

PENUMBRA

FOR SELLERS AND BUYERS OF SMALL ADULT CARE AND FAMILY CARE FACILITIES, CRCFs, ADULT DAYCARES, AND HOME CARE AGENCIES



Market Watch

K. James Joins Crimson Cardinal Realty Team

K'Ehelyr James has joined Crimson Cardinal Realty LLC as a provisional Broker. Licensed in North Carolina, Ms. James is a dedicated business and real estate broker with a background in residential investment and aerospace engineering. Holding a real estate broker license, Ms. James brings analytical skills and attention to detail to every transaction. Committed to client success, she provides personalized guidance and unwavering (cont'd)



Exit Plan for Caregiver Owners

How Can an Exit Plan Help Me?

Many caregiver-owners we speak to ask, "what is an exit plan and what can it do for me?" Basically, they want to know, what's in it for me? Here are a few benefits from having a solid Exit Plan:

I. How to Exit the Operation Given Certain Events

What would you or your spouse do if you became ill and could not perform your duties as a care-giver owner? An Exit Plan would lay out a game plan to keep the operation going to avoid a shutdown. (cont'd)

Financing

Key Changes to SBA 7(a) Loan Guaranty Program

The U.S. Business Administration changed its signature 7(a) loan guaranty program to make it more assessable to Main Street Sellers and Buyers. Listed below are summaries of 3 rule changes and their potential effect.

I. Purchase Less than 100% of Target Company.

Starting August 1, 7(a) backed loans can be used to purchase less than 100% of the Seller entity.

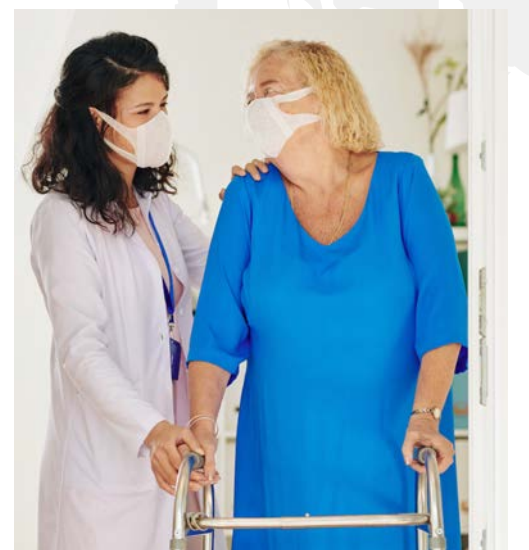
Implications: The effect may be to allow Sellers to stay on as part owners with their Buyers. Such an arrangement could allow the Seller to stay on board to ease the transition period and let the Seller benefit from upside future earnings. (cont'd)

Regulatory Watch

NC Expected to Expand Medicaid beginning December 1

On September 22, the NC General Assembly approved a spending bill for this fiscal year (\$29.8 billion) and next fiscal year (\$30.9 billion). The bill includes the expansion of Medicaid that would include Medicaid coverage for 600,000 low-income adults. ABC 11 News reports that Medicaid expansion has been one of Governor Cooper's top priorities since taking office in 2017. For years, state Republicans have opposed offering Medicaid through the 2010 federal health care law, but Republican leaders reversed course last year.

While the Governor refused to sign the bill, he will allow the bill to come into law, defacto, in ten day. Still, Governor Cooper instructed the Department of Health and Human Services to begin immediately the process of expanding Medicaid. Adults who earn too much to qualify for traditional Medicaid but too little to receive even heavily subsidized private insurance would benefit from the expansion. (cont'd)



et cetera

- The Center for Disease Control and Prevention recommends that everyone over 6 months old receive the updated COVID-19 shots approved by the Food and Drug Administration September 11.
- The National Association of Realtors reports that in late August mortgage rates surged to 7.23%, the highest in more than two decades.
- The Centers for Medicare & Medicaid Services (CMS) announced a new voluntary nationwide dementia care model called the Guiding an Improved (cont'd)

Exit Plan cont'd

2. How to Transition Away from the Operation.

How you exit is just as important as when. It sets a timetable and specifics actions to take to ensure a smooth transition. How much training with the new owner need? Who can provide it? Will the new owner need franchise training?

3. Planning What to Do After your Exit.

If you don't know what you will do after your Exit, you are not ready to leave. Set goals to ensure the transaction actually occurs. Have you met with your financial advisor recently?

4. Should I work after the Exit versus Retire?

It establishes what income you need after your Exit. Will you have enough income to support your chosen lifestyle?

5. Choose Where and How to Live after Exit.

Do you want to live at the beach? In the mountains? Define where you want to go and whether you have sufficient income to make it happen.

6. Determining what will be Your Legacy to your Family, Employees, residents, clients, and community.

You have worked years at helping the community and providing employment to your staff. A properly executed Exit Plan make your Legacy come to life.

Regulatory Watch (cont'd)

Secretary Kody Kinsley said that about half of this group of beneficiaries could be enrolled immediately.

ABC 11 News also reports that the State government will get an additional two-year, \$1.8 billion federal payout for expanding Medicaid. The State's 10% share of the Medicaid expansion expenses will come from hospital assessments. Spectrum New 1 reports that the expansion will mean single adults between the ages of 19 and 64 making under \$20,000 and a family of three earning under \$34,000 would qualify for care. Many North Carolinians who have no income because they cannot work may qualify for coverage.

Market Watch cont'd

support. With a Bachelor's degree in Engineering from North Carolina State and a master's degree in Engineering from the University of Cincinnati, Ms. James values continuous learning. Outside of work, she finds joy in playing the piano and cultivating a beautiful garden. Trust K'Ehleyr James's expertise to navigate the complexities of buying or selling your business, ensuring a smooth and successful transition.



et cetera (cont'd)

Demential Experience (GUIDE). The goal is to "support people living with dementia and their unpaid caregivers." The program is set for a July 1, 2024 launch. Implications are that the model could offer new reimbursement avenues for home-based care providers of all types.

- The giant insurance company, Nationwide, is testing eldercare robots in homes of selected policyholders with mobility issues. The goal is to assess if the robots increase the potential for policyholders to age in their homes and remain independent.

Financing cont'd

Such an arrangement could also allow a Buyer to purchase only a portion of the business and later buy the remainder after getting to be know the business.

2. Equity Injection \$500,000 or less.

Prior Rule:

- a 10% equity injection was required for start-up businesses and complete change of ownership, except for 7(a) Express loans.
- For changes of ownership between existing owners, the applicant's debt to worth ratio must not exceed 9:1.

New Rule:

- Equity injection is not required; lenders can follow their policies for similarly situated private sector loans.
- No debt to worth ratio requirement.

Implications: Seller financing can account for a substantial portion or entire equity requirement (provided bank underwriting approval). This feature would also expand the universe of potential Buyer prospects provided the entity's cash flow can support the heavier debt load.

3. Flat Servicing and Packaging Fee.

Prior Rule:

SBA prohibited lenders from charging flat fees

New Rule:

Lender may charge a flat fee of \$2,500.

Implications: New rule helps reduce the transaction cost for the Buyer.

