



The National
CONSUMER VOICE
for Quality Long-Term Care

June 3, 2024

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Assistant Attorney General
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U.S. Department of Justice
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Washington, DC 20530

Xavier Becerra
Secretary
U.S. Department of Health and Human
Services
200 Independence Ave, SW
Washington, DC 20201

Lina M. Khan
Chair
Federal Trade Commission
600 Pennsylvania Ave. N.W.
Washington, DC 20580

Submitted via: www.regulations.gov, Docket No. ATR102

Dear Assistant Attorney General Kanter, Chair Khan, and Secretary Becerra:

National Consumer Voice for Quality Long-Term Care (Consumer Voice) submits comments in response to the Federal Trade Commission, Department of Justice, and Department of Health and Human Services request for information regarding the impact of corporate greed in health care. Consumer Voice is the leading national voice representing consumers in issues related to long-term care. We are a primary source of information and tools for consumers, families, caregivers, advocates, and ombudsmen to help ensure quality care for the individual. Consumer Voice has nearly 50 years of experience advocating for quality nursing home care.

Consumer Voice is grateful for this opportunity to discuss the impact of corporate greed on nursing home care. While our comments focus on private equity investment, Consumer Voice wants to make clear that the problems discussed in our comments are endemic to much of the nursing home industry. According to a recent study, nearly 77% of nursing homes employ the practices discussed in our response.ⁱ Private

equity investment is just an acute symptom of a chronic disease that has plagued nursing homes for decades and that is profiteering over patient care.

It is indisputable that private equity investment (PE) has impacted nursing home care in the United States. It is unclear how many nursing homes are owned by private equity investment firms, but conservative estimates say 5%.ⁱⁱ Regardless of the magnitude of PE's presence, the negative impact on nursing home care has been well documented, including in academic studies and media coverage. Critical to understanding PE investment in the nursing home sector is exploring why PE finds nursing home ownership so attractive. Poor financial supervision of the Medicare and Medicaid programs by federal and state governments and relaxed licensing and ownership requirements set the stage for private equity investments. These factors were present well before PE arrived on the scene and served as a lure for PE and other unscrupulous investors.

Our responses to the RFI will focus on three areas:

- 1) The conditions that made nursing home ownership attractive to PE.
- 2) The effect of PE ownership on nursing home care.
- 3) Recommendations to make the nursing home sector a less attractive investment for PE and other unscrupulous private investors.

Why Private Equity Came to the Nursing Home Sector

To understand why private equity finds the nursing home sector so lucrative, we must go back over twenty years to an articleⁱⁱⁱ published in 2003 in the Journal of Health Law. The article, "Protecting Nursing Home Companies: Limiting Liability Through Corporate Restructuring" proposed "separating the ownership of the real estate [on which a nursing home is located] from the ownership of the operating entity that holds the license and Medicare and Medicaid provider agreements."^{iv} The goal of this practice was to limit the financial liability of the owners of the nursing home and help avoid Medicare and Medicaid exclusions for program violations.^v Another benefit to owners was that the real estate company created by the nursing home owners to separate the assets could now charge the nursing home unrestricted rent and lease fees.

This practice gave rise to the phenomenon of related party transactions, which are transactions between a nursing home and another company that share common ownership.^{vi} Nursing homes quickly figured out that not only could they create a real estate company to charge their facilities rents, but they could also create

management companies, pharmacies, therapy companies, dining services, and other companies that could charge the facility for services.

Since the publication of the 2003 article, the use of these related organizations has increased, with nearly 75% of nursing homes using related parties, with billions of dollars funneled through them annually.^{vii} A recent paper estimated that 63% of nursing home profits flowed through related parties as marked-up costs.^{viii} Again, while these transactions can be profits to the nursing home owners, they are expenses to the nursing home itself, making it easier for the nursing home industry to plead poverty when it is unclear just how profitable an individual nursing home is. The Centers for Medicare & Medicaid Services (CMS) does little to police these transactions, making it a very attractive money-making machine for private equity.

To illustrate how PE uses related parties to potentially hide profits, we will look at two well-known PE investor groups: Portopiccolo and Goldner Capital Management.

Portopiccolo in Tennessee

One of the most notorious private equity companies in the nursing home sector is Portopiccolo, and this company highlights the complex nature of nursing home ownership. Portopiccolo does not show up in the ownership database maintained by CMS. Instead CMS refers to homes owned by Portopiccolo by the names Simcha Hyman and Naftali Zanziper. Hyman and Zanziper own over one hundred homes in the United States, often masking their ownership with corporate names such as Peak Healthcare and Accordius Health. A Washington Post article noted that Hyman and Zanziper frequently referred to Portopiccolo as a PE firm, but removed this moniker after scrutiny from reporters.^{ix} For ease of reference, we will refer to homes owned by Hyman and Zanziper as Portopiccolo homes.

From 2020 to 2023, no other company has had more fines for care violations than Portopiccolo, over \$12 million^x. According to data from CMS, Portopiccolo owns 135 homes in the United States. Of those homes, 35 (27%) have been tagged for abuse. The average overall CMS five-star rating for their homes is 1.88. The average five-star ratings for health inspections and staffing are 2.1 and 2.0. Staff turnover in Portopiccolo homes is 61%, almost 10% higher than the national average.

Tennessee

To illustrate how PE firms operate in the nursing home sector, Consumer Voice examined recent purchases by Portopiccolo in Tennessee. Specifically, we examined

the Medicare cost reports to illustrate a before-and-after financial picture, with a particular focus on related party transactions and staff wages.

CMS data shows that since 2020, Portopiccolo has purchased at least twelve homes in Tennessee. Below is a brief analysis of what happened in several of the homes after Portopiccolo purchased them.

MIDTOWN CENTER FOR HEALTH AND REHABILITATION	141 N MCLEAN BLVD	MEMPHIS	TN	38104
SMITH COUNTY HEALTH AND REHABILITATION	112 HEALTH CARE DR	CARTHAGE	TN	37030
WILLOW BRANCH HEALTH AND REHABILITATION	415 PACE STREET	MCMINNIVILLE	TN	37110
FOOTHILLS TRANSITIONAL CARE AND REHABILITATION	1012 JAMESTOWN WAY	MARYVILLE	TN	37803
RIVER GROVE HEALTH AND REHABILITATION	1520 GROVE ST BOX 190	LOUDON	TN	37774
FAIRPARK HEALTH AND REHABILITATION	307 N FIFTH ST BOX 5477	MARYVILLE	TN	37801
CREEKVIEW HEALTH AND REHABILITATION	3300 BROADWAY NE	KNOXVILLE	TN	37917
RED BOILING SPRINGS TN OPCO LLC	309 MAIN ST	RED BOILING SPRINGS	TN	37150
MT PLEASANT HEALTHCARE AND REHABILITATION	904 HIDDEN ACRES DR	MOUNT PLEASANT	TN	38474
SODDY-DAISY HEALTH CARE CENTER	701 SEQUOYAH ROAD	SODDY-DAISY	TN	37379
MAGNOLIA CREEK NURSING AND REHABILITATION	1992 HWY 51 S	COVINGTON	TN	38019

Midtown Center for Health and Rehabilitation

Portopiccolo purchased Midtown Center for Health and Rehabilitation in January 2020. In 2018, before being owned by Portopiccolo, Midtown Center reported one related party transaction for this facility totaling \$444,587 for management services. As documented in a recent paper, management fees are one of the most common related party expenses, estimated to comprise roughly 34% of related party costs. In 2020, after being purchased by Portopiccolo, the amount of related party transactions increased to \$5,490,352, a factor of twelve. Management fees were now \$834,467.

According to the cost report filed by Portopiccolo for 2020, the facility had a total profit of \$2,882,652. This amount does not include any potential profits hidden in related party transactions. During that same period, the owners reported an average CNA wage of \$9.32. Unsurprisingly, CMS data shows that Midtown Center's average direct care staff turnover is 79.2% annually.

Since Portopiccolo purchased Midtown Center, the owners have been assessed \$926,626.80 in fines for poor care. During the four years from 2020 to 2024, the Midtown Center was also cited for resident abuse. Additionally, CMS's Five-Star Rating System ranks them one out of five stars overall, with one out of five stars in both Staffing and Health Inspection ratings.

Midtown Center Related Party Transactions Before Portopiccolo Ownership

05-11 STATEMENT OF COSTS OF SERVICES FROM RELATED ORGANIZATIONS AND HOME OFFICE COSTS	FORM CMS-2540-10	4190 (Cont.)	PROVIDER CCN: _____	PERIOD : FROM _____ TO _____	WORKSHEET A-8-1
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PART I - COSTS INCURRED AND ADJUSTMENTS REQUIRED AS A RESULT OF TRANSACTIONS WITH RELATED ORGANIZATIONS OR CLAIMED HOME OFFICE COSTS

	Line No.	Cost Center	Expense Items	Amount Allowable In Cost	Amount Included in Wkst. A., col. 5	Adjustments (col. 4 minus col. 5)	
	1	2	3	4	5	6	
1	4.	ADMINISTRATIVE & GENERAL	MANAGEMENT FEE		444,587.	(444,587.)	1
2							2
3							3
4							4
5							5
6							6
7							7
8							8
9							9
10	TOTALS (sum of lines 1-9)				444,587.	(444,587.)	10
	[Transfer column 6, line 10 to Wkst. A-8, col. 3, line 12]						

The above graphic comes from page A-8-1 of CMS form 2540-10. CMS requires all nursing homes to report related party transactions on this page. The total amount paid to the related party occurs in column 5. Column 4 contains what is allowed cost under the Medicare program. While the actual payments to related parties often far exceed the allowed costs, CMS does not require the difference to be reimbursed.

Midtown Center Related Party Transactions After Portopiccolo Ownership

05-11 STATEMENT OF COSTS OF SERVICES FROM RELATED ORGANIZATIONS AND HOME OFFICE COSTS	FORM CMS-2540-10	4190 (Cont.)	PROVIDER CCN: _____	PERIOD : FROM _____ TO _____	WORKSHEET A-8-1
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PART I - COSTS INCURRED AND ADJUSTMENTS REQUIRED AS A RESULT OF TRANSACTIONS WITH RELATED ORGANIZATIONS OR CLAIMED HOME OFFICE COSTS

	Line No.	Cost Center	Expense Items	Amount Allowable In Cost	Amount Included in Wkst. A., col. 5	Adjustments (col. 4 minus col. 5)	
	1	2	3	4	5	6	
1	4.	ADMINISTRATIVE & GENERAL	MANAGEMENT FEE	700,631.	834,467.	(133,836.)	1
2	1.	CAP REL COSTS - BLDGS & FIXTURES	RENT		1,760,000.	(1,760,000.)	2
3	1.	CAP REL COSTS - BLDGS & FIXTURES	DEPRECIATION	447,677.		447,677.	3
4	1.	CAP REL COSTS - BLDGS & FIXTURES	INTEREST	1,304,878.		1,304,878.	4
5							5
6	44.	PHYSICAL THERAPY	THERAPY CO	552,377.	593,954.	(41,577.)	6
7	45.	OCCUPATIONAL THERAPY	THERAPY CO	512,681.	551,270.	(38,589.)	7
8	46.	SPEECH PATHOLOGY	THERAPY CO	361,000.	388,172.	(27,172.)	8
9	49.	DRUGS CHARGED TO PATIENTS	PHARMACY	229,068.	229,068.		9
10	TOTALS (sum of lines 1-9)			5,241,733.	5,490,352.	(248,619.)	10
	[Transfer column 6, line 10 to Wkst. A-8, col. 3, line 12]						

Foothill Transitional Care and Rehabilitation

CMS data reflects that Portopiccolo purchased Foothill Transitional Care and Rehabilitation halfway through 2019. According to the Medicare cost report for the second half of 2019, after being purchased by Portopiccolo, the related party expenses were \$1,073,610. The reported profit was \$1,099.162.

In 2020, the first full year of complete ownership by Portopiccolo, the related party expenses increased to \$5.23 million. For 2020, the facility reported a profit of \$1,232,757. During that same period, the average CNA wage was \$10.56 per hour. The average direct care staff turnover at Foothill Transitional was 46.5% annually. On CMS's Five Star rating system, the facility has two out of five stars in the overall rating and only three out of five stars in staffing.

Foothill Transitional Care Related Party Transactions After Purchase by Portopiccolo

05-11	FORM CMS-2540-10	4190 (Cont.)
STATEMENT OF COSTS OF SERVICES FROM RELATED ORGANIZATIONS AND HOME OFFICE COSTS	PROVIDER CCN:	PERIOD: FROM _____ TO _____ WORKSHEET A-8-1

PART I - COSTS INCURRED AND ADJUSTMENTS REQUIRED AS A RESULT OF TRANSACTIONS WITH RELATED ORGANIZATIONS OR CLAIMED HOME OFFICE COSTS

Line No.	Cost Center	Expense Items	Amount Allowable In Cost	Amount Included in Wkst. A., col. 5	Adjustments (col. 4 minus col. 5)	
1	2	3	4	5	6	
1	4. ADMINISTRATIVE & GENERAL	MANAGEMENT FEE	591,666.	607,307.	(15,641.)	1
2	1. CAP REL COSTS - BLDGS & FIXTURES	RENT		2,580,000.	(2,580,000.)	2
3	1. CAP REL COSTS - BLDGS & FIXTURES	DEPRECIATION	404,400.		404,400.	3
4	1. CAP REL COSTS - BLDGS & FIXTURES	INTEREST	1,125,250.		1,125,250.	4
5	1. CAP REL COSTS - BLDGS & FIXTURES	TAXES & INSURANCE	40,498.		40,498.	5
6	44. PHYSICAL THERAPY	THERAPY CO	300,456.	323,071.	(22,615.)	6
7	45. OCCUPATIONAL THERAPY	THERAPY CO	264,205.	284,091.	(19,886.)	7
8	46. SPEECH PATHOLOGY	THERAPY CO	106,731.	114,765.	(8,034.)	8
9	49. DRUGS CHARGED TO PATIENTS	PHARMACY	249,974.	249,974.		9
10	TOTALS (sum of lines 1-9) (Transfer column 6, line 10 to Wkst. A-8, col. 3, line 12)		4,198,406.	5,274,434.	(1,076,028.)	10

Smith County Health and Rehabilitation

Similar to Foothill Transitional Care and Rehabilitation, Portopiccolo appears to have purchased Smith County Health and Rehabilitation halfway through 2019.

Nevertheless, the owners reported \$829,146 in related party expenses for half of the year. The cost report for that same period of time reflects that the facility turned a profit of \$698,614, while the average CNA wage was \$11.43.

The following year, 2020, the owners of the facility reported \$3,933.574 in related party expenses. Additionally, the owners reported a profit of \$1,223,481. The average

CNA wage was \$11.17. The average direct care staff turnover for the facility was 63.4% annually. Unsurprisingly, the staffing rating on CMS's Fiver Star rating is one out of five stars.

Smith County Health Related Party Transactions After Portopiccolo

05-11	FORM CMS-2540-10	4190 (Cont.)
STATEMENT OF COSTS OF SERVICES FROM RELATED ORGANIZATIONS AND HOME OFFICE COSTS	PROVIDER CCN: _____	PERIOD: FROM _____ TO _____ WORKSHEET A-8-1

PART I - COSTS INCURRED AND ADJUSTMENTS REQUIRED AS A RESULT OF TRANSACTIONS WITH RELATED ORGANIZATIONS OR CLAIMED HOME OFFICE COSTS						
Line No.	Cost Center	Expense Items	Amount Allowable In Cost	Amount Included in Wkst. A., col. 5	Adjustments (col. 4 minus col. 5)	
1	2	3	4	5	6	
1	4. ADMINISTRATIVE & GENERAL	MANAGEMENT FEE	412,451.	490,564.	(78,113.)	1
2	1. CAP REL COSTS - BLDGS & FIXTURES	RENT		1,750,000.	(1,750,000.)	2
3	1. CAP REL COSTS - BLDGS & FIXTURES	DEPRECIATION	279,804.		279,804.	3
4	1. CAP REL COSTS - BLDGS & FIXTURES	INTEREST	779,312.		779,312.	4
5	1. CAP REL COSTS - BLDGS & FIXTURES	TAXES & INSURANCE	34,466.		34,466.	5
6	44. PHYSICAL THERAPY	THERAPY CO	237,044.	254,886.	(17,842.)	6
7	45. OCCUPATIONAL THERAPY	THERAPY CO	251,871.	270,829.	(18,958.)	7
8	46. SPEECH PATHOLOGY	THERAPY CO	122,560.	131,785.	(9,225.)	8
9	49. DRUGS CHARGED TO PATIENTS	PHARMACY	169,800.	169,800.		9
10	TOTALS (sum of lines 1-9) (Transfer column 6, line 10 to Wkst. A-8, col. 3, line 12)		3,153,018.	3,933,574.	(780,556.)	10

PART II - INTERRELATIONSHIP TO RELATED ORGANIZATION(S) AND / OR HOME OFFICE

The lucrative nature of related party transactions and the failure of CMS and states to regulate and police them draws private equity to the nursing home sector. Despite the documented substandard care that residents receive in their facilities, Portopiccolo and its owners have become one of the largest nursing home chains in the United States. Both state and federal governments have failed to prevent the continued purchase of homes by Portopiccolo, therefore exacerbating the problems.

The data shows that PE not only takes money from resident care but from nursing home workers by paying below poverty level wages. This practice falls mostly on women and people of color, who comprise 91% and 56%,^{xi} respectively, of the CNA workforce. The effects of private equity ownership extend far outside the walls of a nursing home and into the communities that provide workers for these facilities.

A Blueprint for Poor Care: Goldner Capital Management

Recently, there was media coverage^{xii} of the closure of several nursing homes in Tennessee and Ohio due to poor care. The news coverage documented how these homes, owned and operated by Samuel Goldner and Goldner Capital Management (a private equity company), failed or were forced to close by state overseers. Left in the wake of these closures was a trail of unpaid vendors. Similarly, in Missouri, recent coverage^{xiii} shows similar practices, where Goldner Capital Management failed to pay vendors hundreds of thousands of dollars, resulting in numerous lawsuits.

These failures and lawsuits were foreseeable. Appendix A contains an “Investment Offering Memorandum” from 2016, in which Samuel Goldner offers a lucrative investment opportunity. The offering solicits \$25 million to purchase eighteen homes in Ohio. Each home and the corresponding cost-cutting plans are identified to ensure a high return on investment. The primary cost saving will be dropping staffing from, on average, 3.6 hours per resident per day (HPRD) to 2.8 HPRD, a decrease of 22.22%, and residents will be fed on \$6 per day. The most lucrative part of the plan is selling each property to a shell company that will then charge the facility exorbitant rents in what they call a “triple net lease.” There were no plans to increase care quality. In fact, costs were to be reduced by \$28 million dollars, potentially earning investors a 117% return in the second year.

This document provides unique insight into how private equity investors do not see the purchase of nursing homes as an opportunity to improve care but as a way to siphon off millions of Medicare and Medicaid dollars out of facilities annually to enrich investors.

What Can Be Done?

Private equity investment is in the nursing home sector because it can systematically fleece taxpayers of money intended to care for nursing home residents and workers. Critical to their success is the failure of federal and state governments to hold nursing homes accountable for how they spend the billions of tax dollars they receive each year. It is well known, and admitted by CMS, that it rarely looks at Medicare Cost Reports to gauge how nursing homes are spending tax dollars. This failure allows private equity to operate with few consequences. While Portopiccolo may lead the nation in fines, the fines are a small fraction of the money they tunnel through related parties and make in profits. Until CMS scrutinizes how nursing homes spend Medicare and Medicaid dollars and holds them accountable for inflated or inappropriate costs, private equity will continue to be a cancer on nursing home care.

In addition to poor financial oversight, lax licensing and certification practices allow private equity companies to continue to purchase homes despite documented histories of poor care. CMS’ hands-off approach to certifying nursing homes for Medicare and Medicaid, along with the states’ failure to adopt rigorous licensing and purchasing requirements for nursing homes permits demonstrably bad actors to continue to purchase and operate homes. These failures exist despite the ample authority in the 1987 Nursing Home Reform Act that provides CMS the power to exclude poor providers from Medicare and Medicaid and gives the states the authority to deny licenses to unqualified or notoriously poor owners and operators.

Until federal and state governments take a proactive approach to nursing home licensing, facilities will continue to be used as cash cows for private equity.

Here are several steps that could be taken to address the problem of private equity and other unscrupulous investors in the nursing home sector:

- Require each nursing home to submit audited consolidated cost reports that contain exhaustive disclosure by each facility, the owners, and all of the myriad related party companies associated with the facility.
- Require a portion of each dollar to go to direct care staffing. CMS adopted this approach in the Medicaid Access Rule, which requires 80% of each dollar to go to staffing. CMS should adopt a similar approach in the nursing home sector.
- Public disclosure on CMS' Medicare Care Compare website that a facility is owned by private equity and what this means for residents. Like other disclosed information, private equity ownership highly indicates poor care and increased resident mortality.
- Strengthen certification criteria for Medicare and Medicaid to include review of CMS survey, staffing, and quality data for facilities owned by common owners.
- Encourage States to improve initial and renewal licensing criteria to take into account quality and financial stewardship.

We appreciate the opportunity to offer our perspective on this critical issue. We hope that we can work together to help ensure residents of nursing homes are protected from nursing home owners who seek to reap profit rather than provide high quality care.

Sincerely,

Samuel Brooks
Director of Public Policy

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- ⁱ Gandhi, A., Olensky, A., "Tunneling and Hidden Profits in Care," March 4, 2024. <https://ucla.app.box.com/v/RelatedParties>.
- ⁱⁱ Limitations of Using CMS data to Identify Private Equity and Other Ownership, GAO, September 2022, <https://www.gao.gov/assets/gao-23-106163.pdf>
- ⁱⁱⁱ Joseph E. Casson, Julia McMillen, "Protecting Nursing Home Companies: Limiting Liability Through Corporate Restructuring," Journal of Health Law, Vol. 36, No. 4 (Fall 2003)
- ^{iv} Id.
- ^v Id.
- ^{vi} 42 C.F.R. § 413.7.
- ^{vii} Gandhi, A., Olensky, A., "Tunneling and Hidden Profits in Care," March 4, 2024. <https://ucla.app.box.com/v/RelatedParties>.
- ^{viii} Id.
- ^{ix} https://www.washingtonpost.com/local/portopiccolo-nursing-homes-maryland/2020/12/21/a1ffb2a6-292b-11eb-9b14-ad872157ebc9_story.html
- ^x <https://data.cms.gov/quality-of-care/nursing-home-affiliated-entity-performance-measures>
- ^{xi} Direct Care Workers in the United States, Key Facts, 2023, PHI. <https://www.phinational.org/resource/direct-care-workers-in-the-united-states-key-facts-2023/>
- ^{xii} <https://www.wjhl.com/news/investigations/viviant-owner-has-multiple-closed-nursing-homes/>
- ^{xiii} <https://www.ksdk.com/article/news/investigations/goldner-capital-management-nursing-home-mismanagement-unpaid-contractors-industry-flaws/63-ee988f39-047b-4ffa-a220-5c0a96574355>

APPENDIX A

INVESTOR OFFERING MEMORANDUM

ALLEGiant HEALTHCARE



18

Facilities

2,353

Skilled Nursing Beds

\$150M

Purchase Price

\$23M

Equity Raise

INTRODUCTION

The following sets forth the investment opportunity in a portfolio of 18 Skilled Nursing Facilities and 1 Assisted Living Facility, all located in Ohio.

Allegiant Healthcare, together with its founders and principals, is built on a legacy of success in acquiring, flourishing and capitalizing on value-add opportunities in the real estate and healthcare spaces. Its strategy is defined by collaborating with strategic alliances and operators. Following their model, Allegiant is pleased to present you with an incredible value-add healthcare real estate opportunity

in Ohio where it is purchasing 18 skilled nursing homes for \$150,000,000. Allegiant formed a strategic alliance with one of Ohio's most successful operators, Hillstone Healthcare, specializing in expense management and value-add operations. Through this alliance and its reputation Allegiant was able to secure the sought after, and media publicized, 18 Skilled Nursing Facility portfolio from Quality Care Properties that was being mismanaged by the infamous operator, HCR Manor Care. Hillstone has already negotiated contract and staffing changes that will yield immediate unparalleled results and beyond.

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IRVING LANGER - building upon his decades of experience founding and presiding over E&M Associates, a privately-held, vertically-integrated real estate company managing several billion dollars worth of holdings across all asset classes. Mr. Langer directs with a practical and thorough understanding of how operations and other factors impact company profits. Mr. Langer currently sits as chairman of the board of Allegiant with over 1,000 operational beds and is relied upon to anticipate and solve challenges within the company while keeping the company focused on delivering five-star quality healthcare services. For over 46 years, Mr. Langer has built up a vast real estate portfolio owning and managing 25,000 apartments in the New York City area and across the United States.

ARIEL FEIN is a partner at E&M, and oversees all operating aspects of various portfolios spanning all asset classes. Ariel began his business career in California as a VP of business development for CheckAlt, a payment processing company. After driving millions of dollars in revenues, Mr. Fein started Royal Oak Group, a private equity and consulting firm, successfully placing and exiting positions in online retail, payment processing technologies, real estate and digital media. After several successful exits, Mr. Fein turned his investment focus to the real estate business exclusively at ROG Real Estate Group, which he founded to invest in, acquire and manage real estate assets in New York and Texas.

After several successful acquisitions and dispositions, Mr. Fein then partnered with Mr. Irving Langer (Chairman of the Board), where they have successfully closed on and manage a portfolio across all asset classes including office, multifamily and healthcare through E&M Associates and its healthcare affiliate Allegiant Healthcare. Allegiant Healthcare was founded on a tradition of healthcare excellence and is a leading provider of short-term post-hospital rehabilitation and long-term specialty care, with centers in Arizona.

Since becoming a partner at E&M, Ariel has continued with Mr. Langer to acquire and manage a portfolio in excess of \$100,000,000 in value, adding to E&M's billions of dollars of assets under management.



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ACQUISITION TEAM

SAM GOLDNER is the lead acquisition principal, utilizing his specialty in discovering and underwriting value-add opportunities from underperforming REITS and nursing home conglomerates. Sam started his career on Wall Street where he developed the research and analytical skill to understand markets and unrecognized value. Sam then worked in acquisition for a family office where he was able to learn the skills to synergize research, acquisitions and execution. In the past two quarters alone, Sam was able to negotiate, secure and close on over 3,500 skilled nursing beds valued at over \$200,000,000.

ELIOT BERGER, Esq. currently serves as the Chief Operating Officer overseeing the day-to-day operations of Allegiant Healthcare's skilled nursing, assisted living and independent living facilities and manages the firm's acquisition process. Eliot brings along an exceptional perspective both from his healthcare and legal background as well as from his experience as a third-generation nursing home owner who has been exposed to nursing home acquisitions and operations nearly his entire life.

Prior to forming Allegiant, Eliot worked at Rytes Company, a healthcare firm that represents over 165 Skilled Nursing Facilities across the country. Eliot's specialty included Nursing Home and Health Care Law, where he worked on regulatory healthcare compliance issues and governmental investigation; specifically, he advised Skilled Nursing Facilities on how to navigate the complicated statutory and regulatory arena and implementing compliance programs consistent with the Federal Sentencing Guidelines, as well as leading a discovery team defending a 13 party DOJ and OIG Federal False Claims Act investigation. Eliot is admitted to practice law in New York, New Jersey and Florida and is certified in healthcare compliance ("CHC") by the Compliance Certification Board ("CCB").

INVESTMENT OPPORTUNITY

Purchase Price:	\$150,000,000
Return of Capital:	PROJECTED AFTER YEAR 2
Value at Stabilization:	\$282,016,938
EBITDAR at Stabilization:	\$36,662,202
EBITDARM at Stabilization:	\$44,178,753
NNN Rent Payments:	\$16,500,000
Equity Raise:	\$23,000,000
Cap Rate:	11%
Preferred Return:	12%
Split after Preferred Return:	50/50
IRR:	26%
Cash on Cash Year 1/Year 5:	19%/18%

5 - YEAR PROJECTIONS

Price per Bed	
Purchase Price	\$150,000,000
Number of Beds	2,353
Price per Bed	\$63,748.41

Equity - Preferred Return	
Total Equity	\$23,000,000
Rate	12%
Annual Payments	\$2,760,000

HUD Takeout Assumptions	
Takeout of term loan	\$136,000,000
Return of equity	\$23,000,000
Closing costs/reserves 4%	\$6,360,000
Total Takeout	\$165,360,000
Minimum EBIDTAR required for full takeout	\$26,871,000
13% cap	\$206,700,000
HUD loan - 80% of appraised value	\$165,360,000
Total HUD Loan Amount	\$165,360,000

Returns	
Average IRR	26%
Average Equity Multiple	1.89
Average Cash on Cash	38%

Rent Analysis						
	Initial Equity	Year 1	Year 2	Year 3	Year 4	Year 5
Annual Rent		\$16,500,000	\$16,500,000	\$16,912,500	\$16,912,500	\$17,335,313
Annual Debt Service		(\$10,200,000)	(\$11,130,168)	(\$8,608,428)	(\$8,608,428)	(\$8,608,428)
Asset Management Fee		(\$324,000)	(\$324,000)	(\$324,000)	(\$324,000)	(\$324,000)
Net Cash Flow from Rent		\$5,976,000	\$5,045,832	\$7,980,072	\$7,980,072	\$8,402,885

ROI Analysis (Investor Equity)						
	Initial Equity	Year 1	Year 2	Year 3	Year 4	Year 5
Equity						
Preferred Return 12%		\$2,760,000	\$2,760,000	-	-	-
Distributions to investors - 50%		\$1,608,000	\$1,142,916	\$3,990,036	\$3,990,036	\$4,201,442
Refinance - Return of Capital to investors		-	\$23,000,000	-	-	-
Total Distributions to Investors - 50%	(\$23,000,000)	\$4,368,000	\$26,902,916	\$3,990,036	\$3,990,036	\$4,201,442
Capital Balance		\$23,000,000	\$0	\$0	\$0	\$0
IRR			18%	24%	29%	32%
Equity Multiple			1.36	1.53	1.71	1.89
Cash on cash return (original investment)		19%	117%	17%	17%	18%

Debt Service					
	Year 1	Year 2	Year 3	Year 4	Year 5
Term Loan - \$136,000,000 at 7.5% (18 mo. interest only)	\$10,200,000	\$5,100,000			
Months 19 - 24 principal and interest		\$6,030,168			
HUD Loan - \$165,360,000 at 3.85%			\$8,608,428	\$8,608,428	\$8,608,428
Annual Payments	\$10,200,000	\$11,130,168	\$8,608,428	\$8,608,428	\$8,608,428

RENT ANALYSIS

Rent Analysis						
	Initial Equity	Year 1	Year 2	Year 3	Year 4	Year 5
Annual Rent		\$16,500,000	\$16,500,000	\$16,912,500	\$16,912,500	\$17,335,313
Annual Debt Service		(\$10,200,000)	(\$11,130,168)	(\$8,608,428)	(\$8,608,428)	(\$8,608,428)
Asset Management Fee		(\$324,000)	(\$324,000)	(\$324,000)	(\$324,000)	(\$324,000)
Net Cash Flow from Rent		\$5,976,000	\$5,045,832	\$7,980,072	\$7,980,072	\$8,402,885

PREFERRED RETURN ON INVESTMENT

Each investor will be entitled to receive a 12% preferred return per annum ("Preferred Return") on the outstanding invested capital of such investor. Until each investor's invested capital is returned, all monies available for distribution will be utilized to first pay the Preferred Return before other distributions are made. The Preferred Return will be cumulative but non-compounding. Once the invested capital plus any preferred returns outstanding are paid in full, the Preferred Return will expire.

INVESTMENT RETURNS

After the Preferred Return is made, each investor will receive annual distributions of the Propco's available cash flow in an amount equal to such investor's pro rata percentage of all invested capital multiplied by Propco's available cash flow. The equity will be split 50% to the investors and 50% to the sponsorship group.

EQUITY DISTRIBUTIONS

Once the Facility is stabilized, Propco intends to refinance the Facility with HUD financing. Propco expects to be able to refinance with HUD by year three of operations for a loan amount of at least \$158,000,000. The loan amount is based on the EBITDAR of operations during that time period. At the HUD refinance, the investors should receive a return of 100% of their initial capital as well as their preferred return since the investment to the extent such preferred return is still outstanding.

RETURN TIMELINE

Based on our projections, we expect to refinance with HUD by the end of the second year of operations and thereby return to the investors 100% of their initial capital as well as their preferred return.

ROI ANALYSIS

ROI Analysis (Investor Equity)

Equity	Initial Equity	Year 1	Year 2	Year 3	Year 4	Year 5
Preferred Return 12%		\$2,760,000	\$2,760,000	-	-	-
Distributions to investors - 50%		\$1,608,000	\$1,142,916	\$3,990,036	\$3,990,036	\$4,201,442
Refinance - Return of Capital to investors		-	\$23,000,000	-	-	-
Total Distributions to Investors - 50%	(\$23,000,000)	\$4,368,000	\$26,902,916	\$3,990,036	\$3,990,036	\$4,201,442
Capital Balance		\$23,000,000	\$0	\$0	\$0	\$0
IRR			18%	24%	29%	32%
Equity Multiple			1.36	1.53	1.71	1.89
Cash on cash return (original investment)		19%	117%	17%	17%	18%

SOURCES AND USES

Source	
Debt	\$136,000,000
Equity Investors	\$23,000,000
Total Sources	\$159,000,000
Use	
Purchase Price	\$150,000,000
Closing Costs	
Taxes and Insurance Escrow	\$800,000
Debt Service/Capex Escrow	\$750,000
1% STL to lender	\$1,360,000
Third Party	\$350,000
Legal	\$850,000
Title	\$1,266,000
.4% of STL and AR Loan	\$624,000
Liquidity Reserve	\$2,500,000
Other	\$500,000
Total Closing Costs	\$9,000,000
Total Uses	\$159,000,000

OHIO PORTFOLIO OVERVIEW

FACILITIES



- | | | |
|-------------------|---------------------|------------------------|
| 1. Akron | 7. Jackson | 13. Portsmouth |
| 2. Belden Village | 8. Madeira | 14. Springfield |
| 3. Bellefontaine | 9. Mayfield Heights | 15. Uptown Westerville |
| 4. Euclid Beach | 10. N Olmsted | 16. Waterville |
| 5. Greenville | 11. Oregon | 17. Wauseon |
| 6. Holly Glen | 12. Piqua | 18. Woodridge Campus |

LEASE

Hillstone will enter into a triple net lease for 15 years with the landlord. The lease amount will be \$16,500,000 annually, with 2.5% increases every two years. The operator's CEO, Paul Bergsten, and COO, Mat Dapore, will personally guarantee the full lease amount. To ensure the success of this Portfolio, the operator has entered a stipulation that Hillstone cannot take on any other homes other than this portfolio for 15 months and after that must maintain a trailing 6 months annualized average EBITDAR of \$24,000,000.

LEASE TERMS

- TRIPLE NET LEASE - Hillstone will enter into a true NNN lease for 15 years with the landlord.
- LEASE TERMS - The lease amount will be \$16,500,000 annually with 2.5% increases every two years.
- PERSONAL GUARANTEE - Paul Bergsten and Mat Dapore will personally guarantee the lease.
- MANAGEMENT FEES SUBORDINATION – the operator has agreed to prioritize rent payments to the extent that operator's own management fee will be subordinated to rent payments.
- LEASE COVER RATIO - Hillstone must maintain a 1-1.35 lease ratio per individual facility (\$600 per bed) or landlord can evict tenant and they must make up the difference in the rent from the sub tenant rental rate.
- ASSURANCES – to ensure the success of this operation, the operator has entered into a number of stipulations including:
 - Hillstone or its affiliates may not take on any other facilities other than this portfolio for 15 months. After that they must maintain a trailing 6 months annualized average EBITDAR of \$24,000,000.
 - If any facility gets two IJs in 9 months landlord can remove Hillstone from that facility and re-tenant that facility. Hillstone will have to make up the difference.

OPERATOR

The Operator of this portfolio will be Hillstone Healthcare. Hillstone Healthcare, formerly HC Consulting/Management, has been providing operational expertise to the long-term care and seniors housing sectors since 2010. Founded by Paul Bergsten, they currently operate 22 successful Ohio-based skilled nursing and assisted living facilities and are seeking opportunities to expand.

Paul and partner Matt Dapore are both licensed Nursing Home Administrators and together have 45-plus years of industry experience. Paul and Matt are hands-on operators and administrators who have instituted effective strategies and efficient platforms in each facility they operate. They believe that establishing a strong foundation of priorities is key, and have proven systems in place to ensure that each facility they operate functions optimally. Their goal is to deliver the highest level of Resident Care while also enhancing the residents' lifestyle through programs, activities, and environment. At the same time, they understand the need for cost containment, and all financial decisions are made accordingly.

Hillstone has established an impressive track record and is well positioned for continued growth. Paul and Matt will be heavily involved in the transition process, ensuring that goals and objectives are being met from the start. Seasoned corporate staff will oversee the transition, ensuring a smooth and successful transition. Three regionals, five corporate nurses, and two more clinical specialists have been brought on in addition to current corporate staff, to ensure that the new facilities will operate optimally. Hillstone has an impeccable track record with turnaround situations; profitability has been attained the first month of acquisition for each home to-date.

OPERATIONS ACTION PLAN

Upon acquisition, Operator believes there is tremendous potential to increase census through better localized marketing. Additionally, there is strong potential to improve reimbursement rates through better management of CMI scores. Even so, they are conservatively only projecting improvements that result from reducing operating expenses. This alone will bring about the projected strong profitability. Annual expenses are projected to decrease by \$28 Million, which will in turn help increase EBITDARM to \$44 Million.

At present, costs in this portfolio are running significantly higher than those in the OH facilities currently operated by Hillstone. Current ownership of the portfolio, Manorcare, manages a portfolio of 300 homes in over twenty states, lending to mismanagement and spiraling costs. Expenses are not properly managed on a facility level, and there is much room for improvement.

The following cost centers will be reduced:

- **Staffing**
- Projected total annual savings in staffing costs will be approximately \$16M.
 - Direct care staffing hours are currently at 3.6 HPPD, significantly higher than required by the State. Facilities currently operated by Hillstone run at 2.8 HPPD, and these 18 facilities will be brought down to the Hillstone HPPD numbers within 90 days of acquisition. This will be done by eliminating agency use and managing nursing schedules accordingly. Projected annual savings to direct care staff will be \$10M. This will be in line with market averages.
 - Activities and Social Services staffing will be reduced by \$2M.
 - Dietary staffing hours will be brought down to .5 HPPD. Projected annual savings to dietary staffing will be \$1.5M.
 - Housekeeping staffing hours will be reduced to .45 HPPD. Projected annual savings to housekeeping staffing will be \$300K.
 - Administrative staffing will be reduced by \$2M by consolidating positions in line with the administrative staffing in other facilities currently managed by the operator.

OPERATIONS ACTION PLAN

- **Employee Benefits Reduction**

- Projected annual savings to employee benefits is approximately \$5M.
 - Operator intends to actualize this through reduction of the benefits package closer to what is currently being offered by competitors. Employees will assume more of the financial burden; Facility will no longer cover spouses and families aside from those households that are single-parent. Benefits will be reduced further with therapy being outsourced at a strong contracted rate.

- **Expense Reduction**

- Projected annual savings in purchasing costs will be approximately \$7M.
 - Therapy is currently being done in-house. In addition to other inefficiencies that result from doing therapy in-house, the therapy director currently has no production responsibilities. Operator intends to outsource therapy to Adaptive Therapy, the current provider in their other facilities. Facility will only be responsible to pay for actual therapy given to residents, at extremely competitive rates. This will reduce the therapy PPD from \$25 to \$14. Approximate dollar savings will be \$6M annually.
 - Pharmacy costs will be reduced by switching vendors from Omnicare to PCA, a local vendor who is able to offer more competitive rates. Approximate dollar savings will be \$500K annually.
 - Medical Supply costs will be reduced by utilizing a streamlined formulary that has proven effective in their current facilities. Approximate dollar savings will be \$1M annually

Reducing the above-mentioned costs should lead to significantly improved performance of the portfolio. Annual expenses are projected to decrease by \$28 Million, which will in turn help to increase EBITDARM to \$44 Million.

ASSET MANAGEMENT FIRM



- Allegiant will be retaining a third-party asset manager firm, INTERNATIONAL EQUITY PARTNERS (“IEP”) to oversee the operator to ensure the utmost compliance with the lease terms as well as implement early deduction signs to protect the landlord and its investors. The asset management company will also be overseeing the HUD process as the portfolio is projected to go to HUD by year three.
- Founded in 2005, INTERNATIONAL EQUITY PARTNERS (“IEP”) is a Los Angeles based owner and operator of health care facilities and other commercial real estate. Together with its partners, IEP manages more than \$450 Million in healthcare assets and managing roughly 5,500 skilled nursing beds, as well as several hundred multifamily units and commercial real estate investments.
- IEP is supported by a strong internal asset management team composed of departments handling financing, accounting, treasury, and billing oversight. On a granular level, IEP monitors the underlying financial and clinical performance of its operator’s tenants on a monthly basis, allowing for an early warning system for any arising issues. IEP is also an expert in HUD refinancings, having successfully worked on over \$130,000,000 with numerous HUD lenders. Having developed excellent relationships with best-in-class operators over the past decade, IEP’s approach for each health care transaction is to align itself with one of several strategic operating partners representing the best fit for the respective location. IEP’s thorough understanding of the skilled healthcare landscape, combined with its deep familiarity with the strengths of its operators, has optimized both clinical and financial performance across its nursing facility portfolio. In addition, IEP provides its operators with access to its strong connections within the industry including lenders, doctors, attorneys, lobbyists, designers, and builders. Further, IEP utilizes the top local healthcare counsel, has excellent relationships with several lenders, and are experts in the national SNF landscape.

BANK TERMS

Formation Lending Group (“Lender”) provided a loan proposal for a \$136,000,000 term loan, as further described below.

Established in 1999, Formation Lending Group is a private investment management firm focused on senior housing and care, post-acute and healthcare real estate investments. Formation Capital targets high quality healthcare operating companies in the seniors housing and care and post acute sectors. Their unique approach to transaction structuring separates the real estate from the operating company, maintaining the relationship through a triple-net lease, structured to align interests and capture future value enhancement. This innovative approach enables Formation Capital to identify risk arbitrage in an investment structure and to allocate capital quickly to capitalize on temporary market inefficiencies.

Highlights of the terms for the \$136,000,000 Term Loan:

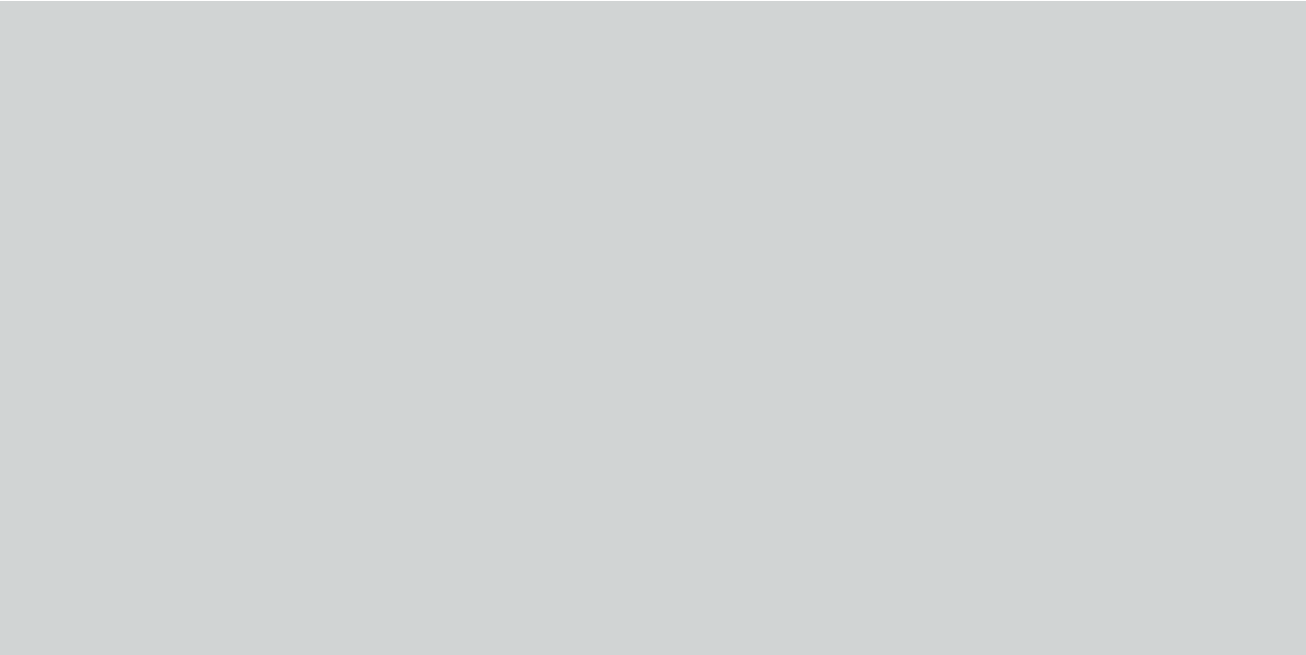
TERM LOAN	\$136,000,000 85% LTAV
TERM	48 months
INTEREST RATE	30 Day LIBOR plus 5.50% subject to a LIBOR rate floor of 1.5%.
LEASE	Minimum term of 10 years with an initial annual NNN lease payment of \$16,000,000 with escalations. The Lease shall be subject to Lender’s review and approval. The lessees and the operator shall be Hillstone Healthcare and/or their affiliate(s). Operator assets shall be pledged as collateral to the Lease. The Lease and Loan will be cross defaulted.
HOLDBACKS AND RESERVES	Taxes and Reserves
COVENANTS	Financial covenant testing based on calendar quarters - the first tested period shall be 1st quarter 2019 (January - March) assuming an August 2018 close. The first testing and subsequent testing shall be based on trailing annualized six months performance.

BANK TERMS

In conjunction with this acquisition, Formation Lending Group ("Lender") will be funding a \$20,000,000 revolver line of credit to Operator so that there is adequate cash to meet operational needs and to cover rent.

Highlights of the terms for the \$20,000,000 Revolver Loan:

REVOLVER LOAN	\$20,000,000 revolving line of credit ("Revolver")
AVAILABILITY	Availability under the Credit Facilities will be calculated as follows: Availability of the Revolver at closing and thereafter will be governed by a borrowing base calculated as follows and subject to reserve/ineligible/liquidity factor calculations: 85% of eligible billed Accounts Receivable aged up to 150 days from date of invoice; and 85% of eligible unbilled Accounts Receivable in connection with which all services have been performed and fees earned aged up to 90 days from date of service initially (to account for any CHOW needs) and then dropping to 45 days thereafter.





FACILITIES OVERVIEW



CONSOLIDATED FINANCIALS

REVENUE	2017	PPD	Projection	PPD
Routine Revenue				
Private Pay	\$8,671,948	\$265.17	\$8,671,948	\$265.17
Medicare	24,640,012	476.69	24,640,012	476.69
Medicaid	77,195,523	170.18	77,195,523	170.18
Hospice	9,130,335	185.68	9,130,335	185.68
HMO	25,446,988	447.04	25,446,988	447.04
ALF	1,925,597	0.00	1,925,597	0.00
TOTAL ROUTINE REVENUE	147,010,402	225.07	147,010,402	225.07
Ancillary Services Revenue	\$2,813,970	4.31	\$2,813,970	4.31
Other Revenues	\$506,645	0.78	\$506,645	0.78
TOTAL REVENUE	\$150,331,017	\$230.15	\$150,331,017	\$230.15

OPERATING EXPENSE	2017	PPD	Projection	PPD
Nursing Care	\$48,885,895	\$74.84	\$37,274,652	\$57.07
Therapy	13,360,928	20.46	9,704,040	14.86
Pharmacy	4,508,868	6.90	4,067,820	6.23
Ancillary Services	1,602,274	2.45	1,171,572	1.79
Dietary	10,120,132	15.49	8,432,460	12.91
Activities	2,316,149	3.55	1,042,200	1.60
Social Services	2,253,171	3.45	1,346,268	2.06
Housekeeping & Laundry	4,036,285	6.18	3,417,732	5.23
General Administrative	11,475,279	17.57	6,225,696	9.53
Employee Benefits	17,514,945	26.81	12,603,672	19.30
Provider Tax	9,967,678	15.26	10,341,912	15.83
Insurance	57,737	0.09	861,600	1.32
Real Estate Taxes	1,632,422	2.50	1,744,800	2.67
Property, Plant, & Maintenance	2,471,453	3.78	2,122,620	3.25
Utilities	3,415,117	5.23	3,275,220	5.01
Bad Debt	2,114,788	3.24	2,520,000	3.86
TOTAL OPERATING EXPENSE	\$135,733,120	\$207.80	\$106,152,264	\$162.52
EBITDARM	\$14,597,896	\$22.35	\$44,178,753	\$67.64
Management Fee	0	0.00	7,516,551	11.51
EBITDAR	\$14,597,896	\$22.35	\$36,662,202	\$56.13

GENERAL ASSUMPTIONS

- **Revenue and Census** – Although it is anticipated that revenue and census will significantly increase under the new operator, we have taken an extremely conservative approach to the projections. Therefore, we have assumed same revenue and census as prior year.
- **Direct Nursing** – Decreased HPPD closer to the 2.8 that Hillstone operates at in all other facilities.
- **Therapy** – Operator will outsource therapy to Adaptive Therapy at a rate of 87 cents per minute and 68% on Med B. This will significantly reduce therapy costs
- **Pharmacy** – New contract \$20 PPD for all inclusive residents expected to reduce total pharmacy costs
- **Dietary** – Food costs at \$6 PPD plus supplies. Staffing will be reduced to .5 HPPD
- **Activities** – Staffing will be reduced in line with Hillstone operations
- **Social Services** – Staffing will be reduced in line with Hillstone operations
- **Housekeeping** – Staffing will be reduced to .45 HPPD
- **Administrative Costs** – Will eliminate extra overhead from Manorcare corporate allocation and will consolidate positions within each facility
- **Employee Benefits** – Reducing to an estimated 22% of wages for taxes, Workers comp, Health insurance and other miscellaneous benefits.

MANORCARE HEALTH SERVICES AKRON

CENSUS

OCCUPANCY	2017		Projection	
	PATIENT DAYS		PATIENT DAYS	
Private Pay	1,637	4%	1,637	4%
Medicare	3,172	8%	3,172	8%
Medicaid	27,756	72%	27,756	72%
Hospice	2,004	5%	2,004	5%
HMO	4,048	10%	4,048	10%
ALF	0	0%	0	0%
TOTAL PATIENT DAYS	38,617	100%	38,617	100%

Notes:

- 2018 Average Census: 88.5%
- County Average Census: 83%
- Medicare Q-Mix: 8.2%

FACILITY HIGHLIGHTS

Address	1211 W Market St
City, State	Akron, OH
Site Size (Acres)	2.6
Building Area (Sq Ft)	48,314
Floors	3
Year Built	1973
Union Facility	No



MANORCARE HEALTH SERVICES

AKRON

REVENUE	2017	PPD	Projection	PPD
Routine Revenue				
Private Pay	\$438,365	\$267.79	\$438,365	\$267.79
Medicare	1,459,328	460.07	1,459,328	460.07
Medicaid	5,068,283	182.60	5,068,283	182.60
Hospice	368,413	183.84	368,413	183.84
HMO	1,829,154	451.87	1,829,154	451.87
TOTAL ROUTINE REVENUE	9,163,543	237.29	9,163,543	237.29
Ancillary Services Revenue	\$108,312	2.80	\$108,312	2.80
Other Revenues	\$31,315	0.81	\$31,315	0.81
TOTAL REVENUE	\$9,303,169	\$240.91	\$9,303,169	\$240.91

OPERATING EXPENSE	2017	PPD	Projection	PPD
Nursing Care	\$2,925,531	\$75.76	\$2,341,632	\$60.64
Therapy	808,818	20.94	603,000	15.61
Pharmacy	303,314	7.85	324,816	8.41
Ancillary Services	126,950	3.29	103,200	2.67
Dietary	571,807	14.81	509,820	13.20
Activities	134,233	3.48	48,000	1.24
Social Services	184,611	4.78	48,000	1.24
Housekeeping & Laundry	273,393	7.08	203,640	5.27
General Administrative	649,223	16.81	359,424	9.31
Employee Benefits	1,053,051	27.27	681,612	17.65
Provider Tax	537,924	13.93	554,928	14.37
Insurance	3,839	0.10	42,000	1.09
Real Estate Taxes	87,526	2.27	96,000	2.49
Property, Plant, & Maintenance	193,804	5.02	113,496	2.94
Utilities	214,704	5.56	191,616	4.96
Bad Debt	162,805	4.22	120,000	3.11
TOTAL OPERATING EXPENSE	\$8,231,532	\$213.16	\$6,341,184	\$164.21
EBITDARM	\$1,071,637	\$27.75	\$2,961,985	\$76.70
Management Fee	0	0.00	465,158	12.05
EBITDAR	\$1,071,637	\$27.75	\$2,496,827	\$64.66

FACILITY-SPECIFIC NOTES

- **Revenue and Census** – Assumed same revenue and census as prior year.
- **Direct Nursing** – Decreased HPPD closer to the 2.8 that Hillstone operates at in all other facilities.
- **Therapy** – Operator will outsource therapy to Adaptive Therapy at a rate of 87 cents per minute and 68% on Med B. This will significantly reduce therapy costs.
- **Pharmacy** – New contract \$20 PPD for all inclusive residents expected to reduce total pharmacy costs.
- **Dietary** – Food costs at \$6 PPD plus supplies. Staffing will be reduced to .5 HPPD.
- **Activities** – Staffing will be reduced in line with Hillstone operations to one activity director and one part-time aide. No need for hospitality aides.
- **Social Services** – Staffing will be reduced in line with Hillstone operations to one social worker.
- **Housekeeping** – Staffing will be reduced to .45 HPPD.
- **Administrative Costs** – Will eliminate extra overhead from Manorcare corporate allocation and will consolidate positions within each facility.
- **Employee Benefits** – Reducing to an estimated 22% of wages for taxes, Workers comp, Health insurance and other miscellaneous benefits.

MANORCARE HEALTH SERVICES

BELDEN VILLAGE

CENSUS

OCCUPANCY	2017		Projection	
	PATIENT DAYS		PATIENT DAYS	
Private Pay	1,957	6%	1,957	6%
Medicare	1,849	6%	1,849	6%
Medicaid	24,508	77%	24,508	77%
Hospice	1,501	5%	1,501	5%
HMO	1,842	6%	1,842	6%
ALF	0	0%	0	0%
TOTAL PATIENT DAYS	31,657	100%	31,657	100%

Notes:

- 2018 Average Census: 60.1%
- County Average Census: 80%
- Medicare Q-Mix: 5.8%

FACILITY HIGHLIGHTS

Address	5005 Higbee Ave NW
City, State	Canton, OH
Site Size (Acres)	5.85
Building Area (Sq Ft)	41,246
Floors	2
Year Built	1974
Union Facility	No



MANORCARE HEALTH SERVICES

BELDEN VILLAGE

REVENUE	2017	PPD	Projection	PPD
Routine Revenue				
Private Pay	\$481,559	\$246.07	\$481,559	\$246.07
Medicare	841,463	455.09	841,463	455.09
Medicaid	4,273,353	174.37	4,273,353	174.37
Hospice	281,019	187.22	281,019	187.22
HMO	890,682	483.54	890,682	483.54
TOTAL ROUTINE REVENUE	6,768,076	213.79	6,768,076	213.79
Ancillary Services Revenue	\$131,225	4.15	\$131,225	4.15
Other Revenues	\$19,070	0.60	\$19,070	0.60
TOTAL REVENUE	\$6,918,371	\$218.54	\$6,918,371	\$218.54

OPERATING EXPENSE	2017	PPD	Projection	PPD
Nursing Care	\$1,945,974	\$61.47	\$1,575,048	\$49.75
Therapy	545,132	17.22	219,000	6.92
Pharmacy	214,868	6.79	199,728	6.31
Ancillary Services	46,869	1.48	12,000	0.38
Dietary	539,986	17.06	360,060	11.37
Activities	201,670	6.37	55,560	1.76
Social Services	120,777	3.82	45,000	1.42
Housekeeping & Laundry	244,431	7.72	179,052	5.66
General Administrative	696,333	22.00	438,528	13.85
Employee Benefits	834,205	26.35	596,400	18.84
Provider Tax	675,853	21.35	697,224	22.02
Insurance	3,277	0.10	42,000	1.33
Real Estate Taxes	79,136	2.50	84,000	2.65
Property, Plant, & Maintenance	142,591	4.50	99,984	3.16
Utilities	187,293	5.92	159,576	5.04
Bad Debt	121,071	3.82	120,000	3.79
TOTAL OPERATING EXPENSE	\$6,599,466	\$208.47	\$4,883,160	\$154.25
EBITDARM	\$318,905	\$10.07	\$2,035,211	\$64.29
Management Fee	0	0.00	345,919	10.93
EBITDAR	\$318,905	\$10.07	\$1,689,293	\$53.36

FACILITY-SPECIFIC NOTES

- **Revenue and Census** – Assumed same revenue and census as prior year.
- **Direct Nursing** – Decreased HPPD closer to the 2.8 that Hillstone operates at in all other facilities.
- **Therapy** – Operator will outsource therapy to Adaptive Therapy at a rate of 87 cents per minute and 68% on Med B. This will significantly reduce therapy costs.
- **Pharmacy** – New contract \$20 PPD for all inclusive residents expected to reduce total pharmacy costs.
- **Dietary** – Food costs at \$6 PPD plus supplies. Staffing will be reduced to .5 HPPD.
- **Activities** – Staffing will be reduced in line with Hillstone operations to one activity director and one part-time aide. No need for hospitality aides.
- **Social Services** – Staffing will be reduced in line with Hillstone operations to one social worker.
- **Housekeeping** – Staffing will be reduced to .45 HPPD.
- **Administrative Costs** – Will eliminate extra overhead from Manorcare corporate allocation and will consolidate positions within each facility.
- **Employee Benefits** – Reducing to an estimated 22% of wages for taxes, Workers comp, Health insurance and other miscellaneous benefits.

HEARTLAND HEALTH CARE CENTER BELLEFONTAINE

CENSUS

OCCUPANCY	2017		Projection	
	PATIENT DAYS		PATIENT DAYS	
Private Pay	2,301	9%	2,301	9%
Medicare	3,938	16%	3,938	16%
Medicaid	15,903	64%	15,903	64%
Hospice	975	4%	975	4%
HMO	1,553	6%	1,553	6%
ALF	0	0%	0	0%
TOTAL PATIENT DAYS	24,670	100%	24,670	100%

Notes:

- 2018 Average Census: 73.7%
- County Average Census: 77%
- Medicare Q-Mix: 16%

FACILITY HIGHLIGHTS

Address	221 North School St
City, State	Bellefontaine, OH
Site Size (Acres)	11.79
Building Area (Sq Ft)	28,127
Floors	1
Year Built	1984
Union Facility	No



HEARTLAND HEALTH CARE CENTER

BELLEFONTAINE

REVENUE	2017	PPD	Projection	PPD
Routine Revenue				
Private Pay	\$577,002	\$250.76	\$577,002	\$250.76
Medicare	1,857,081	471.58	1,857,081	471.58
Medicaid	2,767,671	174.03	2,767,671	174.03
Hospice	171,648	176.05	171,648	176.05
HMO	640,495	412.42	640,495	412.42
TOTAL ROUTINE REVENUE	6,013,896	243.77	6,013,896	243.77
Ancillary Services Revenue	\$192,553	7.81	\$192,553	7.81
Other Revenues	\$17,297	0.70	\$17,297	0.70
TOTAL REVENUE	\$6,223,746	\$252.28	\$6,223,746	\$252.28

OPERATING EXPENSE	2017	PPD	Projection	PPD
Nursing Care	\$1,799,592	\$72.95	\$1,408,584	\$57.10
Therapy	707,189	28.67	503,676	20.42
Pharmacy	184,051	7.46	169,800	6.88
Ancillary Services	39,748	1.61	22,800	0.92
Dietary	422,174	17.11	328,080	13.30
Activities	110,269	4.47	39,600	1.61
Social Services	103,032	4.18	66,000	2.68
Housekeeping & Laundry	130,570	5.29	135,720	5.50
General Administrative	540,238	21.90	289,704	11.74
Employee Benefits	780,483	31.64	471,180	19.10
Provider Tax	455,166	18.45	474,000	19.21
Insurance	2,395	0.10	48,000	1.95
Real Estate Taxes	36,219	1.47	42,000	1.70
Property, Plant, & Maintenance	95,985	3.89	82,560	3.35
Utilities	94,930	3.85	95,400	3.87
Bad Debt	108,916	4.41	120,000	4.86
TOTAL OPERATING EXPENSE	\$5,610,957	227.44	4,297,104	\$174.18
EBITDARM	\$612,788	\$24.84	\$1,926,642	\$78.10
Management Fee	0	0.00	311,187	12.61
EBITDAR	\$612,788	\$24.84	\$1,615,455	\$65.48

FACILITY-SPECIFIC NOTES

- **Revenue and Census** – Assumed same revenue and census as prior year.
- **Direct Nursing** – Decreased HPPD closer to the 2.8 that Hillstone operates at in all other facilities.
- **Therapy** – Operator will outsource therapy to Adaptive Therapy at a rate of 87 cents per minute and 68% on Med B. This will significantly reduce therapy costs.
- **Pharmacy** – New contract \$20 PPD for all inclusive residents expected to reduce total pharmacy costs.
- **Dietary** – Food costs at \$6 PPD plus supplies. Staffing will be reduced to .5 HPPD.
- **Activities** – Staffing will be reduced in line with Hillstone operations to one activity director.
- **Social Services** – Staffing will be reduced in line with Hillstone operations to one social worker.
- **Housekeeping** – Staffing will be reduced to .45 HPPD.
- **Administrative Costs** – Will eliminate extra overhead from Manorcare corporate allocation and will consolidate positions within each facility.
- **Employee Benefits** – Reducing to an estimated 22% of wages for taxes, workers comp, health insurance and other miscellaneous benefits.

HEARTLAND HEALTH CARE CENTER

EUCLID BEACH

CENSUS

OCCUPANCY	2017		Projection	
	PATIENT DAYS		PATIENT DAYS	
Private Pay	626	1%	626	1%
Medicare	2,733	5%	2,733	5%
Medicaid	40,268	81%	40,268	81%
Hospice	2,163	4%	2,163	4%
HMO	4,006	8%	4,006	8%
ALF	0	0%	0	0%
TOTAL PATIENT DAYS	49,796	100%	49,796	100%

Notes:

- 2018 Average Census: 96.7%
- County Average Census: 81%
- Medicare Q-Mix: 5.5%

FACILITY HIGHLIGHTS

Address	16101 Euclid Beach Blvd
City, State	Cleveland, OH
Site Size (Acres)	2.51
Building Area (Sq Ft)	52,753
Floors	2
Year Built	1975
Union Facility	No



HEARTLAND HEALTH CARE CENTER

EUCLID BEACH

REVENUE	2017	PPD	Projection	PPD
Routine Revenue				
Private Pay	\$180,510	\$288.35	\$180,510	\$288.35
Medicare	1,306,151	477.92	1,306,151	477.92
Medicaid	7,107,624	176.51	7,107,624	176.51
Hospice	395,597	182.89	395,597	182.89
HMO	1,812,281	452.39	1,812,281	452.39
TOTAL ROUTINE REVENUE	10,802,163	216.93	10,802,163	216.93
Ancillary Services Revenue	\$148,441	2.98	\$148,441	2.98
Other Revenues	\$12,130	0.24	\$12,130	0.24
TOTAL REVENUE	\$10,962,734	\$220.15	\$10,962,734	\$220.15

OPERATING EXPENSE	2017	PPD	Projection	PPD
Nursing Care	\$3,453,169	\$69.35	\$2,972,520	\$59.69
Therapy	812,507	16.32	543,000	10.90
Pharmacy	235,491	4.73	199,188	4.00
Ancillary Services	91,058	1.83	48,252	0.97
Dietary	733,043	14.72	721,824	14.50
Activities	188,476	3.78	80,196	1.61
Social Services	146,192	2.94	131,724	2.65
Housekeeping & Laundry	332,576	6.68	279,360	5.61
General Administrative	734,698	14.75	371,556	7.46
Employee Benefits	1,322,332	26.55	879,180	17.66
Provider Tax	685,042	13.76	706,704	14.19
Insurance	4,210	0.08	48,000	0.96
Real Estate Taxes	159,658	3.21	168,000	3.37
Property, Plant, & Maintenance	276,135	5.55	120,216	2.41
Utilities	356,856	7.17	422,784	8.49
Bad Debt	191,848	3.85	180,000	3.61
TOTAL OPERATING EXPENSE	\$9,723,290	\$195.26	\$7,872,504	\$158.10
EBITDARM	\$1,239,444	\$24.89	\$3,090,230	\$62.06
Management Fee	0	0.00	548,137	11.01
EBITDAR	\$1,239,444	\$24.89	\$2,542,093	\$51.05

FACILITY-SPECIFIC NOTES

- **Revenue and Census** – Assumed same revenue and census as prior year.
- **Direct Nursing** – Decreased HPPD closer to the 2.8 that Hillstone operates at in all other facilities.
- **Therapy** – Operator will outsource therapy to Adaptive Therapy at a rate of 87 cents per minute and 68% on Med B. This will significantly reduce therapy costs.
- **Pharmacy** – New contract \$20 PPD for all inclusive residents expected to reduce total pharmacy costs.
- **Dietary** – Food costs at \$6 PPD plus supplies. Staffing will be reduced to .5 HPPD.
- **Activities** – Staffing will be reduced in line with Hillstone operations to one activity director and one part-time aide.
- **Social Services** – Staffing will be reduced in line with Hillstone operations to two social workers.
- **Housekeeping** – Staffing will be reduced to .45 HPPD.
- **Administrative Costs** – Will eliminate extra overhead from Manorcare corporate allocation and will consolidate positions within each facility.
- **Employee Benefits** – Reducing to an estimated 22% of wages for taxes, workers comp, health insurance and other miscellaneous benefits.

HEARTLAND HEALTH CARE CENTER GREENVILLE

CENSUS

OCCUPANCY	2017		Projection	
	PATIENT DAYS		PATIENT DAYS	
Private Pay	1,490	6%	1,490	6%
Medicare	2,665	11%	2,665	11%
Medicaid	15,936	67%	15,936	67%
Hospice	1,372	6%	1,372	6%
HMO	2,147	9%	2,147	9%
ALF	0	0%	0	0%
TOTAL PATIENT DAYS	23,610	100%	23,610	100%

Notes:

- 2018 Average Census: 75.2%
- County Average Census: 81%
- Medicare Q-Mix: 11.3%

FACILITY HIGHLIGHTS

Address	243 Marion Drive
City, State	Greenville, OH
Site Size (Acres)	3.24
Building Area (Sq Ft)	30,197
Floors	1
Year Built	1961
Union Facility	No



HEARTLAND HEALTH CARE CENTER GREENVILLE

REVENUE	2017	PPD	Projection	PPD
Routine Revenue				
Private Pay	\$365,272	\$245.15	\$365,272	\$245.15
Medicare	1,220,522	457.98	1,220,522	457.98
Medicaid	2,653,459	166.51	2,653,459	166.51
Hospice	247,784	180.60	247,784	180.60
HMO	819,745	381.81	819,745	381.81
TOTAL ROUTINE REVENUE	5,306,781	224.77	5,306,781	224.77
Ancillary Services Revenue	\$135,623	5.74	\$135,623	5.74
Other Revenues	\$6,168	0.26	\$6,168	0.26
TOTAL REVENUE	\$5,448,572	\$230.77	\$5,448,572	\$230.77

OPERATING EXPENSE	2017	PPD	Projection	PPD
Nursing Care	\$1,747,754	\$74.03	\$1,413,024	\$59.85
Therapy	463,183	19.62	456,600	19.34
Pharmacy	151,686	6.42	218,280	9.25
Ancillary Services	66,487	2.82	46,200	1.96
Dietary	374,946	15.88	291,060	12.33
Activities	97,002	4.11	46,104	1.95
Social Services	81,180	3.44	64,800	2.74
Housekeeping & Laundry	143,535	6.08	136,800	5.79
General Administrative	526,856	22.31	319,152	13.52
Employee Benefits	704,513	29.84	492,000	20.84
Provider Tax	422,983	17.92	444,000	18.81
Insurance	2,461	0.10	42,000	1.78
Real Estate Taxes	41,069	1.74	43,200	1.83
Property, Plant, & Maintenance	76,621	3.25	100,020	4.24
Utilities	106,598	4.51	103,200	4.37
Bad Debt	63,271	2.68	120,000	5.08
TOTAL OPERATING EXPENSE	\$5,070,145	\$214.75	\$4,336,440	\$183.67
EBITDARM	\$378,428	\$16.03	\$1,112,132	\$47.10
Management Fee	0	0.00	272,429	11.54
EBITDAR	\$378,428	\$16.03	\$839,704	\$35.57

FACILITY-SPECIFIC NOTES

- **Revenue and Census** – Assumed same revenue and census as prior year.
- **Direct Nursing** – Decreased HPPD closer to the 2.8 that Hillstone operates at in all other facilities.
- **Therapy** – Operator will outsource therapy to Adaptive Therapy at a rate of 87 cents per minute and 68% on Med B. This will significantly reduce therapy costs.
- **Pharmacy** – New contract \$20 PPD for all inclusive residents expected to reduce total pharmacy costs.
- **Dietary** – Food costs at \$6 PPD plus supplies. Staffing will be reduced to .5 HPPD.
- **Activities** – Staffing will be reduced in line with Hillstone operations to one activity director.
- **Social Services** – Staffing will be reduced in line with Hillstone operations to one social worker.
- **Housekeeping** – Staffing will be reduced to .45 HPPD.
- **Administrative Costs** – Will eliminate extra overhead from Manorcare corporate allocation and will consolidate positions within each facility.
- **Employee Benefits** – Reducing to an estimated 22% of wages for taxes, workers comp, health insurance and other miscellaneous benefits.

HEARTLAND HEALTH CARE CENTER HOLLY GLEN

CENSUS

OCCUPANCY	2017		Projection	
	PATIENT DAYS		PATIENT DAYS	
Private Pay	743	3%	743	3%
Medicare	2,325	9%	2,325	9%
Medicaid	20,621	76%	20,621	76%
Hospice	580	2%	580	2%
HMO	3,013	11%	3,013	11%
ALF	0	0%	0	0%
TOTAL PATIENT DAYS	27,304	100%	27,304	100%

Notes:

- 2018 Average Census: 80.5%
- County Average Census: 84%
- Medicare Q-Mix: 8.5%

FACILITY HIGHLIGHTS

Address	4293 Monroe St
City, State	Toledo, OH
Site Size (Acres)	1.80
Building Area (Sq Ft)	30,620
Floors	1
Year Built	1969
Union Facility	No



HEARTLAND HEALTH CARE CENTER

HOLLY GLEN

REVENUE	2017	PPD	Projection	PPD
Routine Revenue				
Private Pay	\$228,197	\$307.13	\$228,197	\$307.13
Medicare	974,801	419.27	974,801	419.27
Medicaid	3,616,564	175.38	3,616,564	175.38
Hospice	108,284	186.70	108,284	186.70
HMO	1,360,910	451.68	1,360,910	451.68
TOTAL ROUTINE REVENUE	6,288,756	230.32	6,288,756	230.32
Ancillary Services Revenue	\$228,446	8.37	\$228,446	8.37
Other Revenues	\$45,763	1.68	\$45,763	1.68
TOTAL REVENUE	\$6,562,965	\$240.37	\$6,562,965	\$240.37

OPERATING EXPENSE	2017	PPD	Projection	PPD
Nursing Care	\$2,210,450	\$80.96	\$1,391,472	\$50.96
Therapy	612,881	22.45	487,356	17.85
Pharmacy	247,507	9.06	156,780	5.74
Ancillary Services	67,489	2.47	62,400	2.29
Dietary	521,127	19.09	322,920	11.83
Activities	51,905	1.90	37,200	1.36
Social Services	104,986	3.85	60,000	2.20
Housekeeping & Laundry	180,634	6.62	147,840	5.41
General Administrative	628,221	23.01	306,816	11.24
Employee Benefits	753,337	27.59	431,916	15.82
Provider Tax	459,764	16.84	480,000	17.58
Insurance	2,446	0.09	42,000	1.54
Real Estate Taxes	43,877	1.61	48,000	1.76
Property, Plant, & Maintenance	112,961	4.14	148,896	5.45
Utilities	126,060	4.62	99,528	3.65
Bad Debt	114,852	4.21	120,000	4.39
TOTAL OPERATING EXPENSE	\$6,238,497	\$228.48	\$4,343,124	\$159.07
EBITDARM	\$324,468	\$11.88	\$2,219,841	\$81.30
Management Fee	0	0.00	328,148	12.02
EBITDAR	\$324,468	\$11.88	\$1,891,693	\$69.28

FACILITY-SPECIFIC NOTES

- **Revenue and Census** – Assumed same revenue and census as prior year.
- **Direct Nursing** – Decreased HPPD closer to the 2.8 that Hillstone operates at in all other facilities.
- **Therapy** – Operator will outsource therapy to Adaptive Therapy at a rate of 87 cents per minute and 68% on Med B. This will significantly reduce therapy costs.
- **Pharmacy** – New contract \$20 PPD for all inclusive residents expected to reduce total pharmacy costs.
- **Dietary** – Food costs at \$6 PPD plus supplies. Staffing will be reduced to .5 HPPD.
- **Activities** – Staffing will be reduced in line with Hillstone operations to one activity director.
- **Social Services** – Staffing will be reduced in line with Hillstone operations to one social worker.
- **Housekeeping** – Staffing will be reduced to .45 HPPD.
- **Administrative Costs** – Will eliminate extra overhead from Manorcare corporate allocation and will consolidate positions within each facility.
- **Employee Benefits** – Reducing to an estimated 22% of wages for taxes, workers comp, health insurance and other miscellaneous benefits.

HEARTLAND HEALTH CARE CENTER JACKSON

CENSUS

OCCUPANCY	2017		Projection	
	PATIENT DAYS		PATIENT DAYS	
Private Pay	2,019	7%	2,019	7%
Medicare	2,457	9%	2,457	9%
Medicaid	17,902	66%	17,902	66%
Hospice	3,023	11%	3,023	11%
HMO	1,823	7%	1,823	7%
ALF	0	0%	0	0%
TOTAL PATIENT DAYS	27,224	100%	27,224	100%

Notes:

- 2018 Average Census: 91.8%
- County Average Census: 90%
- Medicare Q-Mix: 9%

FACILITY HIGHLIGHTS

Address	8668 State Rt #93
City, State	Jackson, OH
Site Size (Acres)	43.71
Building Area (Sq Ft)	25,370
Floors	1
Year Built	1978
Union Facility	No



HEARTLAND HEALTH CARE CENTER JACKSON

REVENUE	2017	PPD	Projection	PPD
Routine Revenue				
Private Pay	\$401,640	\$198.93	\$401,640	\$198.93
Medicare	1,049,478	427.14	1,049,478	427.14
Medicaid	2,960,966	165.40	2,960,966	165.40
Hospice	520,292	172.11	520,292	172.11
HMO	630,933	346.10	630,933	346.10
TOTAL ROUTINE REVENUE	5,563,309	204.35	5,563,309	204.35
Ancillary Services Revenue	\$59,762	2.20	\$59,762	2.20
Other Revenues	\$17,265	0.63	\$17,265	0.63
TOTAL REVENUE	\$5,640,335	\$207.18	\$5,640,335	\$207.18

OPERATING EXPENSE	2017	PPD	Projection	PPD
Nursing Care	\$1,550,239	\$56.94	\$1,538,136	\$56.50
Therapy	358,412	13.17	386,400	14.19
Pharmacy	173,854	6.39	175,200	6.44
Ancillary Services	32,519	1.19	38,400	1.41
Dietary	461,774	16.96	366,000	13.44
Activities	104,213	3.83	55,596	2.04
Social Services	102,584	3.77	49,992	1.84
Housekeeping & Laundry	145,155	5.33	138,000	5.07
General Administrative	450,635	16.55	274,512	10.08
Employee Benefits	694,070	25.49	533,712	19.60
Provider Tax	377,006	13.85	396,000	14.55
Insurance	2,178	0.08	45,600	1.67
Real Estate Taxes	27,816	1.02	36,000	1.32
Property, Plant, & Maintenance	102,858	3.78	97,200	3.57
Utilities	119,855	4.40	144,960	5.32
Bad Debt	98,706	3.63	120,000	4.41
TOTAL OPERATING EXPENSE	\$4,801,875	\$176.38	\$4,395,708	\$161.46
EBITDARM	\$838,460	\$30.80	\$1,244,627	\$45.72
Management Fee	0	0.00	282,017	10.36
EBITDAR	\$838,460	\$30.80	\$962,610	\$35.36

FACILITY-SPECIFIC NOTES

- **Revenue and Census** – Assumed same revenue and census as prior year.
- **Direct Nursing** – Decreased HPPD closer to the 2.8 that Hillstone operates at in all other facilities.
- **Therapy** – Operator will outsource therapy to Adaptive Therapy at a rate of 87 cents per minute and 68% on Med B. This will significantly reduce therapy costs.
- **Pharmacy** – New contract \$20 PPD for all inclusive residents expected to reduce total pharmacy costs.
- **Dietary** – Food costs at \$6 PPD plus supplies. Staffing will be reduced to .5 HPPD.
- **Activities** – Staffing will be reduced in line with Hillstone operations to one activity director and one part-time assistant.
- **Social Services** – Staffing will be reduced in line with Hillstone operations to one social worker.
- **Housekeeping** – Staffing will be reduced to .45 HPPD.
- **Administrative Costs** – Will eliminate extra overhead from Manorcare corporate allocation and will consolidate positions within each facility.
- **Employee Benefits** – Reducing to an estimated 22% of wages for taxes, workers comp, health insurance and other miscellaneous benefits.

HEARTLAND HEALTH CARE CENTER MADEIRA

CENSUS

OCCUPANCY	2017		Projection	
	PATIENT DAYS		PATIENT DAYS	
Private Pay	2,065	5%	2,065	5%
Medicare	1,744	4%	1,744	4%
Medicaid	30,553	75%	30,553	75%
Hospice	3,611	9%	3,611	9%
HMO	3,001	7%	3,001	7%
ALF	0	0%	0	0%
TOTAL PATIENT DAYS	40,974	100%	40,974	100%

Notes:

- 2018 Average Census: 85.5%
- County Average Census: 86%
- Medicare Q-Mix: 4.3%

FACILITY HIGHLIGHTS

Address	5970 Kenwood Rd
City, State	Madeira, OH
Site Size (Acres)	6.06
Building Area (Sq Ft)	42,528
Floors	1
Year Built	1966
Union Facility	No



HEARTLAND HEALTH CARE CENTER MADEIRA

REVENUE	2017	PPD	Projection	PPD
Routine Revenue				
Private Pay	\$570,335	\$276.19	\$570,335	\$276.19
Medicare	746,348	427.95	746,348	427.95
Medicaid	5,272,914	172.58	5,272,914	172.58
Hospice	632,930	175.28	632,930	175.28
HMO	1,379,337	459.63	1,379,337	459.63
TOTAL ROUTINE REVENUE	8,601,864	209.93	8,601,864	209.93
Ancillary Services Revenue	\$94,866	2.32	\$94,866	2.32
Other Revenues	\$9,585	0.23	\$9,585	0.23
TOTAL REVENUE	\$8,706,314	\$212.48	\$8,706,314	\$212.48

OPERATING EXPENSE	2017	PPD	Projection	PPD
Nursing Care	\$3,497,377	\$85.36	\$2,494,524	\$60.88
Therapy	517,196	12.62	427,560	10.43
Pharmacy	201,450	4.92	170,808	4.17
Ancillary Services	66,874	1.63	38,400	0.94
Dietary	650,646	15.88	560,796	13.69
Activities	156,498	3.82	76,200	1.86
Social Services	114,656	2.80	66,000	1.61
Housekeeping & Laundry	301,472	7.36	240,360	5.87
General Administrative	734,463	17.93	351,936	8.59
Employee Benefits	1,023,400	24.98	888,192	21.68
Provider Tax	602,291	14.70	624,000	15.23
Insurance	3,204	0.08	54,000	1.32
Real Estate Taxes	101,329	2.47	108,000	2.64
Property, Plant, & Maintenance	188,424	4.60	159,000	3.88
Utilities	184,703	4.51	177,600	4.33
Bad Debt	144,893	3.54	180,000	4.39
TOTAL OPERATING EXPENSE	\$8,488,876	\$207.18	\$6,617,376	\$161.50
EBITDARM	\$217,438	\$5.31	\$2,088,938	\$50.98
Management Fee	0	0.00	435,316	10.62
EBITDAR	\$217,438	\$5.31	\$1,653,622	\$40.36

FACILITY-SPECIFIC NOTES

- **Revenue and Census** – Assumed same revenue and census as prior year.
- **Direct Nursing** – Decreased HPPD closer to the 2.8 that Hillstone operates at in all other facilities.
- **Therapy** – Operator will outsource therapy to Adaptive Therapy at a rate of 87 cents per minute and 68% on Med B. This will significantly reduce therapy costs.
- **Pharmacy** – New contract \$20 PPD for all inclusive residents expected to reduce total pharmacy costs.
- **Dietary** – Food costs at \$6 PPD plus supplies. Staffing will be reduced to .5 HPPD.
- **Activities** – Staffing will be reduced in line with Hillstone operations to one activity director and one full-time assistant.
- **Social Services** – Staffing will be reduced in line with Hillstone operations to one social worker.
- **Housekeeping** – Staffing will be reduced to .45 HPPD.
- **Administrative Costs** – Will eliminate extra overhead from Manorcare corporate allocation and will consolidate positions within each facility.
- **Employee Benefits** – Reducing to an estimated 22% of wages for taxes, workers comp, health insurance and other miscellaneous benefits.

HEARTLAND HEALTH CARE CENTER MAYFIELD

CENSUS

OCCUPANCY	2017		Projection	
	PATIENT DAYS		PATIENT DAYS	
Private Pay	1,002	2%	1,002	2%
Medicare	3,952	10%	3,952	10%
Medicaid	27,009	65%	27,009	65%
Hospice	3,789	9%	3,789	9%
HMO	5,698	14%	5,698	14%
ALF	0	0%	0	0%
TOTAL PATIENT DAYS	41,450	100%	41,450	100%

Notes:

- 2018 Average Census: 78.1%
- County Average Census: 81%
- Medicare Q-Mix: 9.5%

FACILITY HIGHLIGHTS

Address	6757 Mayfield Rd
City, State	Mayfield Heights, OH
Site Size (Acres)	5.24
Building Area (Sq Ft)	51,908
Floors	2
Year Built	1977
Union Facility	No



HEARTLAND HEALTH CARE CENTER MAYFIELD

REVENUE	2017	PPD	Projection	PPD
Routine Revenue				
Private Pay	\$285,313	\$284.74	\$285,313	\$284.74
Medicare	1,849,435	467.97	1,849,435	467.97
Medicaid	4,766,724	176.49	4,766,724	176.49
Hospice	713,177	188.22	713,177	188.22
HMO	2,560,433	449.36	2,560,433	449.36
TOTAL ROUTINE REVENUE	10,175,083	245.48	10,175,083	245.48
Ancillary Services Revenue	\$344,349	8.31	\$344,349	8.31
Other Revenues	\$25,735	0.62	\$25,735	0.62
TOTAL REVENUE	\$10,545,167	\$254.41	\$10,545,167	\$254.41

OPERATING EXPENSE	2017	PPD	Projection	PPD
Nursing Care	\$3,339,703	\$80.57	\$2,384,808	\$57.53
Therapy	1,272,751	30.71	808,200	19.50
Pharmacy	332,201	8.01	267,564	6.46
Ancillary Services	122,907	2.97	115,200	2.78
Dietary	607,045	14.65	560,964	13.53
Activities	121,754	2.94	61,200	1.48
Social Services	208,259	5.02	99,996	2.41
Housekeeping & Laundry	271,302	6.55	255,384	6.16
General Administrative	689,028	16.62	381,408	9.20
Employee Benefits	1,243,878	30.01	755,400	18.22
Provider Tax	689,646	16.64	711,456	17.16
Insurance	3,955	0.10	48,000	1.16
Real Estate Taxes	203,218	4.90	216,000	5.21
Property, Plant, & Maintenance	50,578	1.22	135,564	3.27
Utilities	232,688	5.61	224,580	5.42
Bad Debt	65,188	1.57	60,000	1.45
TOTAL OPERATING EXPENSE	\$9,454,102	\$228.08	\$7,085,724	\$170.95
EBITDARM	\$1,091,065	\$26.32	\$3,459,443	\$83.46
Management Fee	0	0.00	527,258	12.72
EBITDAR	\$1,091,065	\$26.32	\$2,932,184	\$70.74

FACILITY-SPECIFIC NOTES

- **Revenue and Census** – Assumed same revenue and census as prior year.
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- **Therapy** – Operator will outsource therapy to Adaptive Therapy at a rate of 87 cents per minute and 68% on Med B. This will significantly reduce therapy costs.
- **Pharmacy** – New contract \$20 PPD for all inclusive residents expected to reduce total pharmacy costs.
- **Dietary** – Food costs at \$6 PPD plus supplies. Staffing will be reduced to .5 HPPD.
- **Activities** – Staffing will be reduced in line with Hillstone operations to one activity director and one part-time assistant.
- **Social Services** – Staffing will be reduced in line with Hillstone operations to two social workers.
- **Housekeeping** – Staffing will be reduced to .45 HPPD.
- **Administrative Costs** – Will eliminate extra overhead from Manorcare corporate allocation and will consolidate positions within each facility.
- **Employee Benefits** – Reducing to an estimated 22% of wages for taxes, workers comp, health insurance and other miscellaneous benefits.

MANORCARE HEALTH CARE CENTER NORTH OLMSTED

CENSUS

OCCUPANCY	2017		Projection	
	PATIENT DAYS		PATIENT DAYS	
Private Pay	2,150	5%	2,150	5%
Medicare	2,173	5%	2,173	5%
Medicaid	32,649	69%	32,649	69%
Hospice	7,569	16%	7,569	16%
HMO	2,853	6%	2,853	6%
ALF	0	0%	0	0%
TOTAL PATIENT DAYS	47,394	100%	47,394	100%

Notes:

- 2018 Average Census: 77.1%
- County Average Census: 81%
- Medicare Q-Mix: 4.6%

FACILITY HIGHLIGHTS

Address	23225 Lorain Rd
City, State	N Olmsted, OH
Site Size (Acres)	4.66
Building Area (Sq Ft)	51,959
Floors	2
Year Built	1973
Union Facility	No



MANORCARE HEALTH CARE CENTER NORTH OLMSTED

REVENUE	2017	PPD	Projection	PPD
Routine Revenue				
Private Pay	\$633,613	\$294.70	\$633,613	\$294.70
Medicare	1,047,199	481.91	1,047,199	481.91
Medicaid	5,672,585	173.74	5,672,585	173.74
Hospice	1,367,796	180.71	1,367,796	180.71
HMO	1,500,207	525.83	1,500,207	525.83
TOTAL ROUTINE REVENUE	10,221,400	215.67	10,221,400	215.67
Ancillary Services Revenue	\$244,674	5.16	\$244,674	5.16
Other Revenues	\$13,381	0.28	\$13,381	0.28
TOTAL REVENUE	\$10,479,455	\$221.11	\$10,479,455	\$221.11

OPERATING EXPENSE	2017	PPD	Projection	PPD
Nursing Care	\$3,681,936	\$77.69	\$3,147,732	\$66.42
Therapy	869,546	18.35	364,200	7.68
Pharmacy	216,509	4.57	214,128	4.52
Ancillary Services	105,454	2.23	116,520	2.46
Dietary	701,802	14.81	585,864	12.36
Activities	194,672	4.11	79,728	1.68
Social Services	164,271	3.47	129,996	2.74
Housekeeping & Laundry	265,458	5.60	255,792	5.40
General Administrative	655,248	13.83	368,580	7.78
Employee Benefits	1,277,969	26.96	917,916	19.37
Provider Tax	758,611	16.01	783,600	16.53
Insurance	4,172	0.09	54,000	1.14
Real Estate Taxes	153,444	3.24	168,000	3.54
Property, Plant, & Maintenance	155,360	3.28	133,896	2.83
Utilities	304,015	6.41	297,876	6.29
Bad Debt	183,390	3.87	144,000	3.04
TOTAL OPERATING EXPENSE	\$9,691,857	\$204.50	\$7,761,828	\$163.77
EBITDARM	\$787,598	\$16.62	\$2,717,627	\$57.34
Management Fee	0	0.00	523,973	11.06
EBITDAR	\$787,598	\$16.62	\$2,193,654	\$46.29

FACILITY-SPECIFIC NOTES

- **Revenue and Census** – Assumed same revenue and census as prior year.
- **Direct Nursing** – Decreased HPPD closer to the 2.8 that Hillstone operates at in all other facilities.
- **Therapy** – Operator will outsource therapy to Adaptive Therapy at a rate of 87 cents per minute and 68% on Med B. This will significantly reduce therapy costs.
- **Pharmacy** – New contract \$20 PPD for all inclusive residents expected to reduce total pharmacy costs.
- **Dietary** – Food costs at \$6 PPD plus supplies. Staffing will be reduced to .5 HPPD.
- **Activities** – Staffing will be reduced in line with Hillstone operations to one activity director and one part-time assistant.
- **Social Services** – Staffing will be reduced in line with Hillstone operations to two social workers.
- **Housekeeping** – Staffing will be reduced to .45 HPPD.
- **Administrative Costs** – Will eliminate extra overhead from Manorcare corporate allocation and will consolidate positions within each facility.
- **Employee Benefits** – Reducing to an estimated 22% of wages for taxes, workers comp, health insurance and other miscellaneous benefits

HEARTLAND HEALTH CARE CENTER OREGON

CENSUS

OCCUPANCY	2017		Projection	
	PATIENT DAYS		PATIENT DAYS	
Private Pay	1,032	3%	1,032	3%
Medicare	4,007	11%	4,007	11%
Medicaid	23,788	66%	23,788	66%
Hospice	2,929	8%	2,929	8%
HMO	4,550	13%	4,550	13%
ALF	0	0%	0	0%
TOTAL PATIENT DAYS	36,306	100%	36,306	100%

Notes:

- 2018 Average Census: 76.9%
- County Average Census: 84%
- Medicare Q-Mix: 11%

FACILITY HIGHLIGHTS

Address	3953 Navarre Ave
City, State	Oregon, OH
Site Size (Acres)	6.94
Building Area (Sq Ft)	30,158
Floors	1
Year Built	1979
Union Facility	No



HEARTLAND HEALTH CARE CENTER OREGON

REVENUE	2017	PPD	Projection	PPD
Routine Revenue				
Private Pay	\$259,099	\$251.06	\$259,099	\$251.06
Medicare	1,901,093	474.44	1,901,093	474.44
Medicaid	4,154,377	174.64	4,154,377	174.64
Hospice	523,154	178.61	523,154	178.61
HMO	1,965,118	431.89	1,965,118	431.89
TOTAL ROUTINE REVENUE	8,802,841	242.46	8,802,841	242.46
Ancillary Services Revenue	\$118,164	3.25	\$118,164	3.25
Other Revenues	\$37,725	1.04	\$37,725	1.04
TOTAL REVENUE	\$8,958,730	\$246.76	\$8,958,730	\$246.76

OPERATING EXPENSE	2017	PPD	Projection	PPD
Nursing Care	\$2,910,118	\$80.16	\$2,169,504	\$59.76
Therapy	927,016	25.53	604,200	16.64
Pharmacy	362,897	10.00	339,780	9.36
Ancillary Services	88,634	2.44	30,000	0.83
Dietary	498,047	13.72	500,556	13.79
Activities	83,625	2.30	51,600	1.42
Social Services	93,012	2.56	82,764	2.28
Housekeeping & Laundry	256,592	7.07	211,200	5.82
General Administrative	589,229	16.23	381,624	10.51
Employee Benefits	956,811	26.35	684,168	18.84
Provider Tax	574,705	15.83	594,000	16.36
Insurance	2,605	0.07	48,000	1.32
Real Estate Taxes	64,784	1.78	67,200	1.85
Property, Plant, & Maintenance	156,123	4.30	120,720	3.33
Utilities	154,701	4.26	110,196	3.04
Bad Debt	120,791	3.33	144,000	3.97
TOTAL OPERATING EXPENSE	\$7,839,688	\$215.93	\$6,139,512	\$169.10
EBITDARM	\$1,119,041	\$30.82	\$2,819,218	\$77.65
Management Fee	0	0.00	447,936	12.34
EBITDAR	\$1,119,041	\$30.82	\$2,371,281	\$65.31

FACILITY-SPECIFIC NOTES

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- **Pharmacy** – New contract \$20 PPD for all inclusive residents expected to reduce total pharmacy costs.
- **Dietary** – Food costs at \$6 PPD plus supplies. Staffing will be reduced to .5 HPPD.
- **Activities** – Staffing will be reduced in line with Hillstone operations to one activity director and one weekend assistant.
- **Social Services** – Staffing will be reduced in line with Hillstone operations to two social workers.
- **Housekeeping** – Staffing will be reduced to .45 HPPD.
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HEARTLAND HEALTH CARE CENTER

PIQUA

CENSUS

OCCUPANCY	2017		Projection	
	PATIENT DAYS		PATIENT DAYS	
Private Pay	993	4%	993	4%
Medicare	3,134	13%	3,134	13%
Medicaid	15,267	63%	15,267	63%
Hospice	1,946	8%	1,946	8%
HMO	2,741	11%	2,741	11%
ALF	0	0%	0	0%
TOTAL PATIENT DAYS	24,085	100%	24,085	100%

Notes:

- 2018 Average Census: 73.3%
- County Average Census: 79%
- Medicare Q-Mix: 13%

FACILITY HIGHLIGHTS

Address	275 Kienle Drive
City, State	Piqua, OH
Site Size (Acres)	4.32
Building Area (Sq Ft)	28,142
Floors	1
Year Built	1983
Union Facility	No



HEARTLAND HEALTH CARE CENTER PIQUA

REVENUE	2017	PPD	Projection	PPD
Routine Revenue				
Private Pay	\$302,243	\$304.37	\$302,243	\$304.37
Medicare	1,605,847	512.40	1,605,847	512.40
Medicaid	2,882,052	188.78	2,882,052	188.78
Hospice	389,570	200.19	389,570	200.19
HMO	1,260,951	460.03	1,260,951	460.03
TOTAL ROUTINE REVENUE	6,440,662	267.41	6,440,662	267.41
Ancillary Services Revenue	\$146,025	6.06	\$146,025	6.06
Other Revenues	\$12,486	0.52	\$12,486	0.52
TOTAL REVENUE	\$6,599,174	\$274.00	\$6,599,174	\$274.00

OPERATING EXPENSE	2017	PPD	Projection	PPD
Nursing Care	\$2,026,288	\$84.13	\$1,425,168	\$59.17
Therapy	636,289	26.42	502,800	20.88
Pharmacy	249,773	10.37	282,000	11.71
Ancillary Services	104,205	4.33	30,000	1.25
Dietary	416,992	17.31	311,400	12.93
Activities	74,234	3.08	49,200	2.04
Social Services	86,932	3.61	66,000	2.74
Housekeeping & Laundry	133,925	5.56	139,800	5.80
General Administrative	550,030	22.84	302,616	12.56
Employee Benefits	732,371	30.41	621,600	25.81
Provider Tax	455,166	18.90	480,000	19.93
Insurance	2,436	0.10	42,000	1.74
Real Estate Taxes	48,461	2.01	54,000	2.24
Property, Plant, & Maintenance	124,161	5.16	113,340	4.71
Utilities	150,106	6.23	135,600	5.63
Bad Debt	38,354	1.59	132,000	5.48
TOTAL OPERATING EXPENSE	\$5,829,723	\$242.05	\$4,687,524	\$194.62
EBITDARM	\$769,451	\$31.95	\$1,911,650	\$79.37
Management Fee	0	0.00	329,959	13.70
EBITDAR	\$769,451	\$31.95	\$1,581,691	\$65.67

FACILITY-SPECIFIC NOTES

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- **Dietary** – Food costs at \$6 PPD plus supplies. Staffing will be reduced to .5 HPPD.
- **Activities** – Staffing will be reduced in line with Hillstone operations to one activity director.
- **Social Services** – Staffing will be reduced in line with Hillstone operations to one social worker.
- **Housekeeping** – Staffing will be reduced to .45 HPPD.
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HEARTLAND HEALTH CARE CENTER PORTSMOUTH

CENSUS

OCCUPANCY	2017		Projection	
	PATIENT DAYS		PATIENT DAYS	
Private Pay	2,370	8%	2,370	8%
Medicare	5,808	19%	5,808	19%
Medicaid	18,802	61%	18,802	61%
Hospice	2,104	7%	2,104	7%
HMO	1,714	6%	1,714	6%
ALF	0	0%	0	0%
TOTAL PATIENT DAYS	30,802	100%	30,802	100%

Notes:

- 2018 Average Census: 74.6%
- County Average Census: 87%
- Medicare Q-Mix: 18.9%

FACILITY HIGHLIGHTS

Address	20 Easter Dr
City, State	Portsmouth, OH
Site Size (Acres)	3.3
Building Area (Sq Ft)	32,918
Floors	1
Year Built	1982
Union Facility	No



HEARTLAND HEALTH CARE CENTER PORTSMOUTH

REVENUE	2017	PPD	Projection	PPD
Routine Revenue				
Private Pay	\$651,781	\$275.01	\$651,781	\$275.01
Medicare	2,894,737	498.41	2,894,737	498.41
Medicaid	3,120,279	165.95	3,120,279	165.95
Hospice	363,528	172.78	363,528	172.78
HMO	775,884	452.67	775,884	452.67
TOTAL ROUTINE REVENUE	7,806,209	253.43	7,806,209	253.43
Ancillary Services Revenue	\$380,442	12.35	\$380,442	12.35
Other Revenues	\$16,312	0.53	\$16,312	0.53
TOTAL REVENUE	\$8,202,963	\$266.31	\$8,202,963	\$266.31

OPERATING EXPENSE	2017	PPD	Projection	PPD
Nursing Care	\$2,309,476	\$74.98	\$2,328,024	\$75.58
Therapy	1,028,957	33.41	681,660	22.13
Pharmacy	249,032	8.08	171,600	5.57
Ancillary Services	119,053	3.87	72,000	2.34
Dietary	483,704	15.70	436,800	14.18
Activities	87,097	2.83	43,488	1.41
Social Services	73,501	2.39	66,000	2.14
Housekeeping & Laundry	219,194	7.12	170,424	5.53
General Administrative	553,751	17.98	355,824	11.55
Employee Benefits	885,560	28.75	771,072	25.03
Provider Tax	556,314	18.06	576,000	18.70
Insurance	2,795	0.09	48,000	1.56
Real Estate Taxes	39,933	1.30	48,000	1.56
Property, Plant, & Maintenance	80,652	2.62	105,816	3.44
Utilities	141,022	4.58	124,704	4.05
Bad Debt	143,552	4.66	168,000	5.45
TOTAL OPERATING EXPENSE	\$6,973,595	\$226.40	\$6,167,412	\$200.23
EBITDARM	\$1,229,369	\$39.91	\$2,035,551	\$66.09
Management Fee	0	0.00	410,148	13.32
EBITDAR	\$1,229,369	\$39.91	\$1,625,403	\$52.77

FACILITY-SPECIFIC NOTES

- **Revenue and Census** – Assumed same revenue and census as prior year.
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- **Pharmacy** – New contract \$20 PPD for all inclusive residents expected to reduce total pharmacy costs.
- **Dietary** – Food costs at \$6 PPD plus supplies. Staffing will be reduced to .5 HPPD.
- **Activities** – Staffing will be reduced in line with Hillstone operations to one activity director and one part-time assistant.
- **Social Services** – Staffing will be reduced in line with Hillstone operations to one social worker.
- **Housekeeping** – Staffing will be reduced to .45 HPPD.
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- **Employee Benefits** – Reducing to an estimated 22% of wages for taxes, workers comp, health insurance and other miscellaneous benefits.

HEARTLAND HEALTH CARE CENTER SPRINGFIELD

CENSUS

OCCUPANCY	2017		Projection	
	PATIENT DAYS		PATIENT DAYS	
Private Pay	644	2%	644	2%
Medicare	1,964	7%	1,964	7%
Medicaid	18,347	64%	18,347	64%
Hospice	2,967	10%	2,967	10%
HMO	4,767	17%	4,767	17%
ALF	0	0%	0	0%
TOTAL PATIENT DAYS	28,698	100%	28,698	100%

Notes:

- 2018 Average Census: 62.3%
- County Average Census: 79%
- Medicare Q-Mix: 6.8%

FACILITY HIGHLIGHTS

Address	2615 Derr Rd
City, State	Springfield, OH
Site Size (Acres)	4.24
Building Area (Sq Ft)	41,411
Floors	1
Year Built	1980
Union Facility	No



HEARTLAND HEALTH CARE CENTER SPRINGFIELD

REVENUE	2017	PPD	Projection	PPD
Routine Revenue				
Private Pay	\$247,004	\$383.55	\$247,004	\$383.55
Medicare	948,928	483.16	948,928	483.16
Medicaid	3,127,862	170.48	3,127,862	170.48
Hospice	548,332	184.81	548,332	184.81
HMO	1,980,476	415.46	1,980,476	415.46
TOTAL ROUTINE REVENUE	6,852,602	238.78	6,852,602	238.78
Ancillary Services Revenue	\$48,111	1.68	\$48,111	1.68
Other Revenues	\$18,482	0.64	\$18,482	0.64
TOTAL REVENUE	\$6,919,195	\$241.10	\$6,919,195	\$241.10

OPERATING EXPENSE	2017	PPD	Projection	PPD
Nursing Care	\$2,076,986	\$72.37	\$1,708,680	\$59.54
Therapy	631,503	22.01	596,400	20.78
Pharmacy	347,468	12.11	265,800	9.26
Ancillary Services	112,111	3.91	87,600	3.05
Dietary	469,641	16.36	375,840	13.10
Activities	68,865	2.40	40,032	1.39
Social Services	127,236	4.43	66,000	2.30
Housekeeping & Laundry	172,440	6.01	165,600	5.77
General Administrative	632,563	22.04	353,964	12.33
Employee Benefits	813,699	28.35	613,068	21.36
Provider Tax	579,303	20.19	600,000	20.91
Insurance	3,317	0.12	48,000	1.67
Real Estate Taxes	84,188	2.93	88,800	3.09
Property, Plant, & Maintenance	96,435	3.36	103,956	3.62
Utilities	141,122	4.92	125,160	4.36
Bad Debt	121,086	4.22	144,000	5.02
TOTAL OPERATING EXPENSE	\$6,477,962	\$225.73	\$5,382,900	\$187.57
EBITDARM	\$441,233	\$15.38	\$1,536,295	\$53.53
Management Fee	0	0.00	345,960	12.06
EBITDAR	\$441,233	\$15.38	\$1,190,335	\$41.48

FACILITY-SPECIFIC NOTES

- **Revenue and Census** – Assumed same revenue and census as prior year.
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- **Pharmacy** – New contract \$20 PPD for all inclusive residents expected to reduce total pharmacy costs.
- **Dietary** – Food costs at \$6 PPD plus supplies. Staffing will be reduced to .5 HPPD.
- **Activities** – Staffing will be reduced in line with Hillstone operations to one activity director.
- **Social Services** – Staffing will be reduced in line with Hillstone operations to one social worker.
- **Housekeeping** – Staffing will be reduced to .45 HPPD.
- **Administrative Costs** – Will eliminate extra overhead from Manorcare corporate allocation and will consolidate positions within each facility.
- **Employee Benefits** – Reducing to an estimated 22% of wages for taxes, workers comp, health insurance and other miscellaneous benefits.

HEARTLAND HEALTH CARE CENTER

UPTOWN WESTERVILLE

CENSUS

OCCUPANCY	2017		Projection	
	PATIENT DAYS		PATIENT DAYS	
Private Pay	4,751	9%	4,751	9%
Medicare	3,850	8%	3,850	8%
Medicaid	31,820	63%	31,820	63%
Hospice	5,122	10%	5,122	10%
HMO	5,327	10%	5,327	10%
ALF	0	0%	0	0%
TOTAL PATIENT DAYS	50,809	100%	50,809	100%

Notes:

- 2018 Average Census: 89.1%
- County Average Census: 84%
- Medicare Q-Mix: 7.6%

FACILITY HIGHLIGHTS

Address	140 Old County Line Rd
City, State	Westerville, OH
Site Size (Acres)	4.0
Building Area (Sq Ft)	52,211
Floors	1
Year Built	1967
Union Facility	No



HEARTLAND HEALTH CARE CENTER

UPTOWN WESTERVILLE

REVENUE	2017	PPD	Projection	PPD
Routine Revenue				
Private Pay	\$1,285,822	\$270.64	\$1,285,822	\$270.64
Medicare	2,001,902	519.97	2,001,902	519.97
Medicaid	6,018,187	189.13	6,018,187	189.13
Hospice	983,989	192.11	983,989	192.11
HMO	2,402,879	451.08	2,402,879	451.08
TOTAL ROUTINE REVENUE	12,692,779	249.81	12,692,779	249.81
Ancillary Services Revenue	\$146,372	2.88	\$146,372	2.88
Other Revenues	\$19,433	0.38	\$19,433	0.38
TOTAL REVENUE	\$12,858,583	\$253.08	\$12,858,583	\$253.08

OPERATING EXPENSE	2017	PPD	Projection	PPD
Nursing Care	\$4,427,933	\$87.15	\$2,996,796	\$58.98
Therapy	1,119,084	22.03	830,400	16.34
Pharmacy	412,852	8.13	480,000	9.45
Ancillary Services	181,608	3.57	158,400	3.12
Dietary	750,876	14.78	681,600	13.41
Activities	206,689	4.07	72,192	1.42
Social Services	150,680	2.97	132,000	2.60
Housekeeping & Laundry	252,245	4.96	200,400	3.94
General Administrative	889,351	17.50	449,736	8.85
Employee Benefits	1,311,053	25.80	1,144,800	22.53
Provider Tax	799,989	15.75	828,000	16.30
Insurance	3,911	0.08	54,000	1.06
Real Estate Taxes	172,046	3.39	180,000	3.54
Property, Plant, & Maintenance	136,776	2.69	141,276	2.78
Utilities	240,118	4.73	236,400	4.65
Bad Debt	225,025	4.43	240,000	4.72
TOTAL OPERATING EXPENSE	\$11,280,237	\$222.01	\$8,826,000	\$173.71

EBITDARM	\$1,578,346	\$31.06	\$4,032,583	\$79.37
Management Fee	0	0.00	642,929	12.65
EBITDAR	\$1,578,346	\$31.06	\$3,389,654	\$66.71

FACILITY-SPECIFIC NOTES

- **Revenue and Census** – Assumed same revenue and census as prior year.
- **Direct Nursing** – Decreased HPPD closer to the 2.8 that Hillstone operates at in all other facilities.
- **Therapy** – Operator will outsource therapy to Adaptive Therapy at a rate of 87 cents per minute and 68% on Med B. This will significantly reduce therapy costs.
- **Pharmacy** – New contract \$20 PPD for all inclusive residents expected to reduce total pharmacy costs.
- **Dietary** – Food costs at \$6 PPD plus supplies. Staffing will be reduced to .5 HPPD.
- **Activities** – Staffing will be reduced in line with Hillstone operations to one activity director and one assistant.
- **Social Services** – Staffing will be reduced in line with Hillstone operations to two social workers.
- **Housekeeping** – Staffing will be reduced to .45 HPPD.
- **Administrative Costs** – Will eliminate extra overhead from Manorcare corporate allocation and will consolidate positions within each facility.
- **Employee Benefits** – Reducing to an estimated 22% of wages for taxes, workers comp, health insurance and other miscellaneous benefits.

HEARTLAND HEALTH CARE CENTER WATERVILLE

CENSUS

OCCUPANCY	2017		Projection	
	PATIENT DAYS		PATIENT DAYS	
Private Pay	2,504	7%	2,504	7%
Medicare	2,972	8%	2,972	8%
Medicaid	25,640	67%	25,640	67%
Hospice	4,219	11%	4,219	11%
HMO	2,706	7%	2,706	7%
ALF	0	0%	0	0%
TOTAL PATIENT DAYS	38,041	100%	38,041	100%

Notes:

- 2018 Average Census: 80.3%
- County Average Census: 84%
- Medicare Q-Mix: 7.8%

FACILITY HIGHLIGHTS

Address	8885 Browning Dr
City, State	Waterville, OH
Site Size (Acres)	5.5
Building Area (Sq Ft)	40,040
Floors	1
Year Built	1983
Union Facility	No



HEARTLAND HEALTH CARE CENTER WATERVILLE

REVENUE	2017	PPD	Projection	PPD
Routine Revenue				
Private Pay	\$626,135	\$250.05	\$626,135	\$250.05
Medicare	1,541,049	518.52	1,541,049	518.52
Medicaid	5,621,130	219.23	5,621,130	219.23
Hospice	930,108	220.46	930,108	220.46
HMO	1,379,892	509.94	1,379,892	509.94
TOTAL ROUTINE REVENUE	10,098,314	265.46	10,098,314	265.46
Ancillary Services Revenue	\$127,806	3.36	\$127,806	3.36
Other Revenues	\$24,131	0.63	\$24,131	0.63
TOTAL REVENUE	\$10,250,250	\$269.45	\$10,250,250	\$269.45

OPERATING EXPENSE	2017	PPD	Projection	PPD
Nursing Care	\$3,910,863	\$102.81	\$2,256,240	\$59.31
Therapy	1,119,712	29.43	951,996	25.03
Pharmacy	269,818	7.09	195,600	5.14
Ancillary Services	83,913	2.21	68,400	1.80
Dietary	542,742	14.27	456,480	12.00
Activities	193,941	5.10	44,400	1.17
Social Services	95,842	2.52	66,000	1.73
Housekeeping & Laundry	277,927	7.31	214,200	5.63
General Administrative	842,066	22.14	334,212	8.79
Employee Benefits	1,241,858	32.65	802,284	21.09
Provider Tax	579,303	15.23	600,000	15.77
Insurance	3,019	0.08	48,000	1.26
Real Estate Taxes	37,901	1.00	38,400	1.01
Property, Plant, & Maintenance	175,726	4.62	116,748	3.07
Utilities	236,374	6.21	255,600	6.72
Bad Debt	179,379	4.72	144,000	3.79
TOTAL OPERATING EXPENSE	\$9,790,386	\$257.36	\$6,592,560	\$173.30
EBITDARM	\$459,864	\$12.09	\$3,657,690	\$96.15
Management Fee	0	0.00	512,513	13.47
EBITDAR	\$459,864	\$12.09	\$3,145,178	\$82.68

FACILITY-SPECIFIC NOTES

- **Revenue and Census** – Assumed same revenue and census as prior year.
- **Direct Nursing** – Decreased HPPD closer to the 2.8 that Hillstone operates at in all other facilities.
- **Therapy** – Operator will outsource therapy to Adaptive Therapy at a rate of 87 cents per minute and 68% on Med B. This will significantly reduce therapy costs.
- **Pharmacy** – New contract \$20 PPD for all inclusive residents expected to reduce total pharmacy costs.
- **Dietary** – Food costs at \$6 PPD plus supplies. Staffing will be reduced to .5 HPPD.
- **Activities** – Staffing will be reduced in line with Hillstone operations to one activity director and one weekend assistant.
- **Social Services** – Staffing will be reduced in line with Hillstone operations to one social worker.
- **Housekeeping** – Staffing will be reduced to .45 HPPD.
- **Administrative Costs** – Will eliminate extra overhead from Manorcare corporate allocation and will consolidate positions within each facility.
- **Employee Benefits** – Reducing to an estimated 22% of wages for taxes, workers comp, health insurance and other miscellaneous benefits.

HEARTLAND HEALTH CARE CENTER WAUSEON

CENSUS

OCCUPANCY	2017		Projection	
	PATIENT DAYS		PATIENT DAYS	
Private Pay	2,989	19%	2,989	19%
Medicare	953	6%	953	6%
Medicaid	8,888	58%	8,888	58%
Hospice	1,167	8%	1,167	8%
HMO	1,433	9%	1,433	9%
ALF	0	0%	0	0%
TOTAL PATIENT DAYS	15,430	100%	15,430	100%

Notes:

- 2018 Average Census: 87%
- County Average Census: 86%
- Medicare Q-Mix: 6.2%

FACILITY HIGHLIGHTS

Address	8885 Browning Dr
City, State	Waterville, OH
Site Size (Acres)	5.5
Building Area (Sq Ft)	40,040
Floors	1
Year Built	1983
Union Facility	No



HEARTLAND HEALTH CARE CENTER WAUSEON

REVENUE	2017	PPD	Projection	PPD
Routine Revenue				
Private Pay	\$766,388	\$256.40	\$766,388	\$256.40
Medicare	486,075	510.05	486,075	510.05
Medicaid	1,661,003	186.88	1,661,003	186.88
Hospice	210,441	180.33	210,441	180.33
HMO	643,353	448.96	643,353	448.96
TOTAL ROUTINE REVENUE	3,767,259	244.15	3,767,259	244.15
Ancillary Services Revenue	\$70,362	4.56	70,362	4.56
Other Revenues	\$30,566	1.98	30,566	1.98
TOTAL REVENUE	\$3,868,187	\$250.69	\$3,868,187	\$250.69

OPERATING EXPENSE	2017	PPD	Projection	PPD
Nursing Care	\$1,253,077	\$81.21	\$810,708	\$52.54
Therapy	248,117	16.08	223,392	14.48
Pharmacy	79,888	5.18	73,548	4.77
Ancillary Services	37,828	2.45	17,400	1.13
Dietary	231,465	15.00	182,568	11.83
Activities	55,413	3.59	46,104	2.99
Social Services	67,421	4.37	39,996	2.59
Housekeeping & Laundry	88,243	5.72	93,168	6.04
General Administrative	345,410	22.39	188,052	12.19
Employee Benefits	436,679	28.30	270,972	17.56
Provider Tax	243,675	15.79	252,000	16.33
Insurance	1,116	0.07	36,000	2.33
Real Estate Taxes	19,236	1.25	19,200	1.24
Property, Plant, & Maintenance	66,470	4.31	64,332	4.17
Utilities	77,048	4.99	65,880	4.27
Bad Debt	25,884	1.68	84,000	5.44
TOTAL OPERATING EXPENSE	\$3,276,972	\$212.38	\$2,467,320	\$159.90
EBITDARM	\$591,215	\$38.32	\$1,400,867	\$90.79
Management Fee	0	0.00	193,409	12.53
EBITDAR	\$591,215	\$38.32	\$1,207,458	\$78.25

FACILITY-SPECIFIC NOTES

- **Revenue and Census** – Assumed same revenue and census as prior year.
- **Direct Nursing** – Decreased HPPD closer to the 2.8 that Hillstone operates at in all other facilities.
- **Therapy** – Operator will outsource therapy to Adaptive Therapy at a rate of 87 cents per minute and 68% on Med B. This will significantly reduce therapy costs.
- **Pharmacy** – New contract \$20 PPD for all inclusive residents expected to reduce total pharmacy costs.
- **Dietary** – Food costs at \$6 PPD plus supplies. Staffing will be reduced to .5 HPPD.
- **Activities** – Staffing will be reduced in line with Hillstone operations to one activity director and one assistant.
- **Social Services** – Staffing will be reduced in line with Hillstone operations to one social service designee.
- **Housekeeping** – Staffing will be reduced to .45 HPPD.
- **Administrative Costs** – Will eliminate extra overhead from Manorcare corporate allocation and will consolidate positions within each facility.
- **Employee Benefits** – Reducing to an estimated 22% of wages for taxes, workers comp, health insurance and other miscellaneous benefits.

HEARTLAND HEALTH CARE CENTER

WOODRIDGE CAMPUS

CENSUS

OCCUPANCY	2017		Projection	
	PATIENT DAYS		PATIENT DAYS	
Private Pay	1,430	2%	1,430	2%
Medicare	1,994	3%	1,994	3%
Medicaid	57,944	76%	57,944	76%
Hospice	2,132	3%	2,132	3%
HMO	3,701	5%	3,701	5%
ALF	9,094	0%	9,094	12%
TOTAL PATIENT DAYS	76,314	88%	76,314	100%

Notes:

- 2018 Average Census: 88.3%
- County Average Census: 88%
- Medicare Q-Mix: 2.6%

FACILITY HIGHLIGHTS

Address	3801 Woodridge Blvd
City, State	Fairfield, OH
Site Size (Acres)	12.37
Building Area (Sq Ft)	58,000
Floors	5
Year Built	1983
Building Area (Sq Ft)	18,662
Floors	2
Year Built	1984
Union Facility	No



HEARTLAND HEALTH CARE CENTER WOODRIDGE CAMPUS

REVENUE	2017	PPD	Projection	PPD
Routine Revenue				
Private Pay	\$371,670	\$259.91	\$371,670	\$259.91
Medicare	908,574	455.65	908,574	455.65
Medicaid	6,450,490	111.32	6,450,490	111.32
Hospice	374,273	175.55	374,273	175.55
HMO	1,614,259	436.17	1,614,259	436.17
ALF	1,925,597	0.00	1,925,597	0.00
TOTAL ROUTINE REVENUE	11,644,864	152.59	11,644,864	152.59
Ancillary Services Revenue	\$88,439	1.16	88,439	1.16
Other Revenues	\$149,803	1.96	149,803	1.96
TOTAL REVENUE	\$11,883,106	\$155.71	\$11,883,106	\$155.71

OPERATING EXPENSE	2017	PPD	Projection	PPD
Nursing Care	\$3,819,427	\$50.05	\$2,912,052	\$38.16
Therapy	682,635	8.95	514,200	6.74
Pharmacy	276,208	3.62	163,200	2.14
Ancillary Services	108,568	1.42	104,400	1.37
Dietary	1,142,316	14.97	879,828	11.53
Activities	185,594	2.43	115,800	1.52
Social Services	227,996	2.99	66,000	0.86
Housekeeping & Laundry	347,193	4.55	250,992	3.29
General Administrative	767,936	10.06	398,052	5.22
Employee Benefits	1,449,676	19.00	1,048,200	13.74
Provider Tax	514,936	6.75	540,000	7.08
Insurance	6,403	0.08	72,000	0.94
Real Estate Taxes	232,581	3.05	240,000	3.14
Property, Plant, & Maintenance	239,792	3.14	165,600	2.17
Utilities	346,925	4.55	304,560	3.99
Bad Debt	5,777	0.08	180,000	2.36
TOTAL OPERATING EXPENSE	\$10,353,960	\$135.68	\$7,954,884	\$104.24
EBITDARM	\$1,529,146	\$20.04	\$3,928,222	\$51.47
Management Fee	0	0.00	594,155	7.79
EBITDAR	\$1,529,146	\$20.04	\$3,334,067	\$43.69

FACILITY-SPECIFIC NOTES

- **Revenue and Census** – Assumed same revenue and census as prior year.
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- **Therapy** – Operator will outsource therapy to Adaptive Therapy at a rate of 87 cents per minute and 68% on Med B. This will significantly reduce therapy costs.
- **Pharmacy** – New contract \$20 PPD for all inclusive residents expected to reduce total pharmacy costs.
- **Dietary** – Food costs at \$6 PPD plus supplies. Staffing will be reduced to .5 HPPD.
- **Activities** – Staffing will be reduced in line with Hillstone operations to 3 activity staff.
- **Social Services** – Staffing will be reduced in line with Hillstone operations to one social worker.
- **Housekeeping** – Staffing will be reduced to .45 HPPD.
- **Administrative Costs** – Will eliminate extra overhead from Manorcare corporate allocation and will consolidate positions within each facility.
- **Employee Benefits** – Reducing to an estimated 22% of wages for taxes, workers comp, health insurance and other miscellaneous benefits.

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THE HISTORICAL RESULTS ACHIEVED BY THE PROPERTIES ARE NOT A PREDICTION OF FUTURE PERFORMANCE AND THERE CAN BE NO ASSURANCE THAT THESE OR COMPARABLE RETURNS WILL CONTINUE TO BE ACHIEVED.

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