

1. **Description of the Potential Acquiror.**

Brius Healthcare and its affiliated companies (“Brius”) is a leading provider of integrated long-term healthcare services through our skilled nursing facilities and assisted living facilities. We also provide other related healthcare services, including hospice care. We focus on providing high-quality care to our patients, and we have a strong reputation for treating patients who require a high level of skilled nursing care and extensive rehabilitation therapy, whom we refer to as high-acuity patients. As of March 1, 2014, we owned or leased 59 skilled nursing facilities and 6 assisted living facilities, together comprising approximately 6,584 licensed SNF Beds, and 535 Assisted Living beds.

Among the larger chains, Brius currently runs a higher Medicare census than any other SNF-based healthcare group. As an example, the current Medicare census average runs around 27% company-wide. Several of our recent acquisitions were entered into at the behest of the State of California. The State of California approached Brius and requested that we apply to be a Temporary Manager and we have since been approved for Temporary Manager status. We are very proud of and grateful for the excellent relationship our Company enjoys with the State of California and view this as a testimony of our abilities and our continuing mission to provide the best patient care possible.

Our Companies are extremely well capitalized and enjoy mutually beneficial relationships with various banking institutions nationwide. Brius has been in an aggressive acquisition phase since its inception and has more than doubled the facilities it operates in the last three years. We also enjoy a terrific relationship with the various labor unions, specifically SEIU, and have always been able to reach fair and reasonable agreements with their representatives in an expeditious manner.

Recently, Brius partnered with the County of San Mateo with regards to its Distinct Part Nursing Facility (“DPNF”), Burlingame Long Term Care. The facility was scheduled to be shut down. A closure plan had already been submitted, patients were in the process of being transferred to other healthcare facilities, and the facility’s employees were told to look for other jobs. In a last ditch effort Brius was brought in to try and “save” this facility. Brius is proud to report that the facility has been turned around and currently enjoys close to 100% census, a feat which was had not previously been achieved.

In terms of Brius’ financial strength, for 2013, gross revenues of all the facilities was \$610,539,000. Net income for the 63+ skilled nursing and assisted living facilities was \$76,656,000. Please also see attached Exhibit A.

2. **Assets to be Acquired.** We are only interested in purchasing the 116-bed Seton Medical Center – Coastside skilled nursing facility building, including the emergency room. We will not have a need for additional land or for the System’s provider numbers.
3. **Treatment of the Medical Foundation.** N/A.
4. **Amount and Form of Consideration.** Five Million Dollars (\$5,000,000.00) cash, with no financial contingencies.

5. **Working Capital Assumption.** We feel comfortable with a budgeted Ten Million Dollars (\$10,000,000.00) cash. We do not anticipate assuming any of the System's liabilities or purchasing any of the System's receivables.
6. **CBA Agreements and Non-Union Employee Retention.** We expect to retain over 80% of the employees. We cannot comment on the CBA without seeing it, however we do have a very good working relationship with the SEIU.
7. **Post-Retirement Obligations.** Our company offers a 401K program to its employees. We can only comment on any assumption of post-retirement obligations once the amounts are known.
8. **Treatment of Other Agreements.** We would have to review each individual contract and make a decision at that time.
9. **Sources of Capital.** The company's principal and owner, as well as Brius have cash liquidity significantly in excess of what is necessary to consummate this transaction. Please also see attached Exhibit A.
10. **Anticipated Operating Plan and Capital Commitments.** We plan to operate the building as a DPNF in order to insure sufficient skilled nursing beds for the County of San Mateo. We plan on investing Three Million Dollars (\$3,000,000.00) in capital expenditures in this project.
11. **Community Service and Charity Care.** As is Brius' custom, there will be a limited amount of patients accepted without insurance coverage. In terms of charity care, the owner of Brius, Shlomo Rechnitz, spends approximately 50% of his day overseeing the Shlomo & Tamar Rechnitz Charity Foundation, which distributes in excess of Twenty Five Million Dollars (\$25,000,000.00) per year to a diverse set of charitable causes. Just recently, Shlomo Rechnitz was honored by UCLA and received the Philanthropy Award. He serves on the Board of Governors of Cedars Sinai Medical Center and has recently donated Five Hundred Thousand Dollars (\$500,000) to the Cancer Center at Cedars Sinai. More info can be obtained by googling Shlomo Rechnitz.
12. **Process and Timing.** We expect the timeline of this transaction to be 30 days or less.
13. **Due Diligence.** No financial due diligence. The only item we will require is a PCNA report to ensure that the building condition is satisfactory.
14. **Specific Contingencies to Closure.** Satisfactory PCNA report.
15. **Other Parties.** Board approval has already been obtained. No financing is required and our only contingency, as stated previously, is a satisfactory PCNA report. Other parties participating in the consummating of the transaction and future operation of the System is Rockport Healthcare Services, in its role of a professional services company.
16. **Contact Information.**  
Alain Kuppermann, Esq.  
5900 Wilshire Boulevard Suite 1600

Los Angeles, CA 90036  
REDACTED

Please also see attached **Exhibit B**: Letters of Support

# Exhibit A

January 7, 2014

To Whom It May Concern:

Please be advised that on this date, Shlomo Rechnitz and the entities he controls has deposit account balances in our bank in excess of \$50,000,000.

Sincerely,



Matthew Tyler  
The PrivateBank  
Managing Director  
**REDACTED**

# **Exhibit B**



San Mateo County  
Health System

March 21, 2014

Houlihan, Lokey  
c/o Geoffrey Ligobel & Scott Jackson

REDACTED

BY EMAIL ONLY

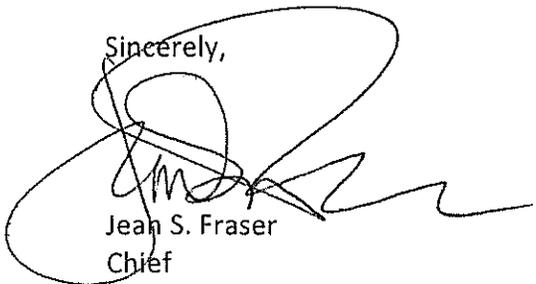
Dear Daughters of Charity c/o Houlihan, Lokey:

It is my understanding that Brius, LLC has submitted a letter of interest for the purchase of Seton Coastside to continue operating it as a skilled nursing facility.

I am writing this letter as a reference for Brius, LLC. Since July 2013, Brius has been managing our Burlingame Long Term Care skilled nursing facility. They have done an excellent job providing high quality care to our patients. Should you need a reference for the quality of their care, we would be happy to provide more details.

As noted in our joint letter with the Health Plan of San Mateo, we urge you to do all that you can to ensure that low-income elderly and disabled adults in San Mateo County continue to have access to the great care provided at Seton Coastside.

Sincerely,



Jean S. Fraser  
Chief

Cc: John Maltbie, County Manager

Health System Administration

225 37<sup>th</sup> Avenue, San Mateo, CA 94403

Phone (650) 573-2582 • Fax (650) 573-2116 • CA Relay 711 • Website [www.smhealth.org](http://www.smhealth.org)

Health System Chief • Jean S. Fraser

Board of Supervisors • Dave Pine • Carole Groom • Don Horsley • Warren Slocum • Adrienne Tissier



# San Mateo County Health System

March 21, 2014

Houlihan, Lokey  
c/o Geoffrey Ligobel & Scott Jackson  
REDACTED

BY EMAIL ONLY

Dear Daughters of Charity c/o Houlihan, Lokey:

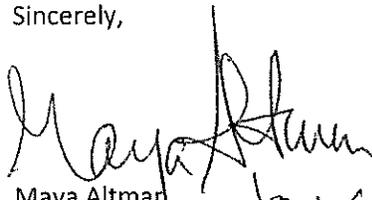
The Health Plan of San Mateo and the San Mateo County Health System appreciate your longstanding commitment to serve the San Mateo community. We and our residents and members very much appreciate the many years of excellent health care that you have delivered to your patients.

We also appreciate the difficult situation you find yourself in now. We applaud you for stating that you will favor offers from entities that will continue to provide health care services.

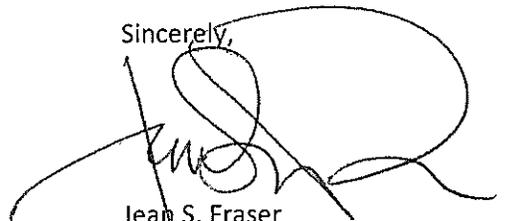
In regard to San Mateo County, we urge you to pay particular attention to preserving skilled nursing services. We are very concerned about the potential loss of Seton Coastside as a skilled nursing facility. Seton Coastside provides a great service not just to the coast but to all of San Mateo County by providing care to low-income Medi-Cal beneficiaries. We urge you to accept an offer that will keep Seton Coastside functioning as a skilled nursing facility that will continue to accept Med-Cal patients.

As you consider the difficult decisions you will have to make in the near future, we urge you to do all that you can to ensure that low-income elderly and disabled adults in San Mateo County continue to have access to the great care provided by Seton Coastside.

Sincerely,

  
Maya Altman  
Chief Executive Officer  
Health Plan of San Mateo

Sincerely,

  
Jean S. Fraser  
Chief  
San Mateo County Health System

Cc: John Maltbie, County Manager  
Members of the Board of Supervisors

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