing when contacted during the Evaluation Committee review:

One thing to note, is that we sent this opportunity out to several thousand groups across the country. It was very widely marketed to say the least. At the end of the day, we only received 1 offer at our \$11M price. The market and buyers are very efficient and when they see value, they act quickly. If the asset were priced at \$7-8M, I feel we would have had a handful of offers, but at \$11M, it was very difficult.

Skilled nursing beds in the state of Illinois just do not trade very easily, especially when the facilities are losing money. We are marketing another package of homes in the state, and these buildings are making \$12.8M in total combined EBITDAR, and the offers are only at \$53k/bed. For us to be at \$45k/bed on a home that is losing several million dollars annually is a huge win in our opinion.

The first quote is important as it tells us that our price was at the top of the range which restricted the number of interested buyers. Underscoring that point was a second potential buyer that did not respond to the RFP but rather indicated they were willing to talk to the county at \$7 million for CCNH. And at \$7 million, the county could not cover all the costs associated with the sale of the property and pay off the bond indebtedness let alone the money owed to vendors and to the county.

Further evidence of the county's due diligence in this matter, to ensure proper representation in this transaction, the county retained the services of Polsinelli, PC. We are represented by Charles P. Sheets and Orren S. Adams. Information on the firm and the specialties of the two attorneys are provided below. As you will note,

Polsinelli is an Am Law 100 firm with more than 825 attorneys in 20 offices. Ranked #24 for Client Service Excellence¹ and #10 for best client relationships² among 650 U.S. law firms, Polsinelli was also named among the top 30 best-known firms in the nation³. The firm's attorneys provide value through practical legal counsel infused with business insight, and focus on health care, financial services, real estate, intellectual property, mid-market corporate, labor and employment, and business litigation.

Charles Sheets is the lead attorney working on behalf of Champaign County. He concentrates his practice on government regulation and litigation for builders and operators of hospitals, nursing homes, surgical centers, assisted living facilities, and other health care providers. His clients also include intermediate care facilities for the developmentally and/or mentally disabled (ICFDD, ICFMR), skilled pediatric facilities, ambulatory surgery centers, therapy companies, health care trade associations, and construction companies.

Charles' health law, governmental, and regulatory background includes experience handling in Medicare and Medicaid certification and reimbursement disputes before the Centers for Medicare and Medicaid Services, as well as compliance issues before the Office of Inspector General. His wealth of experience is sought after across the state; he has lectured on the certification and regulatory processes of the federal and state regulatory agencies in Illinois.

Orren Adams closes deals. Whether a merger, offering, divestiture or financial reorganization, both domestic and international organizations rely on his strategic legal counsel. His transaction experience, working with some of the nation's largest clients to closely-held and family owned enterprises, allows for a deep understanding of the client, the adverse party and the related industry.

Orren has taken a lead in the skilled nursing and assisted living transaction practice, having closed a number of acquisitions, sales, and lease purchase option transactions totaling over nine figures in transaction value. Similarly, his manufacturing practice and real estate practice traditionally close deals in the eight-figure range.

Bottom Line: The County Board and administration have performed all due diligence activities required to date for the RFP process. Two firms specializing in the valuation and sale of skilled nursing facilities independently arrived at CCNH valuations that were overlapping. Therefore, based on the operations of CCNH, the selling price is a fair market valuation. If the CCNH was undervalued, this would have increased the number of bids received from prospective buyers which was not the case. And, Champaign County has

engaged legal representation by attorneys specializing in all the areas required for the sale of a skilled nursing facility.

Paying Off the Nursing Home Debt

Question or Comment (COW, May 15th, 46:12): The same commenter indicated that the \$11 million price tag is not enough to resolve the debt.

Response: Based on the known estimates of costs, the \$11 million offer will cover all the costs of the sale, the costs of paying off the bond debt, the costs associated with paying off the bonds (i.e., bond counsel, financial advisor, accountant), the costs associated with the subdivision of the property including the sidewalk required by the City of Urbana along one side of Art Bartell Road, the vendor debt which was \$2.19 million at the end of April, and approximately \$1 million towards the amounts due to the county from the nursing home (Table 1). The remaining \$1.9 million in CCNH costs covered by the county will be recovered through collection of the accounts receivable. If the bad debt losses of the accounts receivable reduce the income below the amount needed to pay off the entire amount owed to the county, the remainder will be repaid by the reallocation of the 2019 property taxes that would normally go to CCNH.

Bottom Line: The \$11 million sale price and the CCNH accounts receivable should be adequate to pay off all the debt associated with CCNH. Any shortfall due to CCNH accounts receivable bad debt can be resolved with a reallocation of the CCNH property tax assessment.

Table 1. Champaign County Nursing Home Sale: Use of Proceeds				
Item	Type	Amount	Cumulative	Notes
CCNH Sale	Cash sale proceeds	\$ 11,000,000.00	\$ 11,000,000.00	
Broker's Fee	2.5% of Purchase Price	\$ (2,75,000.00)	\$ 10,725,000.00	
Escrow Holdback	3% per the Asset Purchase Agreement	\$ (330,000.00)	\$ 10,395,000.00	
Escrow Fee	50% of escrow closing fees		\$ 10,395,000.00	
Polinelli, PC	Outside Counsel		\$ 10,395,000.00	
Chapman and Corder, LLP	Bond Counsel	\$ (4,500.00)	\$ 10,390,500.00	2005 A/B Bond Series analysis, 2005A Private Use Calculation
Casper, Deman & Moore, PC	Accountant	\$ (2,000.00)	\$ 10,388,500.00	2005 bonds verification report
Recording Fees	Removable Exceptions* and Survey Defects**		\$ 10,388,500.00	
CCNH Accruals	Vacation, sick leave, etc.	\$ (226,285.19)	\$ 10,162,214.81	As of 3/31/2018
Bond Series 2011	Defeasance Escrow	\$ (4,570,300.00)	\$ 5,591,914.81	Aggregate Principal plus interest charges through 7/1/2021
Bond Series 2015	Defeasance Escrow	\$ (2,075,099.00)	\$ 3,516,815.81	Aggregate Principal plus 2018 interest charges
Bond Call Premiums			\$ 3,516,815.81	
Chapman and Corder, LLP	Bond Counsel		\$ 3,516,815.81	Draft escrow agreements, ordinances for bond defeasance redemption and property tax abatement
Raymond James	Financial Advisor		\$ 3,516,815.81	Develop financing plan, identify and a mix with government securities for escrow and funds transfers
Accountant			\$ 3,516,815.81	Provide opinion regarding sufficiency of escrows to retire outstanding bonds
Bond Escrow Agent(s)			\$ 3,516,815.81	Bank or trust company that holds the government securities and makes payments for the outstanding bonds
Application Fee	Zoning and Subdivision: City of Urbana	\$ (575.00)	\$ 3,516,240.81	Reimbursement to 080-077-53370
Legal Notice for Zoning	Zoning and Subdivision: News-Gazette	\$ (314.21)	\$ 3,515,926.60	Reimbursement to 080-077-53370
Subdivision Sidewalk***	Zoning and Subdivision: City of Urbana	\$ (300,000.00)	\$ 3,215,926.60	
AP - Outside Vendors	Nursing Home AP Summary - April 2018	\$ (2,190,918.85)	\$ 1,025,007.75	AP Summary - April 2018
Champaign County	Through December 31, 2017	\$ (2,141,057.45)	\$ (1,116,049.70)	Auditor Outstanding amounts due from nursing home as of 12/31/2017 plus \$726,802
Champaign County	January 1 - April 30, 2018, Plus MSN	\$ (737,104.85)	\$ (1,853,154.55)	AP Summary Total Jan-Apr plus \$90,672.11 Budget Transfer plus \$101,000 MSN
Accounts Receivable	Aging Summary 12/31/2017 All Periods	\$ 4,844,958.08	\$ 2,991,803.48	
Accounts Receivable	Bad Debt	\$ (2,468,784.48)	\$ 523,019.00	As of 2/28/2018 per AJEs to reconcile GL to AR Aging as of 12/31/2017 (\$ 02/28/18)

* Removable Exceptions: The term "Removable Exceptions" shall mean title exceptions pertaining to liens or encumbrances of a definite or ascertainable amount that Seller will remove by the payment of money on the Closing Date.

** Survey Defects: Purchaser shall notify Seller in writing if the Plat of Subdivision or a Survey discloses items that prevent the Property from being operated in substantially the same manner as it is being operated on the Effective Date ("Survey Defects").

*** Cost does not include engineering costs for the site plan and additional site work necessitated by the sidewalk installation.

Note: Operational Provisions (e.g., security deposits, resident trust funds) will need to be transferred to the new owner.

Information on Nursing Homes owned by William "Avi" Rothner

Question or Comment: Individuals and groups are opposing the sale based on the potential buyers.

Response: It is clear that some individuals and groups have provided negative information on AHS/ECC and some are trying to besmirch Avi Rothner to push their own agendas in opposition to the sale. As we proceed to a decision on the sale of the Champaign County Nursing Home (CCNH), it is important that the discussion is fair and balanced.

To be fair to all nursing home operators including the County of Champaign, it is a tough business and all homes are going to experience both praiseworthy and disgraceful episodes. CCNH certainly has had its share of both. If we are to say that a wrongful death in a facility disqualifies the owner from operating nursing homes, then the County of Champaign would be disqualified multiple times from operating a nursing home as would be other operators in the Champaign-Urbana area. CCNH suffered an unfortunate incident last summer that resulted in the death of a resident due to hyperthermia. And this was not the only case of a purportedly wrongful death at CCNH. Another local home this past winter had a similar incident that resulted in the death of a resident due to hypothermia.

So, who ensures that the operator is qualified to operate a nursing home based on their past history of operations? The Illinois Department of Public Health (IDPH). IDPH has established a comprehensive system of licensure for nursing homes for the purpose of protecting the health, welfare, and safety of residents and assuring accountability for reimbursed care provided in certified facilities participating in a federal or /state health program. That is their job. The licensure process includes a review of the homes operated by the proposed licensee including the history of inspections and complaints and resident deaths. The new operator of CCNH must go through this licensure process to demonstrate their fitness to operate the home as judged by the IDPH professionals. If they are unfit to operate the home, IDPH will not license their operation.

And more importantly, the County Board, in writing the RFP, crafted a series of protections for the future operation of CCNH under a new owner. AHS/ECC have agreed to abide by those requirements and they offered the price the County Board asked. Therefore, they should be treated fairly in the assessment.

To be fair, current, reliable information that can be compared to our home and the other homes in this area should be the basis of determining how this home might be run under a new owner. The best available information for that purpose is found on the Medicare.gov website and the NursingHomeReport.org. Data on the latter site is compiled and provided by the United States Department of Health and is slightly different presentation than the Medicare.gov website.

In the evaluation process used for the RFP 2018-001 Evaluation Committee, the Medicare.gov data including the inspection data reported on that website were the basis for the information prepared for the committee. The data represented the nursing homes listed on the ECC website, CCNH, nursing homes within a 25-mile radius of Champaign-Urbana (C-U) (9 homes plus CCNH), and homes within a 40-mile radius of C-U (14 homes plus CCNH). The data was presented for 2015, 2016, and 2017. A portion of that information was provided to you prior to the presentation by the proposed buyer. The data allowed for the comparison directly to CCNH or to the groups of homes in our area.

One aspect of the data is the inspection deficiency reporting from all categories inspected. The most egregious categories of the deficiencies are those deficiencies in Category 3 and Category 4 where there was actual harm or immediate jeopardy to a resident of the home. Table 2 displays the results of the comparison that shows the percentage of Category 3 and Category 4 deficiencies for all the ECC-listed homes, CCNH, the local nursing homes within 25, and 40-mile radii of C-U.

Deficiency Categories	ECC Homes Total		CCNH		Local Nursing Homes Within 25 Miles		Local Nursing Homes Within 40 Miles	
	#	%	#	%	#	%	#	%
Potential for Minimal Harm or Potential for Actual Harm (Categories 1 and 2)	448	97.82%	53	91.38%	396	96.69%	396	95.65%
Actual Harm or Immediate Jeopardy to Resident Health (Categories 3 and 4)	10	2.18%	5	8.62%	10	3.31%	18	4.35%

For Category 3 and Category 4 deficiencies (Cat3/4), the 16 ECC homes have a total of 10 Cat3/4 deficiencies, an average of 0.625 deficiencies per home. The nine (9) homes within 25 miles of C-U have 10 Cat3/4 deficiencies, an average of 1.1 Cat3/4 deficiencies per home which is 1.8 times higher than the average ECC home. The fourteen (14) homes within 40 miles of C-U have 18 Cat3/4 deficiencies which is 2.1 times the times higher than the average ECC home. **CCNH has 5 Cat3/4 deficiencies which is eight times higher than the average ECC home, 4.55 times higher than the average home within 25 miles of C-U, and 3.8 times higher than the average home within 40 miles of C-U. And CCNH has a higher number of Cat ¾ deficiencies than any other single home in this comparison.** By this measure, the ECC homes present the lowest risk to their residents compared to the other homes. On the other end of that spectrum, CCNH is clearly the home that puts residents at greater risk than the other homes in the comparison, including some homes owned and/or operated by AHS and ECC that a group opposed to the sale is heralding as reasons to pause or forego the sale.

Bottom Line: We are not trying silence the discussion in any way, but we feel it needs to be fair and balanced and that we should hold ourselves and our operations to the same standard we are holding others and their operations to.

Information on Additional Nursing Homes owned by William “Avi” Rothner

Previously you received information on the nursing homes affiliated with Extended Care Clinical, LLC (ECC) and Altitude Health Services, Inc. (AHS) that was prepared for the RFP 2018-001 Evaluation Committee. That information was based on the eighteen homes,

mostly in Illinois, listed on the ECC website. Also included in that information was the same information on CCNH and the other nine nursing homes within a twenty-five-mile radius of Champaign-Urbana. That data provided an Illinois home to Illinois home comparison.

The following are additional homes owned by Avi Rothner. We have included the overall star rating and links to data about the facilities compiled and provided by NursingHomeReport.org and links to the facilities' websites. The information from the NursingHomeReport.org site is data from Medicare.gov so it is equivalent to the information you received on our local home and the homes listed on the ECC website. Please note that both the Lancaster Rehabilitation Center and Villa at Lincoln Park were previously county-owned facilities. The administrator for the Lancaster Rehabilitation Center, Amy Fish, was Avi's guest at the presentation to the Champaign County Board. The Lancaster home was a 2015 recipient of the Bronze Commitment to Quality Award presented by the American Health Care Association and National Center for Assisted Living for "their commitment to improving quality care for senior and individuals with disabilities." We recommend you take time to review their NursingHomeReport.org data and review each homes website for an idea of what the operation of these homes affords their residents.

Foothills Rehabilitation Center, 2250 North Craycroft Road [Tucson, AZ 85712](#) (3 out of 5 Stars)

<https://nursinghomereport.org/foothills-rehabilitation-center-035064/>

<https://foothillsrehabcenter.com/>

Devon Gables Rehabilitation Center, 6150 East Grant Road [Tucson, AZ 85712](#) (3 out of 5 Stars)

<https://nursinghomereport.org/devon-gables-rehabilitation-center-035145/>

<http://www.devongables.com/>

Homestead Nursing and Rehabilitation Center, 4735 South 54th Street, Lincoln, NE 68516 (4 out of 5 Stars)

<https://nursinghomereport.org/homestead-nursing-rehabilitation-center-285049/>

<https://homesteadrehab.com/>

Lancaster Rehabilitation Center, LLC, 1001 South Street, Lincoln, NE 68502 (5 out of 5 Stars)

<https://nursinghomereport.org/lancaster-rehabilitation-center-llc-285275/>

<https://lancasterrc.com/>

Ridgecrest Rehabilitation Center, 3110 Scott Circle, Omaha, NE 68112 (4 out of 5 Stars)

<https://nursinghomereport.org/ridgecrest-rehabilitation-center-285239/>

<https://ridgecrestrehab.com/>

Villa at Lincoln Park, 1700 C A Becker Drive, Racine, WI 53406 (1 out of 5 Stars)

<https://nursinghomereport.org/villa-at-lincoln-park-the-525061/>

<http://villahc.com/>

Evaluation Committee's knowledge of Nursing Home Ownership

Question or Comment (COW, May 15th, 57:03): This commenter indicated that the Evaluation Committee didn't know that Beecher Manor was not owned by Altitude Health Services.

Response: Information prepared for the Evaluation Committee prior to the tour of the three Chicagoland homes included information on the ownership, operational/managerial control (where applicable), the home director, and the managing employee for each home. Avi Rother is the founder and president of Altitude Health Services, Inc. His ownership interest in homes is not restricted to an AHS designation. For instance, the six nursing homes listed directly above list William Rothner and his ownership interest (i.e., percentage of ownership) not AHS.

For those interested in the ownership of individual homes, that information is easily available on both the Medicare.gov and NursingHomeReport.org websites.

In closing, we are available to answer questions regarding the information presented above or other questions in regard to the sale of the nursing home. The asset purchase agreement and the operations transfer agreements are in your County Board packets that were mailed today. Those documents demonstrate the buyers' commitment to meet the County's requirements for staffing, services to current residents, services to county residents, and a ten-year covenant to operate as a skilled nursing facility with at least 220 beds and to serve the Medicaid population.

From: Rick Snider
To: [Claudia Lennhoff](#)
Cc: [Pattsi Petrie](#); [Van A. Anderson](#); [Deb Busey](#); [Tami Ogden](#); [Stephanie Fortado](#); [Jim Goss](#); [Jim McGuire](#); [Steve Summers](#)
Subject: Re: how to value selling cost of nursing homes
Date: Thursday, May 17, 2018 8:24:14 AM
Attachments: [Champaign County Market Evaluation.pdf](#)

Howdy all-

In summer 2016, we had a valuation performed by an investment firm that offered a couple ideas for the County to consider regarding the future of CCNH. The report was offered at no obligation to the County so we did not pay for it.

This firm (Evans Senior Investments) provided valuations for the home based on both a financial analysis to yield a capitalization rate investment scenario, and a comparable sales scenario. This firm did not express an interest in buying the home; instead, they would have worked with the County if it decided to place the home on the market.

In addition to the valuation, they also provided leads to firms that offered management services that might provide an alternative to the provider (at that time, Management Performance Associates of St. Louis). This was done to explore possibilities to "right the ship" and maintain the home as a public operation. Unfortunately, the leads did not result in any feasible proposals to assume operations of CCNH.

The entire valuation process is problematic as the home has lost money for many years so any ROI calculation is going to have a negative yield. The only means of generating a value is to do so on a prospective basis, which has been done using median expense values for other Illinois skilled nursing facilities. My experience is that the market itself is the best reference for price. In our situation, I think that any claim that the home is worth significantly more than the proposed sale price doesn't hold water. If that were the case, we would have had multiple offers as there is a vigorous market for SNFs. The saving grace for CCNH is that despite the low census and poor financial performance, it is a relatively new building and I think that may hold some interest for a prospective operator that wants to have a long-term presence in the community. In any case, I have yet to see any evidence that CCNH is being undervalued. Homes I have looked up that have sold for greater dollars/bed are also generating positive cash flow.

Finally, it should be pointed out that the census at the time of the valuation was significantly greater (180) than it is today, so that the value is likely less today than what it would have been in 2016. The original range was \$9.9 million (based on comps) to \$10.1 million to \$12.9 million (direct cap rate valuation). You can see the approximate value on a per-bed basis, which is also another measure used to compare transactions. I am forwarding with this e-mail a copy of the report. Note that CCNH has expenses that fall into the top quartile of Illinois SNFs but only has revenue that is approximately at the median level.

I hope this information is helpful. Best wishes to all of you working on a very difficult problem.

Regards,
-Rick

On May 17, 2018, at 8:01 AM, Claudia Lennhoff <claudia@shout.net> wrote:

I saw your message.

If it was “a valuation and situational assessment”, where is the report? I would like to see it. Also, it would need to be updated given the recent changes I mention in my earlier message.

Thanks,
Claudia

Sent from my iPhone

On May 17, 2018, at 7:42 AM, Patti Petrie <patti2@gmail.com> wrote:

Claudia, I hope that you have read my updated message that in fact Rick Snider had arranged an independent analysis even before the county was pursuing a broker/RFP process.

If for some reason that message is lost in your emails let me know and I will resend it.

P2

On Thu, May 17, 2018 at 6:20 AM, Claudia Lennhoff <claudia@shout.net> wrote:

Thanks, Patti.

Just to be clear: I have not said that the nursing home is under-priced. I have raised the question of whether or not it is.

The links that you provide in your earlier e-mail below reinforce my opinion that Champaign County should get an independent expert to conduct "a valuation and situational assessment" of the Champaign County Nursing Home.

The County has not done that.

As you can see, there are many different ways that someone can try to price the value of the nursing home.

Also, the valuation and situational assessment needs to be current. And it needs to take into account regulatory changes that have been enacted recently. For example, beginning October 1 of this year, Medicare will begin paying higher amounts for rehab care of Medicare patients in skilled nursing facilities. This will change the

financial picture for nursing homes, including ours. And there are collaborations happening now with local hospitals that will result in an increase in Medicare patients seeking rehab services at the county nursing home.

An independent valuation and situational assessment would result in a written report with lots of data and information, and would help create a defensible sale price. I have seen no such report for CCNH.

Claudia

On 5/16/18 7:48 PM, Patsi Petrie wrote:

Folks, Rick Snyder very graciously reminded me that he arranged to have an independent evaluator do a presentation for a select number of individuals to obtain an idea what might be the selling value of the CCNH. The individual was from California and had no interest in buying the home. He did two of these three analysis, income, sales, and cost. It is difficult to do cost under the financial circumstances of our home. The result analysis gave a selling value within this range 10-12.5M.

True confession, I was among those invited to the presentation. Thankfully Rick has a better memory than I. if he still has the documentation of the presentation he will pass that along to me. I am certain that Rick will be available to answer more detailed questions.

So the broker's value of 11 M walks right down the middle of the range.

P2

On Wed, May 16, 2018 at 9:34 AM, Patsi Petrie <patsi2@gmail.com> wrote:

I have heard Claudia make the same statement time after time that the selling price of the CCNH is under priced and that price could be higher if the CB voted to pause the process. Not the following two resources provide definitive arguments, but each provides valuable counters to her statements.

Resources for your use or not, P2

Court decision about determining nursing home value

<https://mckirdyriskin.com/2017/11/16/stick-cost-approach-valuing-nursing-homes/>

PPT presentation by CBRE about valuation of nursing homes

https://www.appraisalinstitute.org/assets/1/29/CBRE_Valuation_of_Seniors_Housing.pdf

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Pattsi Petrie, PhD, FAICP

P2 Consulting

Champaign County Board, Past Chair , district 6,

Retired, Department of Urban and Regional

Planning/DURP

University of Illinois at Urbana-Champaign/UIUC

<<mailto:pattsi@uiuc.edu>>

College of Fellows, American Institute of Certified Planners

Professional Education and Outreach Programs

Past Chair APA Planning Women Division

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Pattsi Petrie, PhD, FAICP

P2 Consulting

Champaign County Board, Past Chair , district 6,

Retired, Department of Urban and Regional

Planning/DURP

University of Illinois at Urbana-Champaign/UIUC

<<mailto:pattsi@uiuc.edu>>

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Professional Education and Outreach Programs

Past Chair APA Planning Women Division

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Claudia Lennhoff, Executive Director
Champaign County Health Care Consumers (CCHCC)
44 E. Main Street, Suite 208
Champaign, IL 61820

Phone: 217/352-6533, ext. 6501

Fax: 217/352-9745

E-Mail: claudia@shout.net

Web: <http://www.healthcareconsumers.org>

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Patti Petrie, PhD, FAICP

P2 Consulting

Champaign County Board, Past Chair , district 6,

Retired, Department of Urban and Regional Planning/DURP

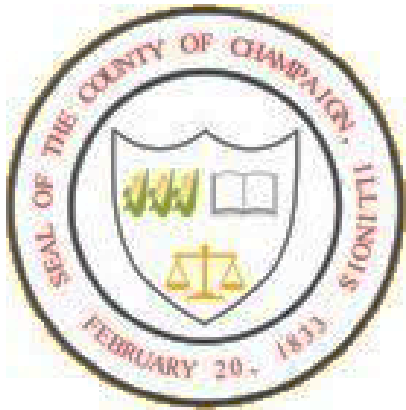
University of Illinois at Urbana-Champaign/UIUC

<<mailto:patti@uiuc.edu>>

College of Fellows, American Institute of Certified Planners

Professional Education and Outreach Programs

Past Chair APA Planning Women Division



Market Evaluation | Champaign County Nursing Home July 2016



Evans Senior Investments: What we do

- Boutique Real Estate Investment firm that specializes in the Nursing Care and Seniors Housing industry.
- Works closely with owners and operators of Seniors Housing and Nursing Care communities to structure asset sales, sale-leaseback transactions, and debt liquidation.
- Committed to exceeding your expectations throughout the transaction process and remaining focused on aligning our objectives with your personal goals.
- We leverage our relationships throughout the healthcare real estate industry to optimize the transaction outcome and maximize the value of your business.
- We understand the unique requirement of confidentiality that is necessary to effectively market and sell Seniors Housing and Nursing Care communities.



ESI: Multi-disciplinary team based approach

- Unlike traditional brokerage firms, Evans Senior Investments professionals operate in a collaborative team based environment. By segmenting our organization according to specialization, we can best utilize our employees talents to maximize value in the transaction chain.



**\$3.6 Billion in
2015 Valuations:
97% Accuracy**

**Active in
42 States**

Exit Strategy Specialists

- Work to understand client needs and expectations.
- Strategize with client on local and regional market conditions.

Valuation Advisory

- Analyze financial statements and evaluate operating performance of asset.
- Incorporate industry knowledge to determine market value

Execution Team

- Identify potential buyers and market the facility.
- Negotiate all deal terms and execute transaction.



ESI: National Representation – Local Focus

- We believe a successful Senior Housing and Skilled Nursing strategy is focused both on the macroeconomic environment as well as the dynamics of the regional regulatory environment. With each state possessing different competitive markets and legal conditions, no two Senior Housing and Skilled Nursing facilities can be evaluated in the same manner.
- ESI has worked and evaluated facilities all across the U.S. on behalf of owners and operators. This exposure has granted us the opportunity to become familiar with the regulatory framework of your state as well as the transactional marketplace, allowing us to provide a tailor made evaluation of your business.

\$3.6 Billion

2015 Total Asset Valuation

503

2015 Facilities Evaluated

16,502

2015 Senior Housing Units

20,403

2015 Skilled Nursing Beds



ESI: Accuracy in the market



- Evans Senior Investments is dedicated to understanding your facility's financial performance to provide the most accurate valuation possible.
- We are committed to providing owners and investors a clear picture of market value so they can make important business decisions without any sense of hesitation. We don't inflate our valuations to win your business.
- Our experience and research in the Seniors Housing transaction market has allowed us to be extremely accurate with our initial valuations compared to the final closing price, as seen below:

Below is a snapshot of recent statistics highlighting our accuracy in property valuations:

<u>Property Name</u>	<u>State</u>	<u>Property Type</u>	<u>Proposal Price</u>	<u>Sale Price</u>	<u>% of Initial Valuation</u>
Health Care Corp	SC	454 Bed SNF	\$28,800,000	\$27,500,000	95%
The Haven at Springwood	PA	99 Unit AL/MC	\$11,500,000	\$11,850,000	103%
Ainsley Court	TX	46 Unit AL	\$4,750,000	\$6,600,000	139%
Mira Vista	WA	94 Bed SNF	\$9,000,000	\$9,125,000	101%
Mill Creek	MI	56 Unit AL/MC	\$10,700,000	\$10,700,000	100%
Shoreline	WA	106 Bed SNF	\$6,700,000	\$6,625,000	99%
Glenwood	OH	117 Unit AL/IL	\$12,400,000	\$11,196,385	90%
Midland Meadows	WV	98 Unit IL/MC/AL	\$17,500,000	\$16,500,000	94%
Whispering Pines	OH	69 Unit IL/AL	\$12,300,000	\$13,250,000	108%
Ocean's Park	OR	40 Unit MC	\$9,700,000	\$10,200,000	105%
Valley View Manor	MN	55 Bed SNF	\$1,900,000	\$1,680,000	88%
Franciscan Woods	GA	55 Unit AL	\$4,100,000	\$4,850,000	118%
Shady Nook	IN	82 Bed SNF	\$6,300,000	\$6,300,000	100%
Shores of Lake Phalen	MN	105 Unit IL/AL/MC	\$30,650,000	\$30,000,000	98%
Sunnycrest	CA	130 Unit AL	\$31,500,000	\$37,000,000	117%
Total			\$197,800,000	\$203,376,385	103%



Transaction Highlights

\$3,100,000

PURCHASE PRICE

\$27,298

PRICE PER UNIT/BED

97

TOTAL BEDS

14

TOTAL UNITS

4/25/2016

CLOSE DATE

Asset Summary

Property Name: Knapp Haven Nursing Home (Skilled Nursing) and Pelican Place (Assisted Living)

Property Types: Connected Skilled Nursing Facility and Assisted Living Facility

Beds/Units: 97 Beds (Skilled Nursing)
14 Units (Assisted Living)
Total – 111 Beds/Units

Transaction Terms

Purchase Price: \$3,100,000

Revenue: \$5,299,098

Net Operating Income: (\$433,703)

Price Per Unit/ Bed: \$27,928

Quality Mix (Skilled Nursing): 30% Quality Mix

Payor Type (Assisted Living): 100% Private Pay

Occupancy: 86% (Skilled Nursing)
95% (Assisted Living)



Transaction Overview

- Knapp Haven Nursing Home and Pelican Place Assisted Living, connected facilities located in Barron County, Wisconsin sold for \$3.1 million or \$27,928 per unit/bed.
- Barron County is located in Northwestern Wisconsin; the facility is located 40 miles from Eau Claire, Wisconsin and 90 miles from Minneapolis, Minnesota.
- Atrium Health and Senior Living was the purchaser of Knapp Haven and Pelican Place, adding the facility to their regionally focused portfolio of post-acute care and seniors housing facilities in the Midwest.

Facility	City/State	Age	Beds	Occ.	Quality Mix	TTM Revenue
Knapp Haven	Chetek, WI	1963/1976	97	86%	30%	\$5,299,098
Pelican Place	Chetek, WI	1997	14	95%	N/A	\$184,487



Transaction Highlights

\$6,300,000
PURCHASE PRICE

\$77,000
PRICE PER BED

82
TOTAL BEDS

91%
OCCUPANCY

Asset Summary

Property Name: Shady Nook Care Center

Property Type: Skilled Nursing Facility

Address: 36 Valley Drive
Lawrenceburg, Indiana 47025

Beds: 94 - Licensed Beds
82 – Functional Beds
12 – Private Rooms
35 – Semi-Private Rooms

Occupancy: 91%

Quality Mix: 30%

Square Feet: Main Floor - 30,732 Square Feet
Basement – 6,600 Square Feet

Age: 1983/1984
2010 - Renovated

Transaction Terms

Purchase Price:	\$6,300,000
Revenue:	\$6,073,836
Net Operating Income:	\$1,171,910
Gross Income Multiplier:	.94x
Price Per Bed (82 Beds):	\$77,000

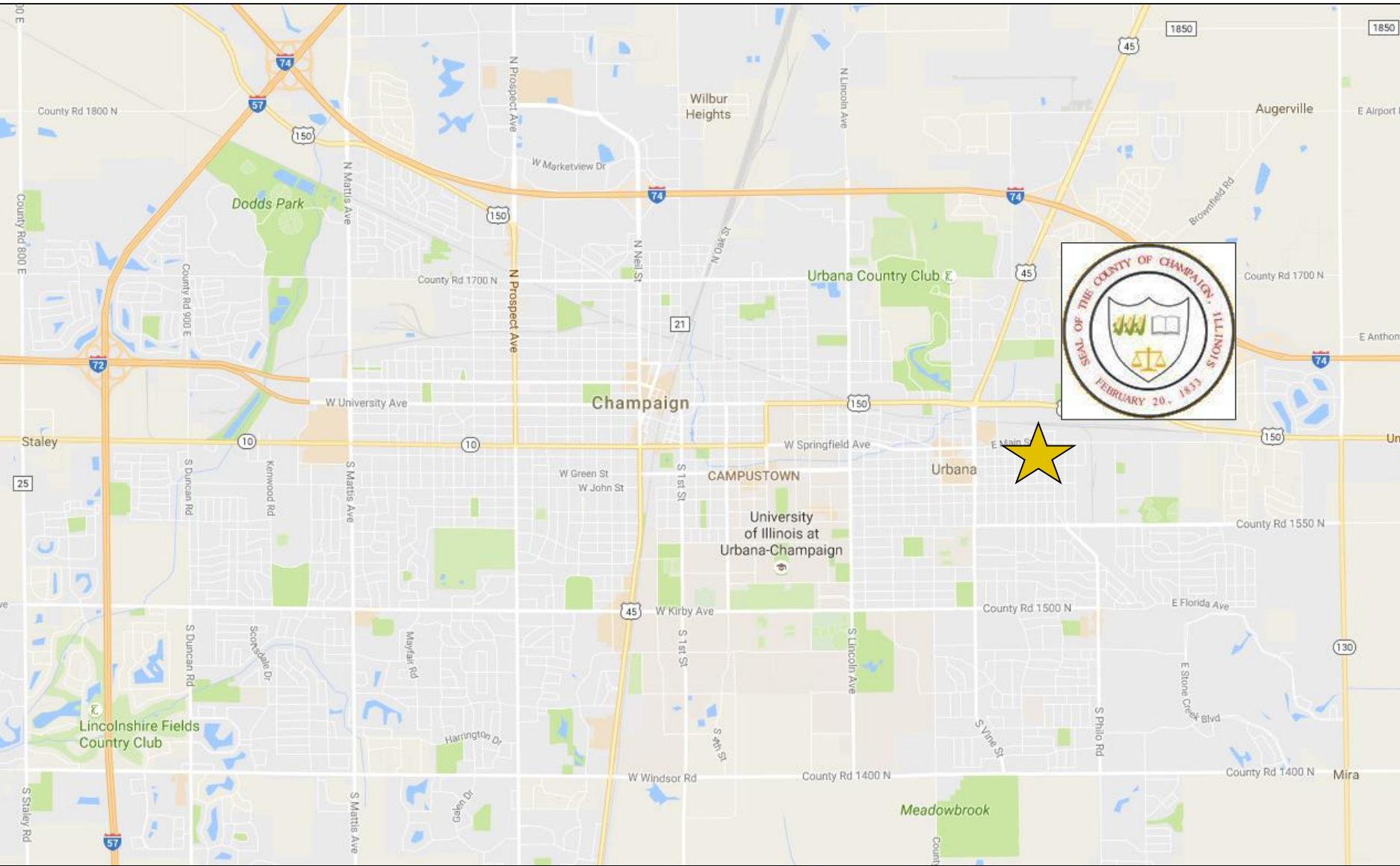


Transaction Overview

- A recently renovated facility in the Cincinnati– Middletown MSA, Shady Nook Care Center provided the opportunity for buyers to purchase a value-add asset that incorporates a favorable Medicare resident base and strong regional demographics.
- Evans Senior Investments selectively marketed the facility to strategic buyers and procured several letters of intent. After analyzing deal terms and pricing, ESI arranged confidential tours with a select group of buyers.
- A competitor in the marketplace emerged as the best transaction partner and the deal closed with confidentiality and speed for both parties.



Regional Overview



Property Aerial



Asset Overview



Occupancy %
 Medicare Mix
 Revenue
 Expenses
 Adj. EBITDARM PPD
 Adj. EBITDAR PPD
 Adj. EBITDAR Margin

April 2016 TTM	
	Per Day
Occupancy %	81.0%
Medicare Mix	6.8%
Revenue	\$202.60
Expenses	\$221.72
Adj. EBITDARM PPD	-\$12.27
Adj. EBITDAR PPD	-\$22.41
Adj. EBITDAR Margin	-11.1%



Revenue & Occupancy

Residents

Medicare A
 Medicaid
 Private Pay
 VA

Total

Occupancy

Fiscal 2015 12/31/2015		
Days		Per Day
4,124	6.1%	11
38,852	57.2%	106
24,291	35.8%	67
666	1.0%	2
67,933	100.0%	186
84.6%		220

Trailing Twelve Months 4/30/2016		
Days		Per Day
4,399	6.8%	12
38,544	59.3%	106
20,997	32.3%	58
1,072	1.6%	3
65,012	100.0%	178
81.0%		220

Payor Revenue

Medicare A
 Medicaid
 Private Pay
 Medicare B
 Adult Day Care Revenue

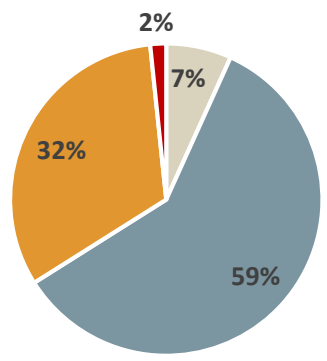
Total Payor Revenue

Total Other Revenue

Total Revenue

Fiscal 2015 12/31/2015		
	%	Per Day
1,963,524	14.3%	\$476.12
7,699,905	56.2%	\$198.19
3,503,581	25.6%	\$144.23
270,389	2.0%	\$3.98
239,816	1.8%	N/A
\$13,677,215	99.8%	\$201.33
\$22,608	0.2%	\$0.33
\$13,699,823	100.0%	\$201.67

Trailing Twelve Months 4/30/2016		
	%	Per Day
1,978,405	15.0%	\$449.74
7,193,998	54.6%	\$186.64
3,494,956	26.5%	\$166.45
255,408	1.9%	\$3.93
235,726	1.8%	N/A
\$13,158,493	99.9%	\$202.40
\$13,030	0.1%	\$0.20
\$13,171,523	100.0%	\$202.60



Payor Mix
 April 2016 TTM

- Medicare A
- Medicaid
- Private Pay
- VA



Financial Overview

	Fiscal 2015			Trailing Twelve Months		
	12/31/2015	%	Per Day	4/30/2016	%	Per Day
Total Revenue	\$13,699,823	100.0%	\$201.67	\$13,171,523	100.0%	\$202.60
Operating Expenses						
Employee Benefits	2,359,778	17.2%	\$34.74	2,207,230	16.8%	\$33.95
Administrative & General	1,591,677	11.6%	\$23.43	1,659,264	12.6%	\$25.52
Plant Operations	1,241,333	9.1%	\$18.27	1,227,042	9.3%	\$18.87
Laundry & Linens	150,957	1.1%	\$2.22	143,469	1.1%	\$2.21
Dietary	1,226,065	8.9%	\$18.05	1,212,069	9.2%	\$18.64
Nursing & Medical Related	5,486,102	40.0%	\$80.76	5,480,478	41.6%	\$84.30
Ancillary and Pharmacy	1,058,452	7.7%	\$15.58	988,480	7.5%	\$15.20
Social Services	341,114	2.5%	\$5.02	363,885	2.8%	\$5.60
Insurance	261,781	1.9%	\$3.85	261,701	2.0%	\$4.03
Bed Tax	529,827	3.9%	\$7.80	515,155	3.9%	\$7.92
Bad Debt	355,500	2.6%	\$5.23	355,500	2.7%	\$5.47
Total Operating Expenses	\$14,602,586	106.6%	\$214.96	\$14,414,273	109.4%	\$221.72
Unadjusted EBITDARM	(\$902,763)	-6.6%	-\$13.29	(\$1,242,750)	-9.4%	-\$19.12
Other Income (Expenses)						
Depreciation	(731,630)	-5.3%	-\$10.77	(742,528)	-5.6%	-\$11.42
Interest Expense	(112,488)	-0.8%	-\$1.66	(115,463)	-0.9%	-\$1.78
Local Taxes	1,140,088	8.3%	\$16.78	1,161,364	8.8%	\$17.86
Other Income (Expenses)	6,758	0.0%	\$0.10	8,809	0.1%	\$0.14
Total Other Income (Expenses)	\$302,728	2.2%	\$4.46	\$312,182	2.4%	\$4.80
Net Income (Loss)	(\$600,035)	-4.4%	-\$8.83	(\$930,568)	-7.1%	-\$14.31



Adjusted NOI Calculation

Unadjusted EBITDARM

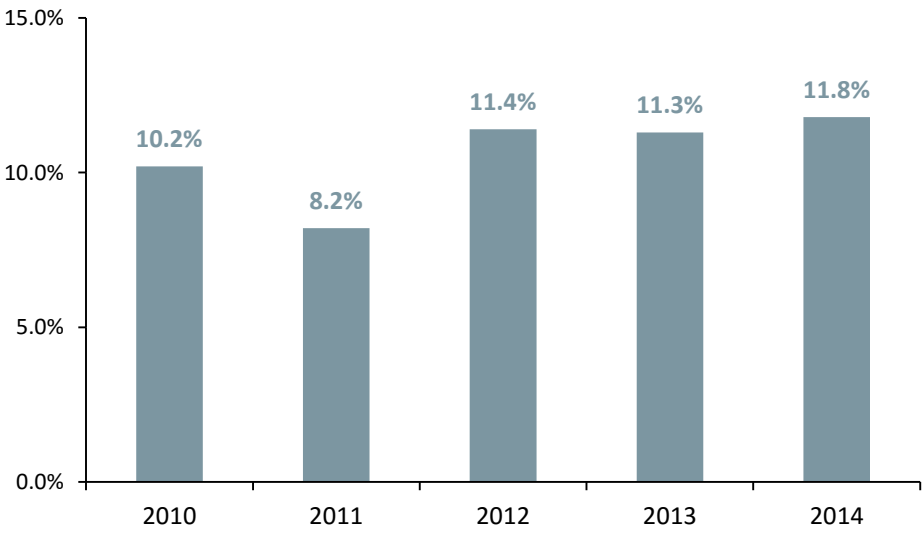
Add: Bad Debt	355,500	2.6%	\$5.23
Less: Normalized Bad Debt (1%)	(136,998)	-1.0%	-\$2.02
Less: Property Taxes	(75,000)	-0.5%	-\$1.10
Add: Management Fee	295,944	2.2%	\$4.36
Less: Normalized Management Fee (5%)	(684,991)	-5.0%	-\$10.08
Adjusted Net Operating Income (EBITDAR)	(\$1,148,308)	-8.4%	-\$16.90

Fiscal 2015		
12/31/2015	%	Per Day
(\$902,763)	-6.6%	-\$13.29
355,500	2.6%	\$5.23
(136,998)	-1.0%	-\$2.02
(75,000)	-0.5%	-\$1.10
295,944	2.2%	\$4.36
(684,991)	-5.0%	-\$10.08
(\$1,148,308)	-8.4%	-\$16.90

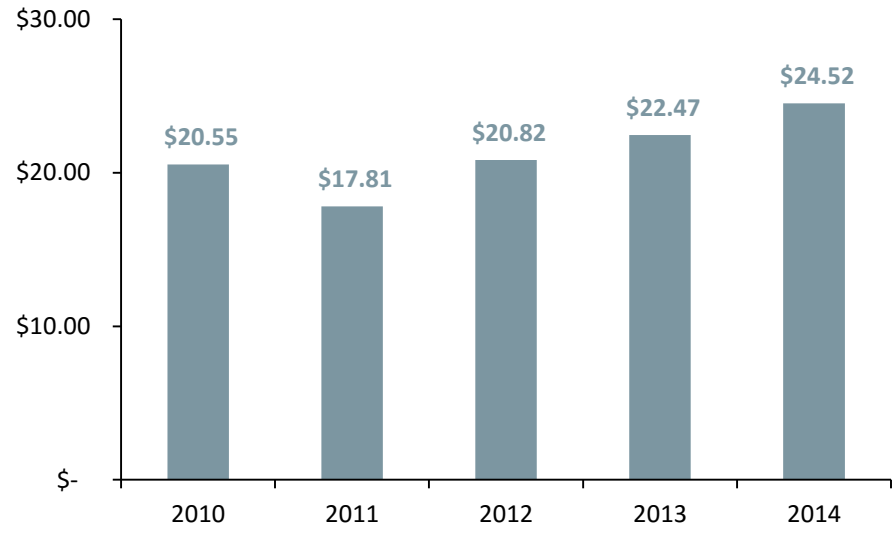
Trailing Twelve Months		
4/30/2016	%	Per Day
(\$1,242,750)	-9.4%	-\$19.12
355,500	2.7%	\$5.47
(131,715)	-1.0%	-\$2.03
(75,000)	-0.6%	-\$1.15
295,944	2.2%	\$4.55
(658,576)	-5.0%	-\$10.13
(\$1,456,597)	-11.1%	-\$22.41

- Net operating income (NOI) is the metric most often used by the real estate community to gauge an asset’s earning potential. In the Senior Housing real estate market, NOI is typically the property’s operating income irrespective of financing or non-operating expenses. Buyer’s also will remove any property specific management fees and apply an “industry standard” management fee of 5% of revenue. After applying these adjustments, we arrive at an adjusted net operating income for the property.

National Median NOI Margin



National Median NOI PPD



Expense Analysis – Illinois Skilled Nursing Facilities

Illinois State Cost Report Statistics									
	Lower Quartile Values			Median Values			Upper Quartile Values		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
General Statistics									
Number of Beds	54	56	58	95	98	99	148	145	145
Average Daily Census	69	69	67	95	94	92	135	135	131
Occupancy	71%	71%	70%	82%	81%	80%	89%	89%	87%
Payor Mix Statistics									
Medicare	9%	8%	8%	12%	12%	12%	19%	19%	19%
Medicaid	41%	41%	39%	59%	58%	57%	76%	73%	73%
Other	15%	16%	17%	30%	30%	31%	54%	48%	51%
Revenue (PPD)									
Total	\$166.18	\$176.59	\$179.73	\$207.37	\$212.17	\$ 223.68	\$274.41	\$281.35	\$294.07
Expenses (PPD)									
Employee Benefits	\$11.17	\$11.67	\$11.99	\$14.91	\$15.27	\$15.65	\$20.88	\$21.29	\$21.66
Administrative & General	\$23.98	\$29.65	\$29.78	\$31.92	\$36.69	\$37.23	\$42.86	\$46.72	\$46.29
Plant Operations	\$7.38	\$6.94	\$7.32	\$8.82	\$8.51	\$8.90	\$11.47	\$10.79	\$11.57
Laundry & Linens	\$1.72	\$1.71	\$1.72	\$2.26	\$2.27	\$2.34	\$2.96	\$2.99	\$3.08
Housekeeping	\$4.24	\$4.20	\$4.37	\$4.94	\$5.07	\$5.19	\$6.28	\$6.12	\$6.32
Dietary	\$12.35	\$12.53	\$13.01	\$14.65	\$14.77	\$15.25	\$17.57	\$17.79	\$18.66
Nursing & Medical Related	\$50.55	\$52.10	\$54.24	\$60.50	\$61.24	\$63.30	\$76.27	\$76.80	\$78.83
Ancillary and Pharmacy	\$15.36	\$15.23	\$15.74	\$22.67	\$23.56	\$24.74	\$34.15	\$34.78	\$36.17
Social Services	\$3.06	\$3.09	\$3.45	\$4.58	\$4.58	\$5.04	\$7.13	\$6.69	\$7.25
Total	\$129.81	\$137.12	\$141.62	\$165.25	\$171.96	\$177.64	\$219.57	\$223.97	\$229.83

Champaign County Nursing Home	
Fiscal 2015	TTM
220	220
186	178
84.6%	81.0%
6%	7%
57%	59%
37%	34%
\$201.67	\$202.60
\$34.74	\$33.95
\$23.43	\$25.52
\$18.27	\$18.87
\$2.22	\$2.21
\$0.00	\$0.00
\$18.05	\$18.64
\$80.76	\$84.30
\$15.58	\$15.20
\$5.02	\$5.60
\$198.07	\$204.30

Source: Valuation & Information Group: Information Digest for the Skilled Nursing Industry

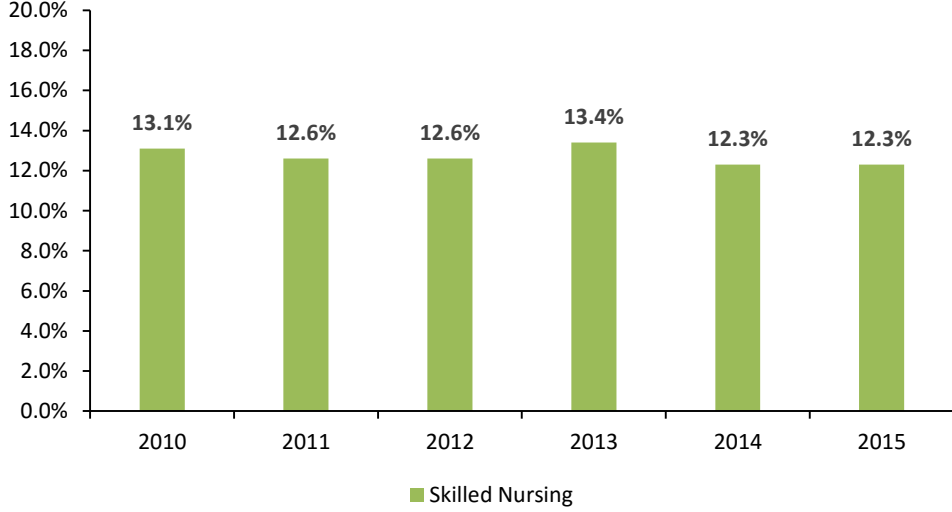


Capitalization Rates – A Measure of Risk

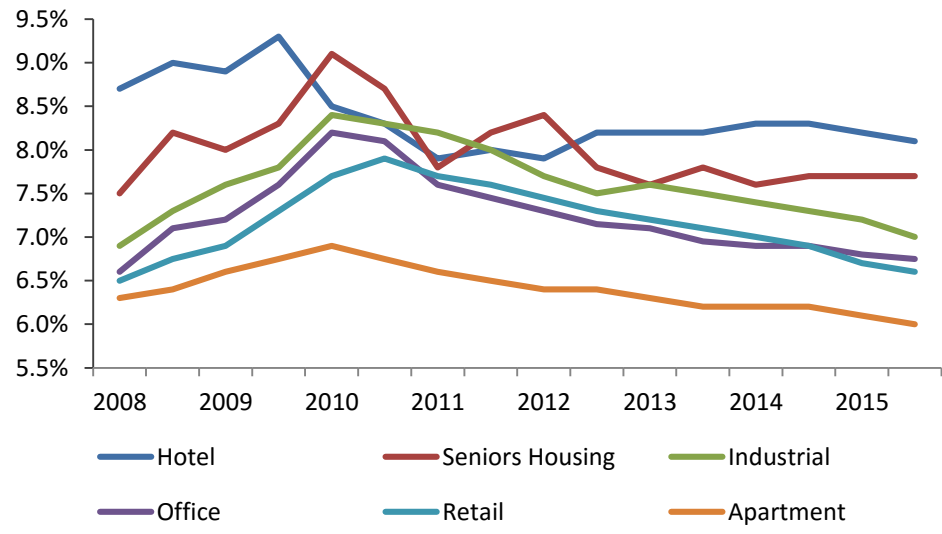
What is a Cap Rate?

- » A capitalization rate is simply a ratio of a property’s net operating income (NOI) to its market value, much like the inverse of a price to earnings (PE) ratio in the stock market.
- » Investors use capitalization rates to measure the required return for the forecasted riskiness of an asset. A higher capitalization rate denotes greater risk and therefore requires a higher return.

Historical Cap Rates - SNF



Cap Rates by Real Estate Asset Class

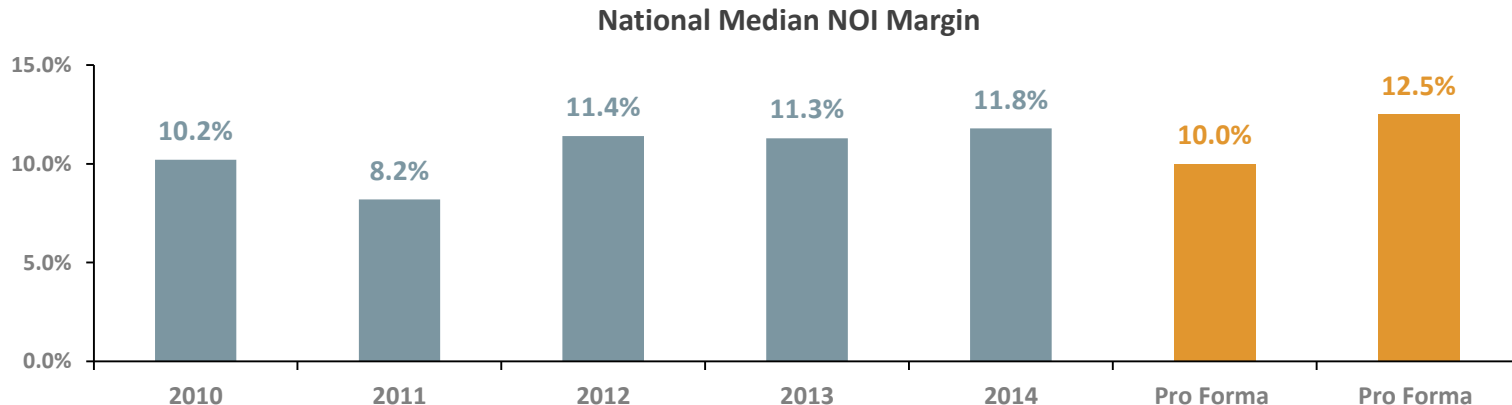


Valuation – Direct Cap Rate Methodology

- Based upon our understanding of the size, location, payor mix, and net operating margins of Champaign County Nursing Home Nursing Home, we believe a buyer would underwrite this facility using an in-place capitalization rate of **13.0%**.
- Using a cap rate of 13.0% and the pro-forma net operating income at a 10% & 12.5% margin, the range of values of Champaign County Nursing Home is **\$10,100,000 - \$12,700,000**.

Value
\$10,100,000 - \$12,700,000
(\$46,000 - \$58,000 Per Bed)

<i>Period</i>	<i>NOI</i>	<i>Margin</i>	<i>Cap Rate</i>	<i>Value</i>	<i>Per Bed</i>	<i>Revenue</i>
Pro-Forma 10% Margin	\$1,317,152	10.0%	13.00%	\$10,131,941	\$46,054	\$13,171,523
Pro-Forma 12.5% Margin	\$1,646,440	12.5%	13.00%	\$12,664,926	\$57,568	\$13,171,523



Valuation – Comparable Sales Methodology

- Another widely used valuation approach in the real estate industry is to compare past sales of similar facilities to the subject asset to derive a price per bed value to calculate a value. The accuracy of the comparable sales approach relies upon finding previous sales of facilities that can be appropriately used to derive valuation metrics to apply to the subject property.
- Below we present previous transactions we believe may be relevant to analyzing the value of Champaign County Home:

Facility Name:	ASTA Care Center	Winfield Woods	Embassy Health Care Center	Lakeland Rehabilitation and Health Care Center	Lincoln Manor	Champaign Urbana Regional Rehab Center
Location						
City:	Rockford & Paxton	Winfield	Wilmington	Effingham	Decatur	Savoy
State:	Illinois	Illinois	Illinois	Illinois	Illinois	Illinois
Asset Details						
Facility Type:	SNF	SNF	SNF	SNF	SNF	SNF
Number of Beds:	206	138	171	141	140	213
Age:	1963/1970/1992/2013	1978-1996	1974	1972/1976	1975	1973
Occupancy:	74.0%	95.0%	90.0%	91.0%	76.1%	89.0%
Sale Details						
Sale Date:	12/1/2014	11/1/2012	8/1/2013	7/1/2010	4/1/2011	12/1/2012
Sale Price:	\$8,000,000	\$6,000,000	\$7,600,000	\$6,537,558	\$6,500,000	\$11,500,000
Valuation Metrics						
Revenue:	\$9,520,000	\$5,280,000	\$7,169,811	\$6,569,892	\$5,596,906	\$14,024,390
NOI:	\$110,000	\$1,000,000	\$983,557	\$827,959	\$711,525	\$1,519,685
NOI Margin:	1%	19%	14%	13%	13%	11%
Cap Rate:	1.38%	16.67%	12.94%	12.66%	10.95%	13.21%
GIM:	0.84	1.14	1.06	1.00	1.16	0.82
Price Per Bed:	\$38,835	\$43,478	\$44,444	\$46,366	\$46,429	\$53,991

- Based upon a review of previous skilled nursing facility transactions in comparison to Champaign County Home, we believe a price bed of **\$45,000** is a reasonable value for Champaign County Home.
- Using a price per bed of \$45,000, the value of Champaign County Home is **\$9,900,000**.



Valuation Conclusion

- After quantifying the value of Champaign County Nursing Home through the direct capitalization approach and the sales comparable approach, we believe the market value of Champaign County Nursing Home is:

Value
\$10,100,000 - \$12,700,000
(\$46,000 - \$58,000 Per Bed)






Valuation Technique	Value Indication
Income Approach - Direct Capitalization	\$10,100,000 - \$12,700,000
Sales Comparable Approach - Price Per Bed	\$9,900,000

Evans Senior Investments has successfully represented communities similar to the Champaign County Nursing Home Nursing Home. We have the track record, experience and relationships with the operators that would be the perfect fit for this Skilled Nursing Facility.



ESI: Connected to buyers

- ESI is connected to the broader universe of institutional buyers, from Japanese Private Equity firms to regional operators in your backyard. These buyers have the capital to close deals quickly and rely on ESI to source deals.

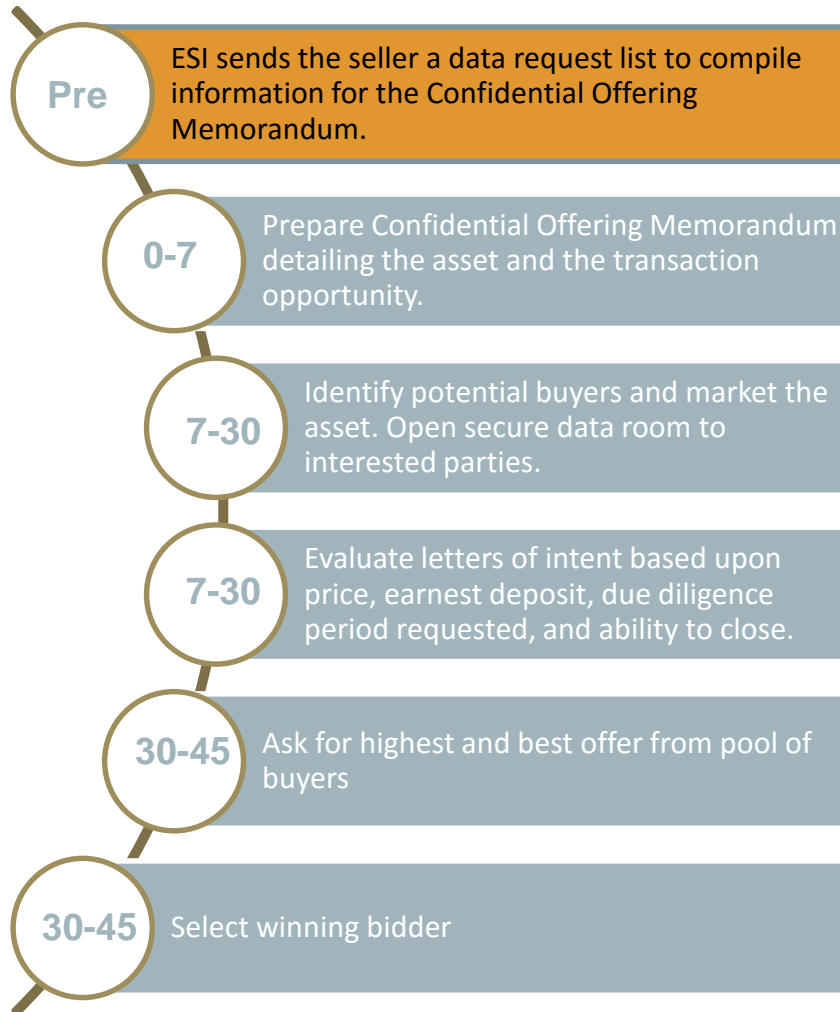
Past ESI Transaction Partners	Potential Buyer Categories	Investment Motivation	Ideal Acquisition Characteristics	Growth Strategy
	Publicly Traded REITS	<ul style="list-style-type: none"> • High yield investments • Portfolio diversification 	<ul style="list-style-type: none"> • Trophy facilities in core MSAs • Highly stabilized occupancies • Above average NOI margins <ul style="list-style-type: none"> • Larger communities 	<ul style="list-style-type: none"> • Maintain quarterly earning and dividend yield through selective acquisitions • Typically bring own operator to facility
	Non-Traded REITS	<ul style="list-style-type: none"> • Capital appreciation • Portfolio diversification 	<ul style="list-style-type: none"> • Typically look for stabilized assets, but are capable of employing more creative investment opportunities <ul style="list-style-type: none"> • Open to RIDEA structures 	<ul style="list-style-type: none"> • Seek high capital appreciation investments, not as concerned with dividend yield
	Private Equity/Asset Management	<ul style="list-style-type: none"> • Highly levered equity returns • Opportunity for large capital appreciation gain 	<ul style="list-style-type: none"> • Seek turnaround or repurpose opportunities • Existing operational inefficiencies and NOI upside <ul style="list-style-type: none"> • Overlooked or inefficient markets/assets 	<ul style="list-style-type: none"> • Seek strategic arbitrage opportunities <ul style="list-style-type: none"> • Use of high leverage amounts
	National Operators	<ul style="list-style-type: none"> • Portfolio diversification • Brand implementation in underserved markets 	<ul style="list-style-type: none"> • Trophy facilities in core MSAs • Facilities that uphold their brand image <ul style="list-style-type: none"> • Operational inefficiencies 	<ul style="list-style-type: none"> • Seek to grow their brand in unestablished MSAs • Offer high-end management in underserved markets
	Regional Operators	<ul style="list-style-type: none"> • Economies of scale through growth in portfolio • Creating brand recognition in territory 	<ul style="list-style-type: none"> • Facilities within region • Communities that fit their brand strategy • Facilities with minimal initial capital expenditure requirements 	<ul style="list-style-type: none"> • Look to create economies of scale by developing mid-sized portfolios to take market share from national operators in their regions



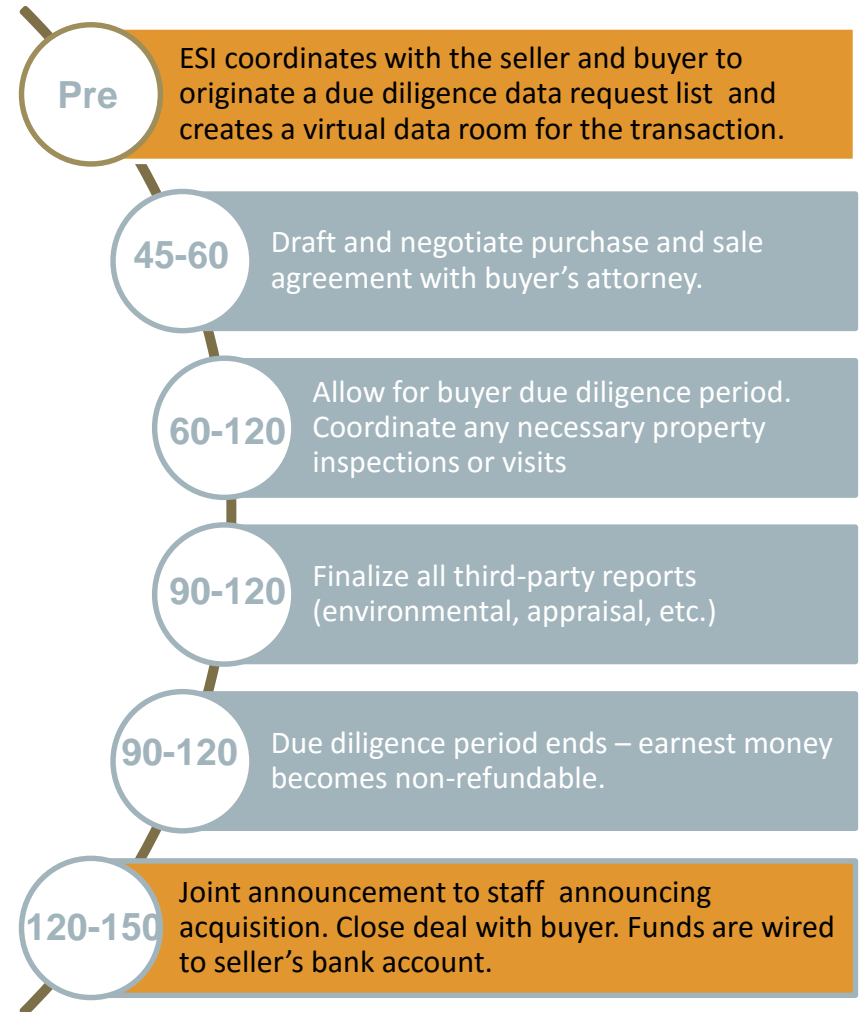
ESI: Mastery of the marketing process

- ESI has experience in fully marketing your facility to our buyers in a confidential manner. In a typical transaction, we announce the sale to the staff members 14 days before the final closing date.

Sourcing Process



Execution Process



A photograph of a concrete floor with a yellow arrow pointing right, a square vent cover, and a concrete pillar. The floor is dark grey with some yellow markings. A concrete pillar is on the right side. A square vent cover is in the middle of the floor.

WHY ESI?

→ Experts in valuation

→ Mastery of the negotiation process

→ Multi-disciplinary team

→ Connected to buyers

→ Focused solely in Senior Housing
and Nursing Care

Asset Overview

BEDS

220

OCCUPANCY

81%

AGE

2004

Property Name: Champaign County Nursing Home Nursing Home

Property Type: Skilled Nursing

Address: 500 Art Bartell Road

City/Zip Code: Urbana

County: Champaign County

State: Illinois

County Pop: 204,214

Med. Income: \$61,218

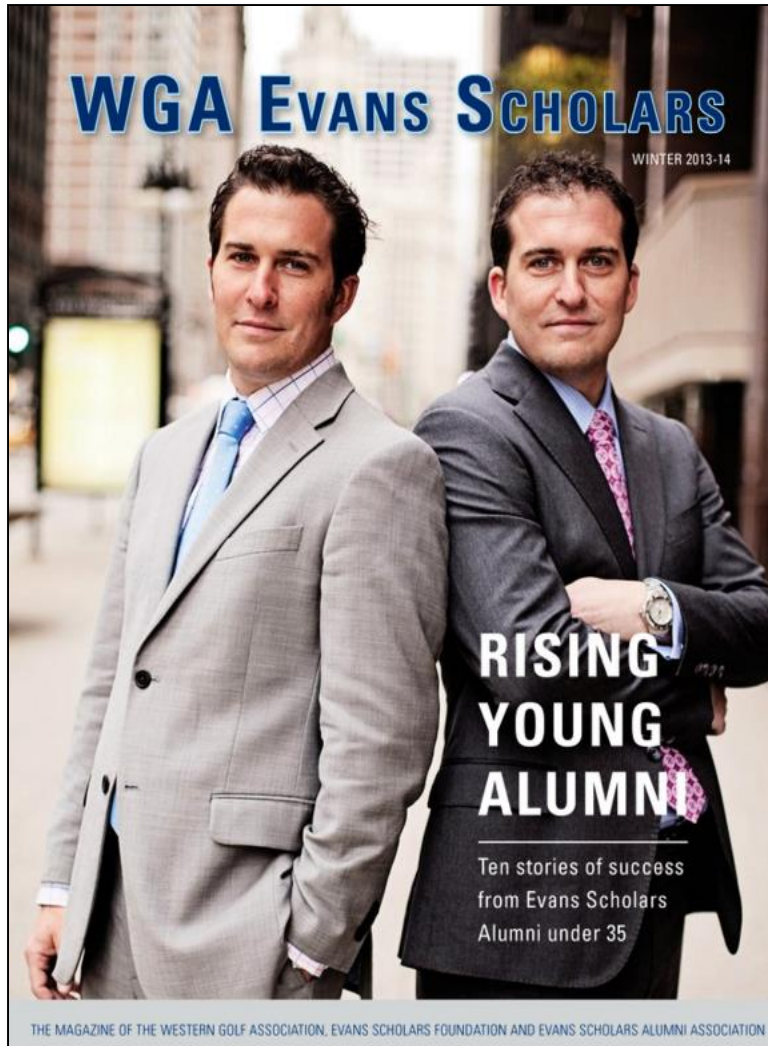
Beds: 243 Licensed Beds

Occupancy: 81%

Age: 2004



About the Name



Evans Senior Investments

- » Evans Senior Investments (ESI) was named after the Evans Scholarship. ESI owners and twin brothers, Jason and Jeremy Stroiman, were both recipients of the Evans Scholarship which allowed them to attend and graduate from Indiana University.
- » The Evans Scholarship was founded in 1930 by Chick Evans who had a dream of helping golf caddies get to college. The criteria used to choose these recipients were scholarship, fellowship and leadership. Since that time, over 9,800 caddies have become Evans Scholars and attained college educations. The scholarship program continues today as the largest scholarship organization in sports and the largest privately funded scholarship program in the United States.
- » Jason and Jeremy are actively involved in the Evans Scholarship. Jeremy mentors the Colorado Scholars, and Jason helps with fundraising efforts in the Chicago area. They have hired 10 Evans Scholars for jobs or internships with ESI.





Jeremy Stroiman
CEO

Jeremy.stroiman@evansseniorinvestments.com
(312)896-0123

Jason Stroiman
President & Founder

jstroiman@evansseniorinvestments.com
(312)896-0123

Kris Lowes
Senior Associate

klowes@evansseniorinvestments.com
(312)896-0123

- 430 W. Erie St. Suite 430 - Chicago, Illinois 60654 •
- 4770 Baseline Rd. Suite 380 - Boulder, Colorado 80303 •
- 312.896.0123 • www.EvansSeniorInvestments.com •





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Marketing Memorandum

Champaign County Nursing Home

500 Art Bartell Road
Urbana, IL 61802

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Exclusive Advisor:



A Division of Marcus & Millichap

Investment Sales:

Joshua Jandris
Senior Managing Director
CHICAGO O'HARE
Direct: (773) 867-1482
Mobile: (312) 399-9797
jjandris@ipausa.com
IL 475.147847

Mark Myers
Executive Managing Director
CHICAGO O'HARE
Direct: (773) 867-1470
Mobile: (773) 383-6821
mmyers@ipausa.com
IL 471.015228

Charles Hilding
Director
CHICAGO O'HARE
Direct: (773) 867-1471
Mobile: (630) 337-1987
childing@ipausa.com
IL 475.125333

Matthew Andriano
Associate
CHICAGO O'HARE
Direct: (773) 867-1413
Mobile: (630) 903-4013
mandriano@ipausa.com
IL 475.167150

CHAMPAIGN COUNTY

INVESTMENT OVERVIEW



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Investment Overview

Institutional Property Advisors are pleased to present this Marketing Memorandum (“MM”) for the Champaign County Nursing Home, located in Urbana, IL.

Property Highlights

- Champaign County Nursing Home is a county-owned, 243 bed skilled nursing facility located in Urbana, IL, about 140 miles south of Chicago
- Built in 2005, Champaign County Nursing Home is a beautiful physical plant that should attract Medicare referrals from local hospitals due to its high quality
- Over 570 short term acute care hospital beds are located within 3 miles of the facility, at Carle Foundation Hospital and Presence Covenant Medical Center

Financial Overview

October 2017 YTD Annualized

- October 2017 YTD Annualized financials reflect revenue generation of \$10,826,069 on expense of \$13,185,659 for an EBITDAR loss of (\$2,359,591)
- The facility was operating at an average occupancy of 59% during the reporting period, with an average of 144 of 243 beds occupied

Pro Forma

- IPA built a Pro Forma analysis for Champaign County Nursing Home, projecting the performance of the facility if owned and operated by a for-profit entity
- The derived analysis depicts the facility generating \$15,870,546 in revenue on expense of \$14,154,992 for an EBITDAR of \$1,715,553 and an EBITDAR margin of 10.81%
- The analysis shows the facility operating at an occupancy level of 76%, with a 11% Medicare mix, taking advantage of the depth of short term acute care beds in the facility’s immediate market

Pricing

Institutional Property Advisors are marketing Champaign County Nursing Home with an Ask Price of \$11,000,000, a price point representative of a price per bed of \$45,267 and a Pro Forma capitalization rate of 15.60%. For questions and comments pertaining to the offering, please contact Joshua Jandris at (773) 867-1413 or JJandris@IPAUSA.com.



Champaign County Nursing Home Pricing Summary	
Minimum Bid	\$11,000,000
Total Beds	243
Price Per Bed	\$45,267
Pro Forma EBITDAR	\$1,715,553
Pro Forma Cap Rate	15.60%

*All Materials are **STRICTLY CONFIDENTIAL** and shall not be disseminated without prior consent. All inquires should be directed to IPA.*

Deal Highlights and Process

Deal Highlights

Champaign County Nursing Home (“CCNH”) represents an excellent opportunity for an owner/operator in today’s market. Built in 2005, CCNH has 243 beds, and features a modern layout consisting of four unique neighborhoods with central nursing stations and centralized building and dietary infrastructure. Like other county owned and operated nursing facilities, CCNH has strong occupancy and revenue upside. With 583 acute care beds (Carle Foundation and Presence Health) within 3 miles, CCNH can greatly enhance their census and payor mix resulting in immediate increases to their top line revenue. On the expense side, a regional or multi-state provider can immediately benefit by implementing economies of scale, staffing the facility appropriately, renegotiating third party contracts and centralizing operations.

Initial Bid Deadline

Questions due: February 9, 2018.

Bid Deadline: 2:00pm CST on Friday February 28, 2018.

Pricing

The Seller reserves the right to accept or reject all bids.

Tours

Tours will be provided to select groups after first round letters of intent have been collected. DO NOT BLIND SHOP THIS ASSET.

RFP

Please review all instructions provided in the Request for Proposal (“RFP”) document in the data room. All responses to the RFP must be delivered in a sealed envelope clearly labeled “RFP 2018-001 – Champaign County Nursing Home” by the designated time and date and meet specified requirements outlined in the RFP. Proposals arriving after the deadline will not be accepted.

Information Found in Online Data Room

- Request for Proposal
- Marketing Memorandum
- FY 2015 & 2016 Financials and Census
- October 2017 YTD Financials and Census
- Balance Sheet
- Photos
- AP & AR Aging Reports

Institutional Property Advisors

Please direct all questions and data requests to the Institutional Property Advisors (IPA) National Seniors Housing Group. The deal team representing the Owner in this potential sale is **Mark Myers, Joshua Jandris, Charles Hilding, and Matthew Andriano**. Please find their contact information below.

Mark L. Myers

Executive Managing Director
CHICAGO O’HARE
Direct: (773) 867-1470
Mobile: (773) 383-6821
MMyers@IPAusa.com

Charles O. Hilding

Director
CHICAGO O’HARE
Direct: (773) 867-1471
Cell: (630) 337-1987
CHilding@ipausa.com

Joshua T. Jandris

Senior Managing Director
CHICAGO O’HARE
Direct: (773) 867-1482
Mobile: (312) 399-9797
JJandris@IPAusa.com

Matthew Andriano

Associate
CHICAGO O’HARE
Direct: (773) 867-1413
Cell: (630) 903-4013
MAndriano@ipausa.com

CHAMPAIGN COUNTY

FINANCIAL ANALYSIS



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Champaign County Nursing Financial Analysis				
Care Type	Oct 2017 YTD Anlzd		Pro Forma	
Medicaid	96		106	
Medicare	10		21	
Private	22		42	
VA	6		6	
Hospice	10		10	
Occupied Beds	144		185	
Available Beds	243		243	
Occupancy	59%		76%	
Medicare Mix	7%		11%	
Revenue	Oct 2017 YTD Anlzd	PPD	Pro Forma	PPD
Medicaid	\$5,071,335	\$145	\$5,612,413	\$145
Medicare	\$1,742,861	\$486	\$3,832,500	\$500
Private	\$2,530,408	\$318	\$4,873,261	\$318
VA	\$686,776	\$308	\$686,776	\$308
Hospice	\$549,329	\$146	\$549,329	\$146
Ancillary	\$243,346	\$5	\$313,672	\$5
Miscellaneous	\$2,013	\$0	\$2,594	\$0
Total Revenue	\$10,826,069	\$206	\$15,870,546	\$234
Expense				
Activities & Social Services	\$346,856	\$7	\$447,096	\$7
Bad Debt	\$217,976	\$4	\$238,058	\$4
Bed Tax	\$434,730	\$8	\$560,365	\$8
Benefits & Payroll Taxes	\$3,191,919	\$61	\$1,624,536	\$24
Dietary	\$962,378	\$18	\$1,240,500	\$18
General & Administrative	\$1,374,501	\$26	\$1,374,501	\$20
Laundry & Housekeeping	\$112,569	\$2	\$145,101	\$2
Nursing	\$3,339,395	\$64	\$4,304,464	\$64
Plant Ops & Maintenance	\$635,902	\$12	\$635,902	\$9
Taxes & Insurance	\$274,247	\$5	\$512,305	\$8
Therapy & Ancillary	\$1,167,470	\$22	\$1,692,225	\$25
Utilities	\$586,412	\$11	\$586,412	\$9
Management Fee	\$541,303	\$10	\$793,527	\$12
Total Expense	\$13,185,659	\$251	\$14,154,992	\$209
EBITDAR	-\$2,359,591	-\$45	\$1,715,553	\$25
Margin	-21.80%		10.81%	

Commentary

October 2017 YTD Anlzd: October Year-To-Date financials were provided by management and are presented in EBITDAR format. An industry-standard management fee equal to 5% of total revenue has been applied.

Pro Forma: Pro Forma financials are based on Oct 2017 YTD Anlzd financials as provided by management. Overall Occupancy has been raised to 76% through the addition of Medicaid, Medicare and Private patients. The resulting Occupancy and Medicare Mix is in line with local market averages. Medicare reimbursement has been raised to \$500 per patient day, in line with similar facilities in the subject's market. Bad Debt has been set to 1.5% of total revenue. Benefits & Payroll expense has been lowered using cost report data from the ten closest skilled nursing facilities. Property Tax has been included in Taxes & Insurance at 1.5% of total revenue. General & Administrative, Plant Ops & Maintenance, and Utilities have been held static. Therapy & Ancillary expense has been raised in conjunction with an increase in Medicare patients. An industry-standard management fee equal to 5% of total revenue has been applied.



CHAMPAIGN COUNTY

PROPERTY INFORMATION



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Property Summary

Investment Highlights

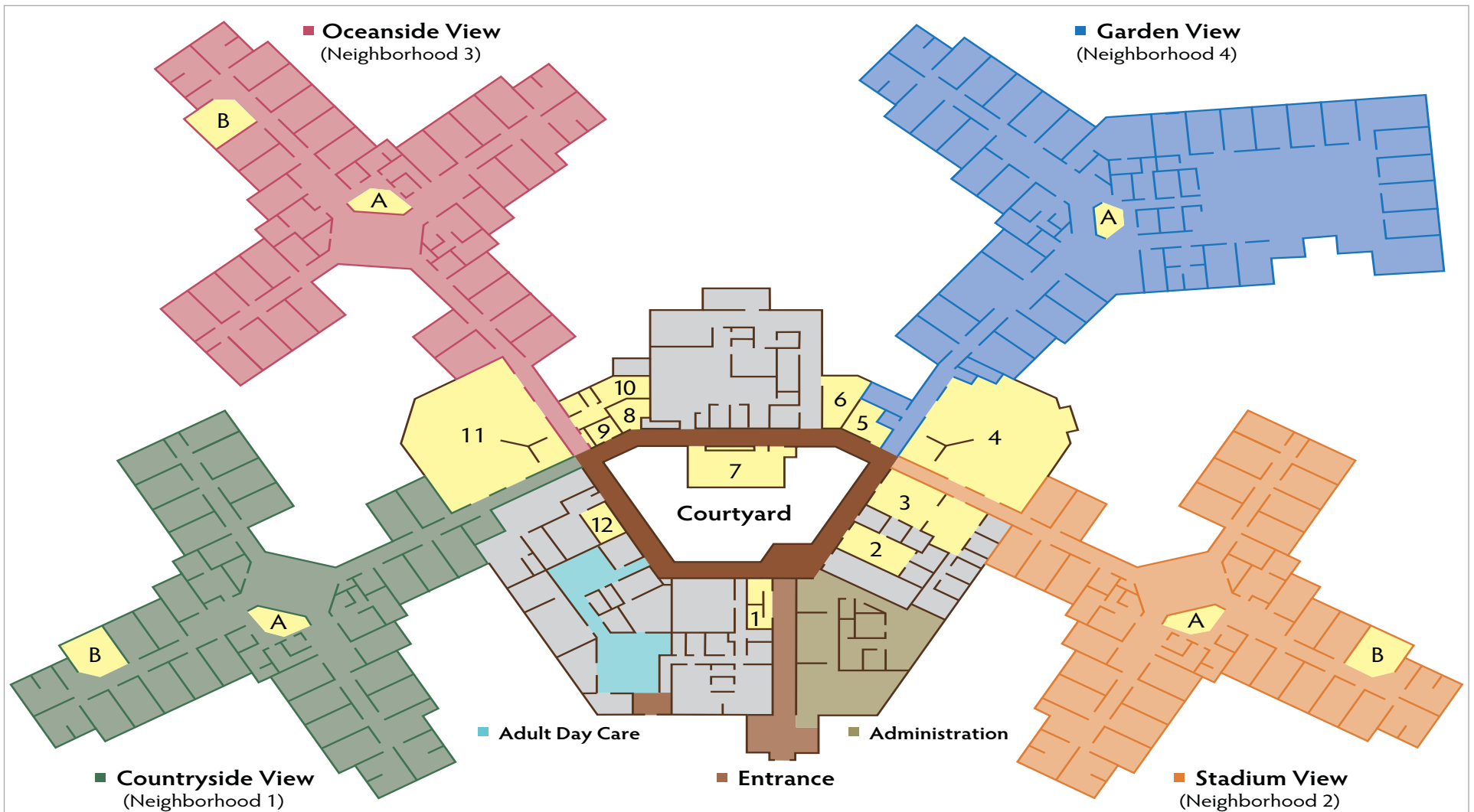
- Facility is divided into four “neighborhoods,” with central rooms and courtyard connecting the wings
- Each ‘neighborhood’ is designed where residents can enjoy the creature comforts of the beautiful surroundings and the social benefits of living in a closely-knit community. Direct care, housekeeping, and activity staff are consistently providing care within the same neighborhood each day; developing a close relationship with each resident they serve. Neighborhood décor and resident rooms reflect the personalities as each resident adds a personal touch to their living area.
- Community amenities include:
 - Enclosed courtyard
 - Activity room
 - Multiple dining rooms
 - Chapel
 - Beauty salon
 - Conference room
 - Nursing stations
 - Lounge/sitting areas
 - Walking paths
- 570 short-term acute care beds located within three miles of the subject facility
- Residents enjoy restaurant-style dining at each meal, selecting from a menu and ordering each component of each meal to match their individual preferences. Wait staff work with residents to find the perfect combination of foods to optimize the dining experience. Scratch cooking is the rule rather than the exception.
- Residents work with the entire care team to cater services to their personal preferences.

PROPERTY SUMMARY	
Year Built	2005
Type of Care	Skilled Nursing
Number of Beds	243
Number of Buildings	One
Number of Floors	Two (Including Basement)
Building Square Footage	133,192
Number of Stories	One
Parking	Approximately 175 Spots
Fire Protection	Automatic Sprinkler Systems in all Required Areas









Champaign County Nursing Home

- 1. Public Restrooms & Water Fountains
- 2. Activity Room
- 3. Therapy Services
- 4. East Dining Room

- 5. Family Dining Room
- 6. Vending
- 7. Chapel
- 8. Beauty Salon

- 9. General Store
- 10. Dental Office
- 11. West Dining Room
- 12. Nursing Conference Room

- A. Nursing Station
- B. Lounge/Sitting Area



CHAMPAIGN COUNTY

RENT COMPARABLE & LOCAL HOSPITAL OVERVIEW



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Rent Comparables





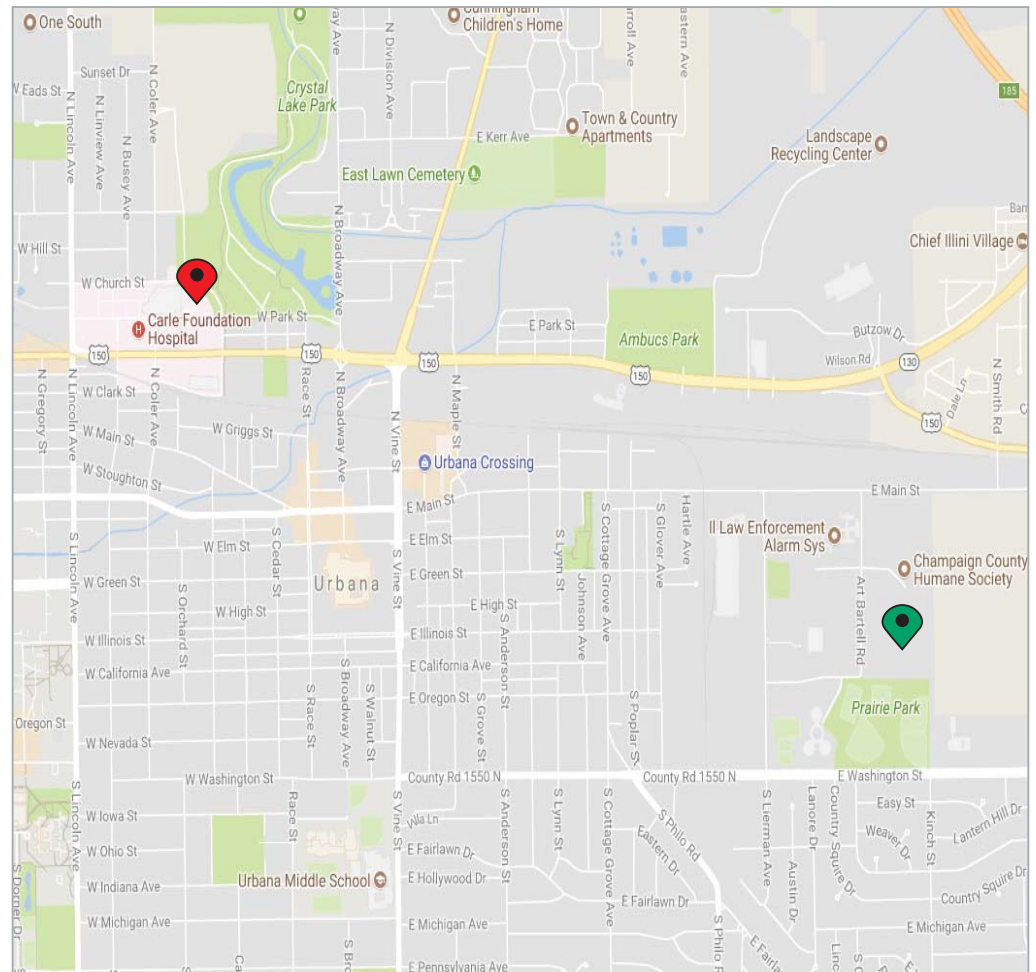
	NAME	ADDRESS	DISTANCE (MI)	TOTAL BEDS	OCCUPANCY	MEDICAD RATE
★	Champaign County Nursing Home	500 South Art Bartell Drive Urbana, IL 61802	0.0	243	59%	\$145
📍	Heartland of Champaign	309 East Springfield Champaign, IL 61820	2.9	102	68%	\$143
📍	Champaign Urbana Nursing & Rehabilitation	302 West Burwash Savoy, IL 61874	6.4	213	64%	\$159
📍	Helia Healthcare of Champaign	1915 South Mattis Street Champaign, IL 61821	6.4	118	49%	\$124
📍	Illini Heritage Rehabilitation & Healthcare	1315B Curt Drive Champaign, IL 61820	6.9	60	87%	\$138

Proximity to Local Hospital

LOCAL HOSPITAL	
Name	Carle Foundation Hospital
Address	611 West Park Street
City/State	Urbana, IL
Total Beds	376
Type of Facility	Short-Term Acute Care

BEDS & PATIENT DAYS BY UNIT		
TYPE	AVAILABLE BEDS	INPATIENT DAYS
Routine Services	298	79,762
Special Care	63	15,487
Nursery	N/A	9,718
Total Hospital	376	109,168



Champaign County Nursing Home  is located 2.1 miles from Carle Foundation Hospital  in Urbana, IL.

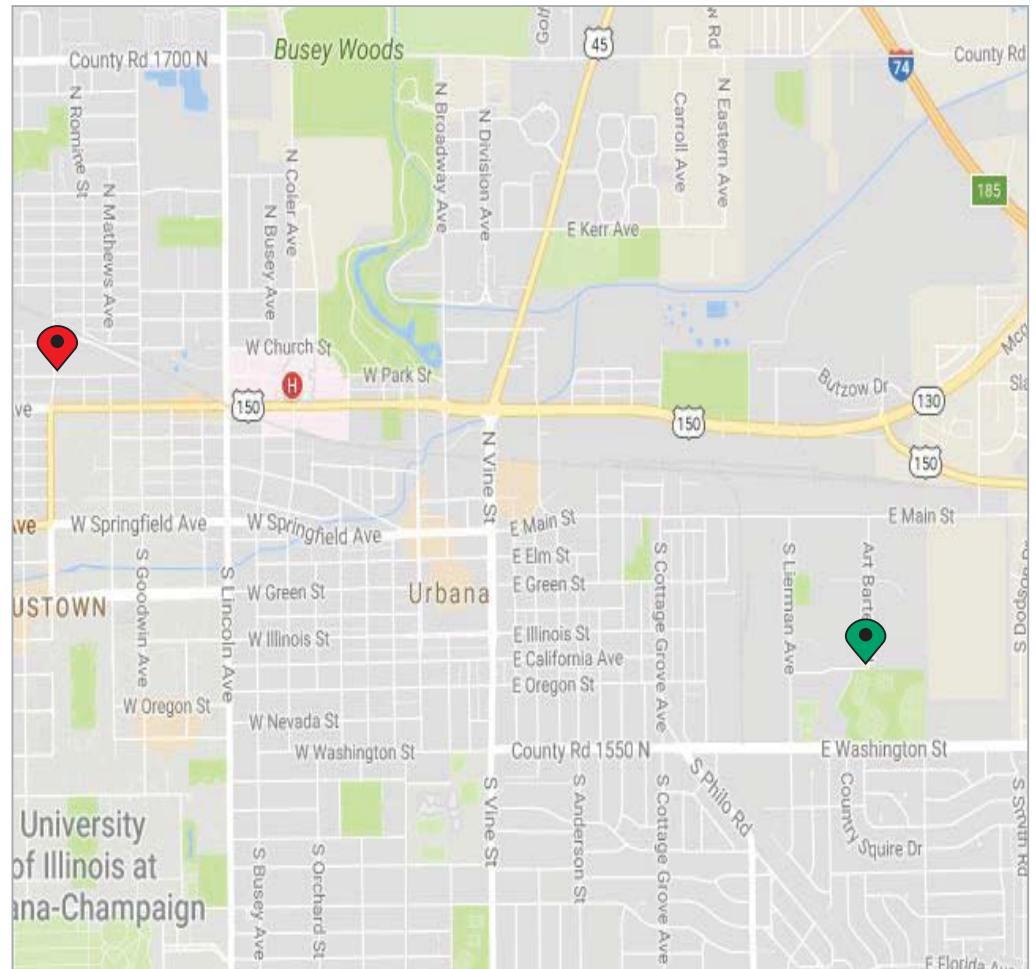


Proximity to Local Hospital

LOCAL HOSPITAL	
Name	Presence Covenant Medical Center
Address	1400 West Park
City/State	Urbana, IL
Total Beds	194
Type of Facility	Short-Term Acute Care

BEDS & PATIENT DAYS BY UNIT		
TYPE	AVAILABLE BEDS	INPATIENT DAYS
Routine Services	156	19,837
Special Care	13	3,358
Nursery	N/A	1,612
Total Hospital	194	29,222

Champaign County Nursing Home  is located 2.2 miles from Presence Covenant Medical Center  in Urbana, IL.



CHAMPAIGN COUNTY

DEMOGRAPHIC ANALYSIS



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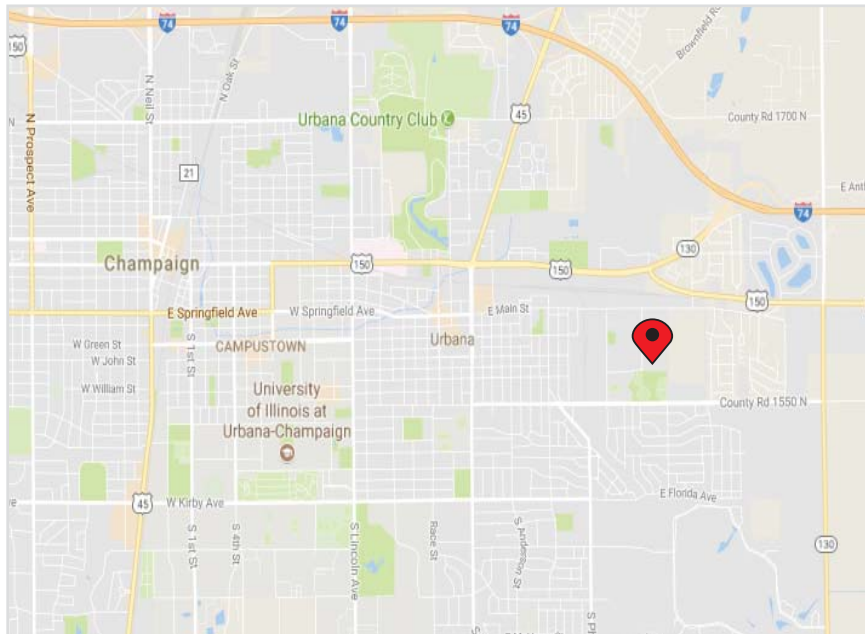
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	1 Mile Radius	5 Mile Radius	10 Mile Radius	Illinois	USA
2016 Population	12,142	114,199	164,918	12,930,729	321,008,540
Forecasted 2021 Population	12,629	118,037	172,532	12,243,852	334,312,197
Population % Increase/Decrease	4.01%	3.37%	4.62%	-5.31%	4.14%
Median Age	34.6	25.2	27.9	37.5	37.6
Median Household Income	\$43,776	\$35,863	\$45,631	\$58,275	\$54,148

Population 45-64	1 Mile Radius	5 Mile Radius	10 Mile Radius	Illinois	USA
2016 % of Population	22.3%	15.7%	19.0%	26.3%	26.2%
Forecasted 2021 % of Population	21.3%	14.7%	18.1%	25.3%	25.4%

Population 65-84	1 Mile Radius	5 Mile Radius	10 Mile Radius	Illinois	USA
2016 % of Population	11.2%	7.8%	8.7%	11.8%	12.1%
Forecasted 2021 % of Population	12.9%	9.0%	10.2%	14.0%	14.1%

Population 85+	1 Mile Radius	5 Mile Radius	10 Mile Radius	Illinois	USA
2016 % of Population	3.4%	1.8%	1.6%	2.0%	1.9%
Forecasted 2021% of Population	3.3%	1.8%	1.6%	2.0%	2.0%





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www.ipausa.com

Investment Sales:

Joshua Jandris
Senior Managing Director
CHICAGO O'HARE
Direct: (773) 867-1482
Mobile: (312) 399-9797
jjandris@ipausa.com
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