Snapshots

February 2017

ON THE ROAD: SHOTS FROM CURRENT ASSIGNMENTS

New York

Founded in 1920, The Hebrew Hospital Home Organization was based in Valhalla, NY.

Mid-Atlantic

Third-generation business decides to terminate regular operations.

ENGAGEMENTS OF NOTE

Hebrew Hospital Home Organization

Getzler Henrich was retained as financial and restructuring advisor to the Hebrew Hospital Home Organization (HHH), a not-for-profit group of healthcare and eldercare entities. HHH had grown and expanded in recent years to include a 160-bed skilled nursing facility (HHHW), a home health care agency with nearly 2,000 home health aides (HHH Home Care), a managed care organization (HHH Choices Health Plan) and a continuing care retirement community (CCRC or Westchester Meadows).

As a result of changes in the healthcare industry, including reductions in reimbursement rates, competitive factors, adverse conditions resulting from the economic and housing crash, and changes in the regulatory environment, each of the HHH entities suffered from significant financial and operational pressures. The HHH Board of Directors determined that certain operations would no longer be viable, and sought to sell selected business units. In late 2014, HHH was able to sell the assets of HHH Choices Health Plan. A deal to sell HHHW had been agreed to, but was held up for a considerable time in an attempt to obtain NY State and HUD regulatory approvals.

As pressure mounted on the organization, the Board of Directors determined that HHH would also need to assess the sale of HHH Home Care. Facing declining financial conditions, along with pressures from regulators, lenders and creditors, the organization's board sought the assistance of a financial and restructuring advisor. Getzler Henrich was retained in early 2015 and jumped into the situation, immediately guiding the company through the sales of both HHH Home Care and HHHW in the Spring of 2015.

Getzler Henrich developed various analyses and tools, including a 13-week cash forecast model (continuously updated and utilized for the next two-plus years); analyzed claims and liabilities and the solvency/insolvency of each entity; and negotiated forbearance and access to capital with lenders and assessed the HHH organization's options for its remaining core operation - the CCRC - which was eventually sold in late 2016.

The severely depleted financial circumstances, restrictions on the use of asset sale proceeds, the prospect for a large withdrawal liability from its unionized workforce's multi-employer pension plan, an involuntary Chapter 11 filing against HHH Choices Health Plan, along with significant pressure from the CCRC's residents, secured lender/IDA bondholders, state regulators, vendors and employees, all served to create a most intractable situation.

Getzler Henrich has developed and overseen the strategic pathway through this maze, worked to coordinate the sale process for the CCRC in conjunction with HHH's investment banker, negotiated to obtain DIP financing, and worked with creditors and regulators to execute an intercompany bridge loan to enable a smooth landing in Chapter 11 for the CCRC. Additionally, GH has worked with outside counsel to address claims, litigation matters and post-closing sale adjustments on prior asset dispositions and has coordinated the ultimate Chapter 11 processes for the three HHH entities.

Getzler Henrich has worked closely with management and has advised the Board throughout the past 24 months to coordinate all of the activities surrounding the sale processes, Chapter 11 proceedings, and operations of these entities, and has provided expert testimony on several matters. All entities have now been sold and the estates are winding down and developing Plans of Liquidation.

Building Products Supplier and Mill Operator

GH was retained to help an underperforming, third generation, building-products supplier and mill operator. We arrived to learn that this once very successful company was suffering significant multi-year revenue losses. The company had lost its distribution rights to a major revenue- generating product line. The supplier had recently been acquired by a new private equity fund, and had dramatically changed its domestic distribution strategy. Following this revenue loss, the company was unable to maintain a well-balanced inventory necessary to support the remainder of its distribution business. Sales were plummeting, employees were departing, and one of the satellite warehouse landlords had initiated eviction proceedings.

Unfortunately, equity infusion negotiations with a private equity firm had broken down.

Getzler Henrich is working with the company to identify the best outcome for this business, for which management has decided to terminate normal operations. Priorities include working with family owners and insolvency counsel to develop and implement a solution which avoids an "expensive" court supervised solution, and making sure that family management and non-equity holder family member "lenders" do not expose themselves to any undue personal financial risk.

Priority issues addressed include cash flow projections, identification of and negotiating with inventory liquidation specialists, A/R collection strategies, subleasing of the company-owned facilities, strategies to settle with the unsecured trade, and strategies to avoid an "expensive" court supervised wind down process.

KUDOS

Look for Mark Podgainy's interesting suggestions about helping retailers keep out of bankruptcy, appearing in this month's ABL Advisor http://www.abladvisor.com/.