

## Client Value Study

# Senior Living Properties, LLC

### Brief Overview

Senior Living Properties, LLC, a nursing home company that owns and/or manages 80 nursing homes in rural Texas and Illinois reached a financial crisis that threatened its existence. The company had annual revenues of about \$150 million and employed approximately 4,000 people, but reached a critical stage after the company terminated its outside management firm. The owners stepped in to manage, but they were not prepared for the challenges and day-to-day details of running the business. They appropriately focused on the quality of care for their residents as their top priority. Business operations suffered.

### Situation

“We (Tatum and Woltil) walked into a huge mess,” says Robert Woltil, CEO. Woltil who initially acted as the Chief Restructuring Officer (CRO), a role that was added at the behest of a secured lender. Upon Woltil’s arrival, operations were improving in response to the action of a new Chief Operating Officer two months prior, but the financial situation was in crisis. Cash flow was insufficient to meet the company’s ongoing obligations. There were no current financial statements available and the basic accounting records were

in disarray. Daily operations were a struggle; many suppliers were refusing to ship.

Even worse, in a highly regulated industry, under close public and legal scrutiny, the circumstances had generated lawsuits and raised regulatory issues. The capital structure was unmanageable and operational functions such as reporting, receivables, payables, and budgets were out of control.” The controller position was vacant and the incumbent CFO was overwhelmed by the situation, which was clearly more than one person could handle.

### Why Tatum

Liquidation appeared imminent. Given the critical time element and the uncertainty of the company’s future, hiring a permanent CFO was not an option. Senior Living Properties turned to Tatum to bring order to the chaos. Tatum provided an interim CFO with substantial healthcare experience as well as an advisor with a strong track record in bankruptcy, turnarounds and restructuring.

The company and the secured lender needed time and information to properly assess the current status and potential

### SITUATION

Unmanageable capital structure; operational functions such as reporting, receivables, payables, budgets, etc. were out of control

### TATUM SERVICE

Tatum CFO Services:  
Tatum created a financial team that routinely provided timely and accurate financial information to constituents involved in the bankruptcy

### SITUATION

Chapter 11 bankruptcy filing

### TATUM SERVICE

Tatum Restructuring and Turnaround Services:  
The company achieved a solid turnaround in operations, navigated a maze of bankruptcy issues and secured exit financing

### SITUATION

Highly regulated industry, under close public and legal scrutiny, generating lawsuits and raising regulatory issues

### TATUM SERVICE

Tatum Healthcare Services:  
Tatum’s experience in dealing with regulatory agencies such as Medicare and Medicaid, saved the company significant time in resolving claims and in dollars by reducing assessments by several million dollars

*“Senior Living Properties was resurrected from almost certain liquidation. Tatum worked miracles in a short time under conditions that left no margin for error.”* Robert Woltil, Chief Executive Officer of Senior Living Properties

*"Tatum worked miracles in a short time under conditions that left no margin for error. I admit there were times when I did not think we would make it. But . . . I could see that the company could continue as an operating entity."*

Robert Woltil, Chief Executive Officer of Senior Living Properties

future of the company. Operationally, SLP had to be stabilized; needed to focus on resident care; and had to resolve regulatory survey issues. Above all, it needed knowledgeable leadership with enough experience to quickly assess the problems, take immediate steps to get the company back on track and provide strategic thinking and plans for SLP's future.

## Results

"Tatum was a critical part of the senior management team, which included the CRO, COO, General Counsel, VPs of Operations, Illinois management company as well as members of the LLC, advisors and many lawyers," says Woltil. Tatum provided financial leadership to a large and complex organization and also, as members of the management team, contributed to strategic and operational initiatives of the company.

Additionally, the Tatum partners had to create from scratch a financial team that could routinely provide timely and accurate financial information to the many constituents involved in a bankruptcy.

Senior Living Properties filed for Chapter 11 bankruptcy. At that point the combined talents of the entire management team were deployed 24 hours a day, seven days a week for many, many months." Every aspect of the

nursing home operations was affected. The team implemented daily, weekly and monthly key factor monitoring and reporting; upgraded information system hardware and software; implemented a WAN; created a financial closing process; implemented budgets and monthly operations reviews; created an incentive plan for nursing home leadership; and improved patient care and regulatory compliance to better than the state and national averages, even earning a commendation from the appointed ombudsman in Texas.

Tatum's experience in dealing with regulatory agencies, particularly the IRS, Medicare and Medicaid, saved the company significant time in resolving claims and in dollars by reducing assessments by several million dollars. Senior Living Properties emerged from bankruptcy in 18 months. The company had achieved a solid turnaround in operations, had navigated a maze of bankruptcy issues and secured exit financing.

"Within three months of filing, we were functioning," comments Woltil. "But we had to move quickly. There was absolutely no margin for error. There were times when I did not think we would make it. But around the beginning of the year, I could see that the company could continue as an operating entity."

Among the many results achieved in the turnaround are:

- Financial statements issued in less than 30 days
- EBITDA improved to \$2 million in year one and to \$8 million in year two
- Receivable DSO decreased by 24 days and A/R over 90 days reduced from \$10.7 million to \$2.8 million
- Information systems updated, HIPPA compliant and connected by a WAN

"Tatum worked miracles in a short time under conditions that left no margin for error," notes the CEO. Senior Living Properties was able to contract with a management company to oversee day-to-day operations. Tatum remained on the job on a part-time basis in an oversight role as well as managing cash and lender relations. Senior Living Properties not only was able to continue providing quality care; the actions taken during a time of crisis ultimately will yield the economic owners more money than if it had been liquidated in bankruptcy.



## About Tatum, LLC

Companies turn to Tatum when critical business challenges arise because we immediately deliver financial and technology operational expertise via solutions tailored to the Office of the CFO. We understand the urgency of NOW and we leverage nearly 1,000 executives and consulting professionals nationwide to accelerate results to create more value.™

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