



AT A GLANCE

TATUM RESTRUCTURING SERVICES

Lifeline had declining revenue coupled with high-cost structure limits financing options preventing reinvestment in facilities. Tatum-led financial restructuring results in exit from uncompetitive businesses, elimination of debt and return to financial viability.

TATUM LEADERSHIP MENTORING

Lifeline had an absence of sound financial management practices and controls undermining organization's ability to sustain operations. Tatum arms board and executive team with tools and knowledge to operate within financial boundaries.

TATUM CFO SERVICES & FINANCIAL LEADERSHIP

Lifeline's practice of selling viable assets to fund short-term cash needs erodes assets. Tatum negotiates with bondholders and executes tax-credit financing of HUD-backed affordable housing operation to generate \$14 million capital upgrade, a 10-year cash flow stream.

110 year-old not-for-profit social services provider prevents financial collapse.

Brief Overview

For more than 100 years, Lifeline Corporation has been helping people in need find and reclaim quality of life. Headquartered in Illinois, the faith-based social services provider helps married couples adopt children, assists seniors in securing independent living arrangements, provides early education for underprivileged kids and manages foster-care programs.

The not-for-profit Lifeline has grown from its 1895 origin as an orphanage caring for nine children to become the second-largest foster care provider in Illinois and the 14th largest not-for-profit provider of subsidized affordable housing in the U.S. Today, Lifeline operates 24 housing communities for thousands of seniors and physically challenged adults in five states. "We serve the last and the least with dignity and compassion," says Christine Tani, an attorney who serves as chairman of Lifeline's Board of Directors.

Situation

Its role as a not-for-profit organization founded by predecessors of the United Church of Christ doesn't shield Lifeline from economic pressures. Highly leveraged as a result of real estate financings and acquisitions in the 1990s, Lifeline came under severe distress. Revenue plunged partly reflecting below-market Medicare reimbursements from Illinois which ranks among the five lowest states in Medicare compensation levels. With cash flow strained by debt requirements, Lifeline's access to capital vanished while operating losses mounted. Accounting impairment charges worsened the balance sheet and lenders were closing in.

"We were facing the collapse of a century-old ministry that had served communities respectably for all those years," says the Rev. Timothy Rhodes, Lifeline's President and CEO. Lifeline, an organization devoted to helping others, was itself in dire need.

Why Tatum

Lifeline's board recognized the need for sophisticated financial management to arrest the bleeding. "We were quickly sinking fast," says Tani.

"Tatum brought a fresh look at the challenges and drove the discipline to make the hard choices, and to bring about a successful resolution."

- Rev. Tim Rhodes, President & CEO, Lifeline



Fortunately for Lifelink, help was close at hand. A Tatum Financial Partner was selected as Lifelink’s Chief Restructuring Officer with a board-driven mandate to resuscitate Lifelink while preserving its core operations and avoiding a bankruptcy filing. The directors recognized the value of Tatum’s potential contribution immediately. “I don’t want to get religious here but it was providence that we found Tatum at the time,” recalls Tani. Tatum was retained to lead Lifelink’s restructuring effort.

Results

Tatum led the board through difficult but necessary decisions to avoid filing for bankruptcy. The hedge funds that provided financing were unwilling to rework their deals leaving Lifelink with little choice but to sell some of its real-estate holdings to raise capital. Lifelink’s long-term care campus was the obvious choice but uncertainty surrounding the possible expansion of nearby O’Hare International Airport made appraisers balk at estimating a value. Tatum convinced the board to openly offer the property to bidders.

Tatum then turned attention to internal operations reducing expenses by de-layering the organizational structure and reducing the workforce. Lifelink realized more than \$1 million of annual savings through the

difficult but important restructuring which included the dismissal of two senior executives.

With cost savings underway, Tatum began to work on convincing creditors the organization was on the right path to paying back its debt obligations while assuring Lifelink’s board the organization could continue to fulfill its core mission even if Lifelink exited the brick-and-mortar nursing home business.

Award-winning Transaction

When the organization received a higher-than-anticipated bid from a well-regarded operator of nursing home facilities, Lifelink had a chance to achieve its main goals:

- ... preserve a high level of care for residents
- ... maintain its focus on running senior living centers and other human services operations
- ... restore its financial foundation

The \$26 million purchase of Lifelink’s unprofitable skilled nursing facility and market rate retirement home allowed Lifelink to retire \$23 million of debt and focus on more competitive operations linked to the organization’s core mission.

Effecting the transaction wasn’t easy, though. To resolve tricky financing and covenant issues, Tatum devised

a structure effectively merging the Bensenville buyer and Lifelink in an ownership entity that assumed the existing debt and later would be spun off independently. The transaction orchestration was recognized nationally with an inaugural M&A Advisor Turnaround Award in 2007 by The M&A Advisor.

Providing for the Future

Tatum’s contribution went beyond a one-time rescue. Tatum instructed Lifelink’s key executives about how to adopt fundamental business practices that would institutionalize financial stewardship. “It changed our whole thinking,” says Tani.

“We have a new mantra around culture change, accountability and sustainability. Those are all new words for us.”

- Christine Tani, Chairman of Lifelink’s Board of Directors

Lifelink is now debt-free for the first time in decades and has resources to reinvest in its core operations. One of the first initiatives Lifelink undertook was to modernize its information-technology systems. For help there, Lifelink turned to a familiar and trusted resource: Tatum.

About Tatum

Companies turn to Tatum when critical business challenges arise because we immediately deliver C-level financial and technology operational expertise via solutions tailored to the Office of the CFO. We understand the urgency of NOW and our VELOCI-T solutions were designed to help business leaders accelerate results to *create more value™*.

©2011, Tatum. All rights reserved. Tatum, the Tatum logo, Create more value., and Tatum Way are trademarks of Tatum.