

# Restructure Merger Support Plan



CONFIDENCE LEADS TO SUCCESS

## Overview

Pride Living has assisted a number of Providers, both For-Profit and For Purpose to exit the residential Aged Care Sector through merger or sale. Experience tells us there can be considerable inertia that prevents governing bodies from pursuing an exit strategy. This tends to arise from the uncertainty of the outcome, the considerable time, cost and resources consumed in achieving a positive outcome and quite often a sense of failure associated with a decision to exit.

We understand these issues and trust the following comments from the Board of Fairview give you a sense of what you can expect when dealing with Pride Living to develop and execute your exit strategy:

*“The outcome achieved would not have occurred if it was not for the Pride Living Team. I know you were doing your job, but I want to sincerely thank you for all the extra hard work and effort you devoted to this project”.*

*Chair - Fairview Retirement Village Limited*

- *The journey has not been easy, the Board vacillated for some months as to the best strategy for the future.*
- *Bruce’s advice and counsel during this process was invaluable. His deep aged care sector knowledge, financial acumen and realistic assessment of the situation enabled the Board to make a decision to proceed on the journey to find a successor to operate Fairview.*
- *Whiddon was chosen following a thorough community engagement, due diligence and legal contract process.*
- *Fairview and the Moree community has a leading quality provider of aged care and a secure future.*
- *Pride Living’s understanding of the financial realities and imperatives of the situation informed a pragmatic agreement that delivered for both parties but most importantly for the Moree community.*
- *Bruce and James managed the due diligence process which seemed insurmountable to our small community board and they supported the Board and the process until settlement was achieved.*
- *As a standalone community organisation, the Board has never felt alone, PrideLiving has always been both counsel and support through the largest of organisational challenges. Whiddon.*

While there is no certainty of success when a smaller provider embarks on an exit strategy, access to the new grant funding to pursue this path removes the financial risk and burden.

We are licenced business brokers and have the experience, connections, technology, and track record you can rely on to get the best outcome for your organisation, residents, staff, and community.

*“Pride Living was outstanding at every stage of the merger and transfer process. They brought integrity and clarity to each discussion and issue”.*

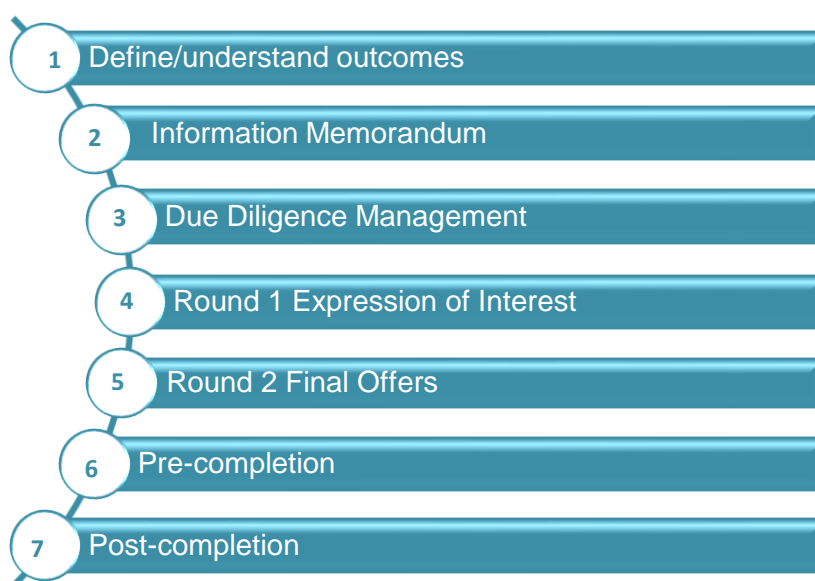
## The cost of inaction

Sadly, some organisations are unable to make the decision to exit and when this occurs the community tends to pay the price. There are a number of recent examples where governing bodies delayed pursuing an exit until the liabilities of the organisation made it impossible for an acquisition partner to be found, with the result that the facility closed and the community lost a large employer and access to residential care for its older members.

## New grant removes the financial risk

In response to the Department of Health establishing a \$48.7M Business Improvement Fund [Grant](#) for residential aged care, we have developed the following **Provider Exit Support Program** for Providers wishing to lodge a grant application and pursue an exit through either a merger or sale.

## Pride Living 7-Step approach



Pride Living has a comprehensive Exit Support Program. Under our seven-step program, we have overall responsibility to plan, manage and execute your exit strategy.

**For more information on our seven-step program click [here](#)**

Success or failure in executing an exit strategy lies in the effective management of communication among key stakeholders. Our focus is on managing messaging rather than avoiding discussion. Key stakeholders include:

- The Governing body/project team
- Your staff
- The residents and their families
- The broader community incl politicians and community figures
- The Dept of Health
- Potential targets
- Lawyers, Unions and suppliers.

## Assessing your viability and sustainability risk

A critical consideration in deciding whether your organisation should continue providing services (Stay), expand including considering acquiring other existing providers (Grow) or exit (GO) is understanding your vulnerability to being non-viable or operating in an unsustainable way. Pride Living has developed the “Residential Aged Care Sustainability Board Self-Assessment tool”. If you are uncertain of the pathway to pursue then this [self-assessment tool](#) may help you determine the appropriate pathway for your organisation.

## Conclusion

We understand handing the future of residential care in your community to a new provider is a very significant decision. We can relieve the anxiety and provide you with the answers you seek in considering this option. This allows you to make the decision to Go, Grow or Stay with confidence.

For further information contact: [clientservice@prideliving.com.au](mailto:clientservice@prideliving.com.au)

## APPENDIX 1: Pride Living 7-Step Exit Support Program

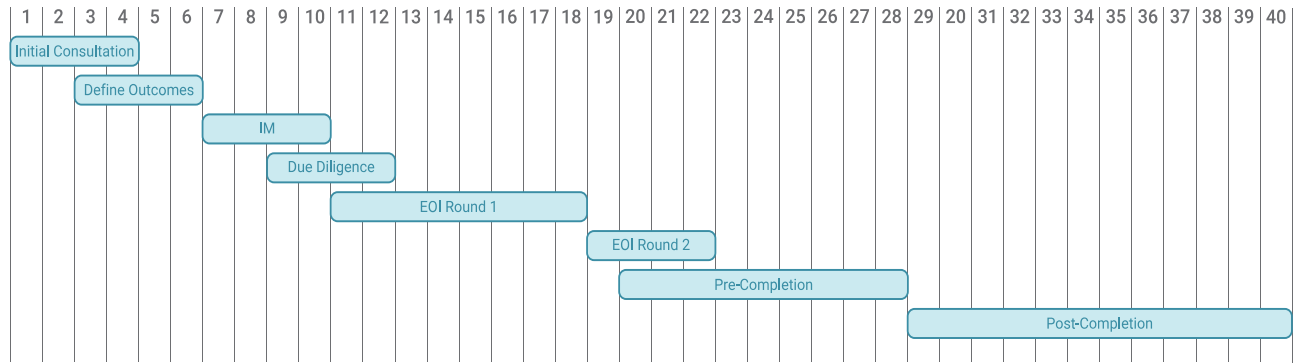
1. Define/understand outcomes	Key activities	Key outcomes
<p>The success of a project of this nature depends on clarity and understanding of how the project team will work.</p> <p>To ensure all key stakeholders consistently work toward common goals, it is important to define the goals, roles, responsibilities, and communication protocols.</p>	Agree on project scope.	All of the project team have a common understanding of what is being undertaken and how we will go about it.
	Agree on and brief key resources: Lawyer and Accountant.	As the project progresses, there are key roles for both of these advisers. We recommend engaging with them early in the process.
	Enlist Facility Manager/CEO into the project team.	You need the operational leaders to support the plan.
	Communication Protocol.	Clear communication channels eliminate the risk of miscommunication and confusion.
	Understand the not negotiable outcomes.	You are unlikely to achieve every outcome you seek, so it is important to be clear on what are the “must-haves.”
2. Information Memorandum		
<p>Once a preferred exit pathway is agreed, it is necessary to develop an Information Memorandum (IM) that is provided to potential purchasers.</p>	Collate data for the IM. Develop vendors key terms with Lawyer.	Ensuring that all appropriate data is available and that all issues identified are addressed positively.
	Develop the IM.	A professional document that presents the opportunity in its best light.
	Finalise Confidentiality Agreement.	It is customary for all recipients to sign a Confidentiality Agreement to limit the degree to which the sale process becomes public knowledge as this can cause anxiety to residents and staff.
	Create/ review the Asset Register.	This is a significant and critical task as it defines what is included in the sale.
	Develop appropriate stages Due Diligence information.	This provides the limited DD information on which invited parties will base their indicative offers and the more fulsome DD data for those progressing to round 2.

<b>3. Due Diligence Management</b>		
<p>The conduct of Due Diligence can be time-consuming and resource intensive.</p> <p>The burden on resources is relieved by being proactive.</p>	Anticipate acquirers general Due Diligence requirements.	Reduces the stress on your resources once the process has commenced
	Respond to specific additional DD requirements.	Manages the flow of communications and information
	Manager interactions between the parties	Reduces stress and workloads and ensures only appropriate requests are actioned
	Respond to issues as they emerge	Invariably there are issues that emerge that require management. Ensuring there are resources dedicated to this, smooths the process
<b>4. Round 1 Expression of Interest EOI</b>		
<p>This involves identifying appropriate parties and managing them through a process to elicit the most favourable offer from those who will proceed to round 2 and managing the exit of those whose offers will not meet the vendor's expectations.</p> <p>The goal of round 1 is to have 2-4 strong contenders who will bid aggressively for the activities in round 2.</p>	Finalise list of recipients of the EOI, 12 -14 pre-qualified Aged Care Providers or appropriate number as advised by the Real Estate Agent as appropriate.	The key outcome from round 1 is to ensure exposure to acceptable parties. This is achieved by focussing efforts on parties with appropriate values, experience and the capacity and commercial interest are briefed on the opportunity.
	Communicate one on one with selected parties to frame/assess interest and decide on inclusion in the EOI.	This interaction complements the initial selection process to exclude those who are deemed unlikely to meet the vendor's expectations.
	Manage questions and requests for information, including the data room and the DD information.	Potential buyers will inevitably have questions, and these need to be managed, and all respondents treated equitably.
	Assess round 1 responses.	Offers include a number of variables. These are collated assessed in both financial and non-financial terms.
	Communicate to those proceeding to round 2 and those who have been excluded.	Closes the loop on stage 1 and sets the expectations for stage 2.
<b>5. Round 2 Final Offers</b>		
<p>Round 2 is designed to achieve the desired outcome for the exiting Provider, both financial and operationally. Parties progressing to this stage will be given clear</p>	Work with preferred acquirers to complete their DD.	Ensure that risks are minimised in the minds of acquirers and opportunities are maximised.
	Organise tours with prospective acquirers.	Only at this time will interested parties have access to the site.

<p>guidelines as to expectations on these matters.</p> <p>As offers are binding, this is an intense element of the process on the project team and operational staff at the facility.</p>	Assess final round offers and select the preferred proposal.	Identifying the offer that is most appropriate to your goals and expectations as established in stages 1 & 2.
	Review the expected outcome with RSM against final offers.	Clarifying and confirming the outcome is as anticipated.
	Complete final sale negotiations finalise contractual term.	Communicate with parties and formally accept the preferred offer, subject to completion of contracts.
	Terms Sheet	Arrive at an agreed statement of the transaction that informs finalisation of the contract
<b>6. Pre-completion</b>		
<p>In this stage, we are looking to coordinate the many activities and parties that need to be dealt with at or prior to the execution of a binding contract and completion of the sale.</p>	Oversee finalisation and exchange of contracts.	Exchanged contract on suitable terms.
	Complete transfer application for DoH.	Complies with your obligations under the Aged Care Act.
	Advise ACQSC and ACCC of sale.	Complies with your obligations.
	Oversee Stakeholder communications.	Members, media & community.
	Invite unions to a staff meeting to discuss the facility's future.	Complies with your obligations.
	Conduct meeting with residents/relatives regarding the sale and introduce new owners.	Complies with your obligations and manages expectations with relevant stakeholders.
	Letter to unions regarding the sale.	
	Letters to staff re current entitlements.	
Facilitate staff signing new employment agreements.		
<b>7. Post-completion</b>		
<p>Complete all contractual obligations, including satisfying any escrow conditions and oversee the closure of commercial activities in Salmar Holdings.</p>	Manage any post-settlement contractual obligations.	Ensure the vendor meets its contractual obligations.
	Oversee financial actions in commercial contracts.	Ensure the exiting party completes its commercial activities in a timely and appropriate manner.
	Project review and closure.	Review overall project management to ensure client satisfaction.

# Disposal of residential redevelopment indicative timeline

## Project Timeline - Weekly





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