



Instructions for Preliminary, Non-Binding Bid
May 18, 2018

On behalf of the County of Berks, Pennsylvania, we invite you to submit a preliminary, non-binding bid in the form of a term sheet or letter of intent to enter into the Transaction. ***Please deliver your preliminary bid to Mike Vind of FS&L and Mitchell Smith of Griffin no later than, 5 pm EST on Friday, June 22, 2018 (the “Indication Date”).***

Invitation to Submit Preliminary, Non-Binding Bid

Preliminary bids must include and/or address the following:

Description of Purchaser

1. Name and address of the Purchaser and the officer or officers authorized to execute agreements. If another party will run, operate, manage and/or provide capital, funds, management or support to the Purchaser, please provide its name, address, and the name of authorized signatory of each such party (the term “Purchaser” means the entity which will acquire and take title to the Heim);
2. A narrative description of the corporate structure of the Purchaser together with a narrative description of each such other party identifying the relationships between and among them;
3. Copies of the last three (3) years of audited financial statements of the Purchaser, plus unaudited financial statements as of the most recent practicable interim period. If another party will run, operate, manage and/or provide capital, management or other support to the Purchaser, please provide the above financial statements for each such other party;

4. A brief description of the Purchaser's and any such other party's or parties' history, organizational structure, location of its management, and applicable license(s) and registration(s) to do business in the Commonwealth of Pennsylvania. Please note that the County will entertain bids only from non-profit entities, including non-profit entities owned, operated or managed by a for profit or not for profit party. Note that the County will also consider a bifurcated bid from a for-profit entity for the real property and a linked bid from a non-profit entity for the business and operations;
5. Confirmation that the Purchaser and/or the relevant party that will operate and manage the Heim is or will be a non-profit corporation and that it either has or will have access to the financial resources to complete the Transaction on a timely basis and operate the Heim on a safe and financially sound basis.

Relevant Experience

1. The names, experience, and qualifications, including copies of applicable licenses, held by Purchaser and/or other relevant party and the individuals who will be primarily responsible for the management and operation of the Heim and any other person(s), whether as employees or subcontractors, with specialized skills who would be assigned to provide services to or for the Heim, whether employees of the Purchaser or another party;
2. A list of references of other long term care or other nursing facilities acquired and/or managed by the Purchaser or relevant other party or parties, including the names, addresses, and telephone numbers of the contact persons who can describe past transactions and operating transitions and other experiences in acquiring, owning and/or managing nursing home or long term care facilities, together with the CMS star ratings for each such facility for the previous five (5) years (or such shorter term as the Purchaser or relevant third party has owned and/or managed such facilities);
3. Does the proposed Purchaser plan on employing a management company for the operations of the Heim? If yes, please identify the management company, describe its management and scope of its services and provide references.

Insurance Coverage

1. A statement of the property and casualty and other insurance coverage of the Purchaser and/or each such other party or parties and the identity of the insurer or insurers.

Labor and Personnel

1. The County will require that the Purchaser or relevant other party (i) offer to hire all of the Heim's employees who pass a background check and, as of the closing date, work at the Heim and have been employed on an average of twenty hours or more per week in

the month immediately preceding closing, all at salary levels no less than those currently received by the existing employees during such period; (ii) agree not to terminate any of the current employees during a time period to be negotiated following the Closing Date. Please provide a statement of assurance that the Purchaser and other relevant party agree with this requirement;

2. The County will require that the Purchaser assume agreements with the SEIU Healthcare Pennsylvania Union and the United Food and Commercial Workers International Union for the remainder of the contract or until such time as a successor agreement can be negotiated. Please provide a statement of assurance that you agree with this requirement;
3. The County will require that the Purchaser or relevant other party will provide the Heim's present employees with appropriate benefits. Please provide a description of contemplated (i) group health plans, (ii) 401(k) or similar plans, and (iii) any other fringe benefits currently offered to employees at any of your affiliated organizations that you or relevant other party intend on offering to the employees of the Heim. Please note that the Heim has historically allocated pension expense to the County's pension plan based on the Heim's eligible fringe wages as a percentage of the County's total fringe eligible wages. This plan is currently fully funded and the County intends to retain both assets and liabilities associated with the pension plan.

Admissions Policies

1. A description of the proposed admissions policies of the Purchaser or relevant other party and how they differ from the County's existing published admissions policy set forth in the CIM and in the data room. For example, what is the Purchaser's experience in other facilities with Medicaid admissions, residents with behavioral issues, etc.? The County will contractually require that County residents be accorded priority in all cases and we ask that you confirm in your bid that you will accord such priority to County residents.

Quality of Care

1. A description of the approach of the Purchaser and each relevant other party to the operation and services of the Heim and how it intends to maintain or improve the current quality of care, including its commitment to specified nursing and other staffing levels;
2. A statement of assurance that the Purchaser and each relevant other party agrees to participate in the Medicare and Medicaid programs and the number of residents whose care is covered by Medicaid will not be less than 77%;

3. The County will require that the Purchaser and each relevant other party maintain the Alzheimer's specialty unit that is in existence at the Heim for a specified period of time after the closing date;
4. A description of the Purchaser's and each relevant other party proposed commitment with respect to the Heim's current residents and their families concerning coverage in a quality setting including a statement of assurance that the Purchaser agrees to continue to provide care (for as long as such care is required and such resident continues to qualify for a skilled nursing home) for all residents of the Heim as of the closing date of the Transaction;
5. Five years of Department of Health survey data for the home/homes and the most recent aggregate CMS Surveys for every facility in which the Purchaser and each relevant other party has a material interest (or such shorter term as the Purchaser or relevant third party has owned and/or managed such facilities);
6. Describe the experience of the Purchaser and each relevant other party with community groups or community oriented advisory boards to endeavor to maintain quality of care and community involvement following the purchase of a nursing home and how you would characterize such experience.

Proposed Assets and Liabilities to be Transferred and Assumed

1. The County proposes that the Transaction be legally structured as a sale of assets and an assumption of the liabilities that have historically produced the Heim's net income and EBIDA. Set forth below is the Heim's unaudited balance sheet at December 31, 2017. The real property, improvements and tangible personal property included in those assets are being sold on an "as is, where is, with all faults" basis and without warranty, except for warranties of title and authorization to sell. These statements are included for the purpose of assisting the Purchaser and each relevant other party in understanding what assets and liabilities are intended to be sold and what assets and liabilities are intended to be retained by the County and in formulating its indication of interest and constructing a pro forma balance sheet. Please note that these amounts will be "trued-up" with the County's audited financial statements when such financial statements become available in early July, 2018 and then again as of the closing date. It is presently contemplated that there will be a post-closing working capital adjustment mechanism.

Assets Proposed to Be Transferred to Purchaser

	Unaudited Assets as of 12/31/2017	Assets Proposed to be Transferred to Purchaser
Cash (Rest./Unrest.)	\$377,819	\$0
Cash (Rest.- Resident Funds) ⁽¹⁾	\$276,147	\$276,147
Net Accounts Receivable ⁽²⁾	\$4,770,860	\$4,770,860
Estimated Third Party Receivables ⁽³⁾	\$252,358	\$252,358
Other Current Receivables ⁽³⁾	\$52,733	\$52,733
Inventory	\$103,238	\$103,238
Prepaid Expenses	\$26,975	\$26,975
Net Property, Plant and Equipment ⁽⁴⁾	\$26,937,305	\$26,937,305
Other Assets	\$0	\$0
Net Pension Assets ⁽⁵⁾	\$5,391,026	\$0
Deferred Financing and Rent	\$1,409	\$0
Total Book Assets	\$38,189,870	\$32,419,616

- (1) Cash (Rest.-Resident Funds) represents cash held on behalf of residents. This cash will be transferred to the Purchaser along with the corresponding liability in a like amount (see below).
- (2) Please see internally prepared financial reports in the County's data room for detail of net accounts receivable and related aging.
- (3) Estimated Third Party Receivables and Other Receivables consist primarily of amounts due from Medicare for allowable Bad Debt, net of interim payments, as well as accrual of amounts due under the MD01 program.
- (4) Net Property, Plant and Equipment is net of accumulated depreciation. A breakdown of Net PP&E by asset class is provided in Section 5.60 of the Memorandum.
- (5) Net pension assets represent the Heim's portion of the County's plan assets in excess of related pension liabilities. The County's pension plan was fully funded as of the last valuation date of January 1, 2017. The January 1, 2018 valuation will not be completed and available until June 2018; however the County anticipates the plan will still be in a fully funded position. Any net pension assets or liabilities will be retained by the County, along with future pension assets or liabilities.

Liabilities to be Assumed by the Purchaser - Set forth below is a schedule of the Heim's liabilities and indicates those liabilities to be assumed in connection with the Transaction. Please note that these amounts will be "trued-up" with the County's audited financial statements as of December 31, 2017 when such financial statements become available and then again as of the closing date pursuant to post-closing purchase price adjustments.

	Unaudited Liabilities as of 12/31/2017	Liabilities to be Retained and Paid by County	Liabilities to be Assumed by Purchaser
Accounts Payable ⁽¹⁾	\$3,481,627	\$0	\$3,481,627
Other Payables	\$3,001,620	\$0	\$3,001,620
Short-term Deferred Revenue ⁽²⁾	\$35,070	\$35,070	\$0
Accrued Payroll & Taxes	\$1,043,332	\$0	\$1,043,332
Accrued Expenses	\$516,451	\$0	\$516,451
Accrued Interest ⁽²⁾	\$121,367	\$121,367	\$0
Due to the County from the Heim ⁽³⁾	\$2,394,388	\$0	\$2,394,388
Resident Funds ⁽⁴⁾	\$276,147	\$0	\$276,147
Current Debt ⁽⁵⁾	\$547,634	\$547,634	\$0
Long Term Debt ⁽⁵⁾	\$22,123,419	\$22,123,419	\$0
Long Term Deferred Revenue ⁽²⁾	\$609,588	\$609,588	\$0
Other Long Term Payables	\$1,685,435	\$0	\$1,685,435
Total Book Liabilities	\$35,836,078	\$23,437,078	\$12,399,000

- (1) The County will process the balance of Accounts Payable as of the Closing Date through its central office as agent for the Purchaser from funds deposited by the Purchaser with the County from its collection of accounts receivable pursuant to a lock box, escrow or similar device.
- (2) The outstanding principal balance and accrued interest related to outstanding short and long term funded debt will not be assumed by the Purchaser in connection with the Transaction.
- (3) Due to the County from the Heim represents funds owed to the County by the Heim that is intended to be paid from cash. If not so repaid, the purchase price the County will require will be increased by such amount.
- (4) Resident Fund liability corresponds with the Cash (Rest.- Resident Funds) asset which will be transferred to the Purchaser and/or any relevant other party.
- (5) Short-term deferred revenue and long term deferred revenue represents advances received from patients for services expected to be delivered in greater than one year. The Heim received revenue for services while owned by the County in prior periods.

Optional Additional Acreage

1. The County owns approximately 34.3 acres of undeveloped land adjacent to the 42.0 acre site on which the Heim is located. Please indicate in your bid how many additional acres, if any, you might be interested in purchasing if you are the successful bidder.

Purchase Price

1. Please provide your proposed purchase price, payable in cash at closing, for the assets proposed to be sold and the liabilities which the County proposes you assume;
2. Please also provide your assessment of the amount of the Heim's calculation of EBIDA set forth on page 23 of the CIM for the fiscal year ending December 31, 2017 your related proposed adjustments to EBIDA, as well as the multiple you used to formulate your indication of interest. Note that the County recognizes that the expense related adjustments identified in the CIM do not take into account the full cost of replacing such expense at closing, subject to true up;
3. This purchase price means Adjusted EBIDA x your proposed multiple plus any unpaid amounts due to the County from the Heim (see Footnote 3 to balance sheet liabilities above);
4. Form of Purchase Price: The County will require that the Purchase Price be paid in cash.

Sources & Uses

1. Please provide a detailed statement of Sources and Uses for the Transaction.

Financing

1. If you plan on financing a portion of the Purchase Price, please indicate your plans and provide copies of commitment letter(s) from your external financing sources;
2. If you have not yet obtained commitment letters from external financing sources, please indicate when you expect them and provide us with access to and contact information with respect to such sources;
3. Strong preference will be given to Proposals with no financing contingency.

Regulatory and Conflicts

1. A statement of assurance that the Purchaser or any relevant other party is not currently in violation of any laws and regulations;
2. A description of any actual or potential conflicts of interest related to the acquisition, ownership, management and operation of the Heim.

Other Financial Matters

1. Description of how the Purchaser and/or other relevant parties plan to address the future financial needs of the Heim including improvement capex and maintenance capex;
2. A statement that if the Purchaser (together with other relevant third parties) is selected by the County as the winning proposer, the Purchaser will promptly wire the County a \$500,000 payment to be held in escrow and which will be fully credited against amounts owed by the Purchaser.

Litigation

1. A description of any pending litigation against the Purchaser and/or any relevant other party.

Conditions to Closing

1. An indication of the timing you expect will be necessary to complete the Transaction and any material conditions to closing or other contingencies that may be required. Note that the County will not accept an indication of interest conditioned on board, board committee, member or third party approval;
2. Transaction certainty is a key consideration for indication of interest consideration. The fewer conditions to closing and the fewer contingencies relating to performance, the better chance the Purchaser will have of being named the successful proposer;
3. An indication of risk allocation and any non-customary representations, warranties, indemnities you believe you will require to complete the Transaction.