



RCFE & ARF Valuation & Market Outlook for 2021

Presenters:

Founders of Sherman & Roylance Real Estate Investment Services, Shep Roylance & John Sherman, 6Bed.org Ambassador Chris Minnery of Sherman & Roylance and the rest of the California team, Jeff Hauser, Michael Belcher, Chris Harmon, and Linet Manasyan



Sherman & Roylance

Real Estate Investment Services





Shep Roylance



Shepard W. Roylance, Co-Founder

In October 2018, Shep Roylance and John Sherman joined forces to form Sherman & Roylance. Shep Roylance has over 20 years of exclusive healthcare transactional services and over \$1.88 Billion dollars in sales. Shep Roylance is a leader in the bankruptcy division of Sherman & Roylance. This is a role that highlights his incredible knowledge of the healthcare industry, with specific experience in the bankruptcy process.

Shep specializes in acquisition and sales across the entire spectrum of healthcare facilities. More specifically, he is an expert in representing and assisting institutional investors with the disposition of their senior housing portfolios, in part or in their entirety. He is known throughout the industry as a broker who can quickly close a deal, all while keeping management in place or facilitating a smooth transaction to the new investment firm.

As a founder of Sherman & Roylance, Shep specializes in business development, creative marketing solutions, and policy issues. Over the years, Shep has built a reputation as someone that both buyers and sellers of long-term care facilities can trust to get the job done. Individual owner/operators and regional and national healthcare providers alike put their trust in Shep to judiciously sell and lease their long-term care facilities.

Shep was a certified RCFE administrator and is well-versed in both Title 22 and Title 17. He has years of experience with insolvency and bankruptcy-related work, and he has been retained as an expert witness and consultant for the residential care facility for the elderly (RCFE) and skilled nursing facility (SNF) industry in California. Shep is also the owner of two assisted living and memory care facilities totaling 200+ beds in Washington State.

Shep is committed to the improvement of the quality of care of our nation's senior population. It has earned him an outstanding reputation of providing world-class brokerage services to both buyers and sellers of long-term care facilities.

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John Sherman



John Sherman, Co-Founder

In October 2018, John Sherman and Shep Roylance founded Sherman & Roylance. John has been involved in Long Term Care and Assisted Living housing profession for 23 years. He is the CEO of the nation's premier healthcare recruitment firm called JSA SEARCH Inc. This company specializes in placing employees and C Suite Executives in Long Term Care and Assisted Living companies throughout the country. They were recognized in 2016, in the Los Angeles Business Journals as the most profitable privately held recruitment firms on the west coast with a little over 14 million dollars in revenue.

In regards to buyers, over many years of experience John has developed relationships with every major private & public buyer that is available in the Senior Housing Market.

John is a licensed real estate agent in California. He specializes in Senior Housing Mergers and Acquisitions. Previously with Coldwell Banker Commercial, John was involved with 25+ transactions nationwide in Senior Housing. He also had a residential real estate group called the Sherman Group of Coldwell Banker and received the Diamond Club Award for 2016 and 2017 for being the fourth highest producing team in residential real estate for Coldwell Banker on the West Coast.

In college, John received a Bachelor's Degree in Business Management and a Master's degree in Communications at Pace University in New York.

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Jeff Hauser



Jeff Hauser, Director of Operations

Jeff comes to Sherman & Roylance with extensive experience in the senior living , post-acute segment of the healthcare spectrum. With sales and marketing, operations, executive management, and acquisition skill sets, Jeff is responsible for continued scaling, quality, customer-oriented service, and foundational structure to improve the value, knowledge, and expertise Sherman & Roylance is known for.

Although Jeff's expertise has been mostly in the senior living space, he has partnered with real estate, software, consulting, and development companies to assist in their growth, stability, efficiency, and network/client relations.

Since graduating from Cal Poly, San Luis Obispo with a Bachelor's in Business Administration, Jeff has helped grow his family business from a "mom and pop" to a national leader in its industry. He has worked with owners and CEO's in several start-ups, innovative new divisions, and growing disruptive technologies.

When not working, Jeff enjoys time with family and friends, church, travel, golf, and any DIY project around the house.

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Christopher Minnery – San Diego Team



Christopher Minnery

Christopher Minnery is a real estate agent specializing in the senior housing industry. He has been involved in the RCFE industry for several years working in the family business.

Growing up, he was a volunteer at the facilities until he took over operations and has been an Administrator for 4 years. He is also involved with 6beds.org, an advocate group in California.

Since getting his real estate license he has been focused on helping clients through the process of selling their facility with experience in commercial and residential properties.

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Michael Belcher – San Diego Team



Michael Belcher

Michael is an experienced real estate agent, practicing in the Southern California region for the past 10 years. Along with real estate, Michael has also worked in the healthcare sector for the last 12 years, working for the country's largest Organ Procurement Organization (OPO) by the name of OneLegacy that facilitated donation of qualified organs and tissue in the Southern California region. During that time Michael worked as a Surgical Technician, Marketing Coordinator and Liaison for OneLegacy.

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In 2017, he earned his MBA from the University of La Verne. Shortly after he started a Home Care/Home Health company called Your Nurse At Home based out of North County San Diego. Their focus is to provide the best care possible for those that choose to stay at home. Whether you need a caregiver for ADLs, LVN, or RN for higher level medical care. They are a contracted vendor providing services for the developmentally disabled through the San Diego Regional Center along with private duty healthcare.

As Director of Business Development/Marketing, Michael has formed strong relationships with several Healthcare leaders throughout San Diego County. Michael has used his expertise of real estate, MBA education, and experience in the Healthcare industry to become a Senior Housing Real Estate advisor with Sherman & Roylance. Michael enjoys evaluating different healthcare businesses and properties to help his clients get to where they want to be. Whether that be retiring or growing their portfolios.

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Chris Harmon – Los Angeles/Ventura Team



Chris Harmon

Christopher Harmon was born and raised within a real estate family. He has real estate in his blood. Chris established a solid foundation in integrity, discipline and responsibility while serving his country in United States Marine Corps. He began his journey within senior housing brokerage at JCH Senior Housing Group as a Senior Vice President in 2013.

Chris was a certified RCFE Administrator and has worked and trained with Shep Roylance for the past 8 years. Throughout his Senior Housing and Healthcare career, he has held the roles of Director of Marketing, Director of Underwriting, Lead Senior Housing Sales Associate and he played a critical role in the acquisitions and day to day operation of two assisted living and memory care facilities in the Pacific Northwest.

When Shep Roylance decided to leave JCH and start a new senior housing brokerage company, Chris received a personal invitation from Shep Roylance to join him on his new venture to build out a new national senior housing team. Chris has had the opportunity to participate in over \$350 million dollars in senior housing transactions.

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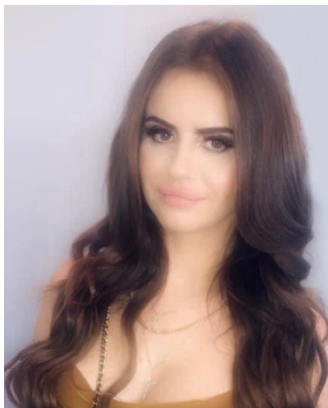
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Linet Manasyan – Los Angeles/Ventura Team



Linet Manasyan

After majoring in communications, Linet Manasyan decided to pursue her career in the senior living industry. Being familiar with the business, Linet Manasyan decided to extend her family business which her mother started in Los Angeles to San Diego.

Entering the field, she established four six beds in San Diego. Linet has been working with seniors since 2014. She helps seniors find proper care and placement throughout Southern California. Linet has also worked with countless facilities in Southern California as a consultant helping business hopefuls obtain their license as well as advising proper management under title 22 regulations.

Linet's immense communication skills and knowledge of the industry contributed to the success of her business as well as the establishments she has worked with. Sherman & Roylance is pleased to have Linet as our newest team member.

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Mission

Sherman & Roylance's continued success is the result of our agents and their passion for the Senior Housing Industry. We build value for our clients and their communities through industry expertise, creativity, and integrity.





Competitive Advantages

**Industry Expertise | Proven Results | Experience
Confidentiality | Extensive Sales Channels | Leadership**

Sherman & Roylance is a premier boutique Senior Housing and Care Facility brokerage firm.

With unparalleled knowledge of the senior housing and residential care facility industry, and utilizing a personal approach, Sherman & Roylance specializes in acquisition and sales across the entire spectrum of healthcare facilities. Sherman & Roylance's main goal is to provide world-class brokerage services to both buyers and sellers of healthcare facilities. Individual owner/ operators and regional and national healthcare providers alike, put their trust in Sherman & Roylance to judiciously sell or lease their healthcare facilities.

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2021 Market Outlook

A new long-term housing boom is upon us, and COVID - 19 is the main reason why. We believe the residential housing market along with owner operators of Assisted Living Facilities (AL) are part of a brave new housing cycle that started last year. Consider recently released data from the National Association of Realtors that show sales of previously owned homes in 2020 were at the highest level since 2006.

At this point in the cycle, cap rates are still low, costs per beds are high, yet interest rates are at a sustained low. Considering the recent Covid 19 Global Pandemic and the increased regulatory environment, the Sherman & Roylance team highly recommend owners with performing facilities looking to retire or troubled facilities take action now. As an Assisted Living Facility owner/operator there is still time to control the plan and execution of your exit strategy. Christopher Harmon and the Sherman & Roylance team have the experience and the expertise to answer your questions. It is in your best interest not to sell direct. You can leverage our experience to generate the confidential and controlled competition that will maximize your Sales Objectives.

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Types of Facilities We Will Sell

- Residential Care Facilities for the Elderly (“RCFE”)
- Adult Residential Facility (“ARF”) now Community Care Facility (“CCF”)
- CCF – Mentally Impaired (“MI”) or Mentally Disabled (“MD”)
- CCF – Level 2
- CCF – Level 3
- CCF – Level 4 A through Level 4I
- Congregate Care Facility
- Intermediate Care Facility (“ICF”)
- Skilled Nursing Facilities

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Confidentiality is King

Sherman & Roylance represent a facility in a manner that ensures confidentiality. Consequently, the important and private relationship with employees, residents and their loved ones are preserved. The solution is simple and effective.

- We can tailor fit our marketing process to achieve your goals and alleviate your concerns.
- We handle all dissemination of information.
- No specific information is included in the initial promotion that would identify the property or business.
- Detailed information is released to prospective buyers only after they are carefully screened and prequalified and have signed a non-disclosure agreement.
- The facility or business is shown only by pre-arranged appointment.
- Prior to tour, we work with the owner and potential buyer to produce a cover story.
- We coach the potential buyer prior to entering the facility.

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Real Estate & Business Valuation

The cornerstone of our valuation method is a Capitalization Rate or Cap Rate. As an industry leader in the Senior Housing and Residential Care Facility Industry, we utilize multiple industry standard valuation methods. The Sherman & Roylance approach to valuation gives our clients the opportunity to achieve the highest prices possible while standing up to the light of due diligence and financing.

- Cap Rate
- Current Price Per Unit or Bed
- Market Value & Appraised Value of Real Property - Within real estate **appraisal**, **Going Concern Value** is commonly referred to the total **value** of the real estate plus the business operation.
- Business Value as a Going Concern - Within business **valuation**, **Going Concern Value** is the **value** of a business that is expected to continue operating into the future (as opposed to being liquidated for its assets).



RCFE/ARF Valuation

Real Estate Valuation:

Sherman & Roylance will prepare you a market valuation of the real estate based upon year built, lot size, square footage and a site visit. The Real Estate will be appraised as a single-family home unless you have a conditional use permit (CUP) or facility is zoned to have over 6 Beds.

RCFE Business Valuation:

This is a much more complicated process. Below is a list of items we take in account prior to arriving at a final valuation:

- Detailed Profit & Loss (P&LS) from the previous year and Year To Date (YTD)
- Current Census
- Demographics & Location
- Floorplan (Access to Dining Room, Living Room & Accessible Bathrooms)
- Furniture, Fixtures & Equipment
- Condition of the physical plant
- Number of Private/Semi-Private Rooms
- Number of Bathrooms
- Does the facility have a room for the care providers
- Does the facility run 24-hour staff or do they have live ins.

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Marketing Process

Marketing Your Facility

- Conduct a pre-marketing evaluation of historical, current financial, potential upside and sales price range.

- Prepare a confidential offering memorandum containing key historical and prospective information about the facility.

Identify target prospects and solicit prospective buyers.

Coordinate confidentiality agreements by prospective buyers.

- Disseminate offering memoranda to prospective buyers.

- Advise seller in selecting qualified prospective buyers

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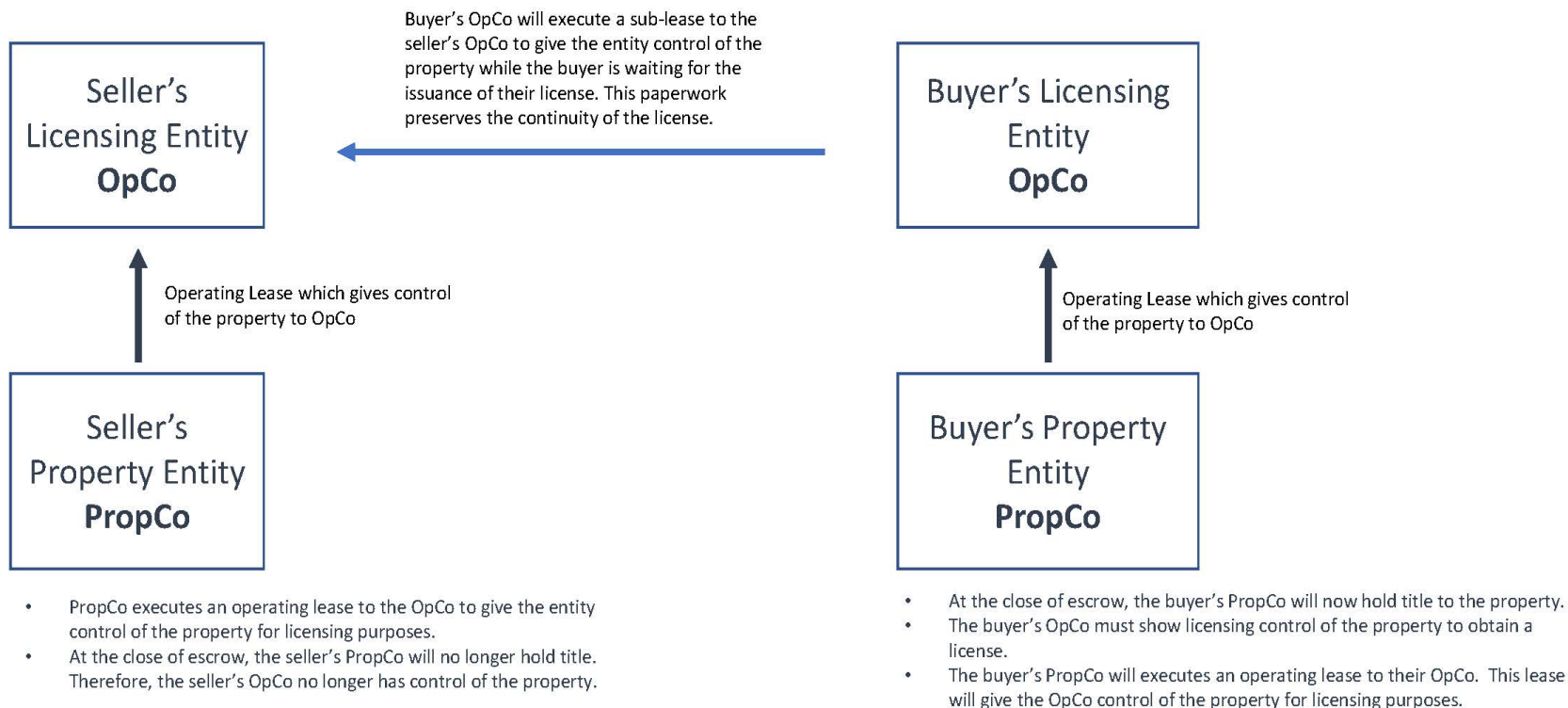
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RCFE & ARF Licensing Process



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PropCo = Property Company that owns the real estate
OpCo = Operating Company that owns the operating assets or business

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RCFE & ARF Sales & Escrow Process Recap

- Letter of Intent (“LOI”) SR will help you prepare and review all your LOIs.
- Residential Purchase Agreement (“RPA”)– There can be no mention of the business within the (“RPA”). SR will review all your RPAs.
- Business Purchase Agreement (“BPA”)– SR will review your BPAs and help you prepare the addendums that will be specific to each transaction.
- Lease and/or Sublease Agreement – SR will provide you with a lease or sublease agreement. SR will review each lease or sublease agreement. To preserve the continuity of the license, you must have buyer and licensee execute a lease or sublease concurrently with the close of escrow.
- SR will provide you with a suggested due diligence request list.
- SR will assist you in the due diligence management.
- SR will assist you in the creation of a data room if necessary.

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Seller Representation

Sherman & Roylance will perform the following services on behalf of the seller:

- Conduct a pre-marketing evaluation of historical and current financial and operating performance, potential upsides and sales price range.
- Prepare a confidential offering memorandum, containing key historical and prospective information about the facility. The OM will include an overview of the facilities services, history, location, financial and operational results, selling price and transaction issues such as reasons for selling, key investment highlights and growth potential and service area demographic and competitive data.
- Advertise your facility on our website.
- Include your facility in our monthly email campaign to over 16,000 owner/operators and investors.
- Target market your facility based on preferences including facility type, target area, price, size, company values and reputation.
- Identify target prospects and solicit prospective buyers.
- Coordinate confidentiality agreements by prospective buyers.
- Disseminate offering memoranda to prospective buyers.
- Advise seller in selecting first cut of prospective buyers.
- Conduct initial negotiations with prospective buyers.
- Advise seller in selecting next cut and negotiate with prospective buyers.
- Advise seller in selecting prospective buyer.
- Negotiation of definitive purchase agreement.
- Coordinate buyer's due diligence and licensing application.
- Prepare Lease Back and Management Agreements to be executed concurrently with the close of escrow which permits the buyer, tenant or management company to operate under the existing license until they receive their own license.
- Oversee escrow process to the closing.



Buyer Representation

Sherman & Roylance

is uniquely qualified to help owner operators, regional and national health care providers formulate a sound acquisition strategy by evaluating various facilities based on client-defined acquisition criteria and preferences including facility type, target area, sales price, size, market, company values and reputation.

We will perform the following services on behalf of the buyer:

- Assist the buyer in determining the amount that they can afford (pre-qualify) and show facilities in that price range and locale.
- Assist in viewing facilities while accompanying the buyer on the showings or preview the properties on behalf of the buyer to ensure that the identified specifications are met.
- Research the selected facilities to identify any problems or issues to help the buyer make an informed decision prior to making an offer to purchase the facility.
- Advise the buyer on structuring an appropriate offer to purchase the selected facility.
- Present the offer to the seller's agent and the seller on the buyer's behalf.
- Negotiate on behalf of the buyer to help obtain the identified facility --keeping the buyer's best interests in mind.
- Assist in securing appropriate financing for the selected facility.
- Provide a list of potential qualified vendors (e.g. attorneys, accountants, licensing consultants, referral agencies) if these services are needed.
- Most importantly, fully-represent the buyer throughout the real estate transaction.

Buyers turn to **Sherman & Roylance** to do target acquisition searches, to screen and evaluate acquisition opportunities and advise and represent them in the transaction based on their criteria and financial capabilities. We encourage you to download our current inventory or visit our new listing page for new acquisition opportunities.

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Q & A

Questions and Answers



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