

ELM CITY PARTNERS, LLC
CORPORATE RENEWAL IN THE
HEALTHCARE SECTOR

TABLE OF CONTENTS

- I. Introduction to Elm City Partners, LLC
 - Introduction
 - Professionals
 - Clients
 - Our Mission
 - Healthcare Sector
 - Experience

- II. Business Approach
 - Rapid Assessment
 - Program Management
 - Emergency Action
 - Restructuring
 - Resumption of Normal Operation

- III. Healthcare Professionals
 - Joseph L. Palazzi, CPA, CTP, Practice Leader
 - Frederick Rice, CTP, AVA

- IV. Associated Professionals

- V. Case Histories
 - For Creditors
 - For Shareholders

- VI. Contact Information

I. INTRODUCTION TO ELM CITY PARTNERS, LLC (“ECP”)

INTRODUCTION: Elm City Partners, LLC specializes in the field of corporate renewal with performing and under performing companies throughout New England.

ECP has extensive experience in developing and implementing strategic initiatives, managing project performance breakthroughs, addressing crisis situations, implementing operational / financial restructuring strategies, providing interim executive, project, functional and technical management and, when appropriate, managing the disposition of underperforming and troubled businesses, contracts and assets in an out-of-court and/or bankruptcy venue. In each situation, ECP’s objective is to provide the stakeholders with the maximum return and to minimize their business and personal risk.

In the performance of this work, ECP works collaboratively with our Client’s business and personal attorneys, accountants, funding sources, architects and other advisors.

As a result of its established business partnerships, ECP is able to introduce into the Client situation highly specialized technical and functional specialists and capital providers necessary to achieve the Client’s objectives.

PROFESSIONALS: ECP’s professionals are experienced former CEOs, CFOs and senior managers with a minimum of fifteen years experience in the construction sector. ECP’s professionals are located throughout the eastern United States.

CLIENTS: ECP’s clients are typically private and closely held businesses. In this environment we are engaged by boards of directors, owners, stakeholders, equity investors, lenders and creditors.

In virtually every engagement our Clients retain ECP to perform an unbiased assessment of the situation and to make realistic recommendations regarding what must be done to enhance or restore the economic value of their business or project.

OUR MISSION: Provide advice, counsel and management services that are free from vested interests and conflicts.

HEALTHCARE SECTOR: Healthcare is an inherently complex and risky business. The success or failure of a healthcare business is many times predicated on areas outside the control of management including legislative and professional medical dictates. ECP believes that all parties involved in the healthcare sector should constantly assess professional and administrative performance relative to four critical issues:

- The validity of third party claims relative to retrospective and prospective funding.
- The capability of professional and administrative management.
- The validity and accuracy of documentation as it relates to third party receivables, professional services provided, costs incurred by the program, applications for payment and compliance audits.
- The timely and aggressive collection of amounts due.

In this context ECP performs assessments and provides advice, counsel and interim management to parties in the healthcare sector in the following context.

- Market conditions and events that are or will impact business or program performance.
- Management capability relative to their willingness and ability to take actions necessary to ensure performance and profitability.
- Effectiveness of systems relative to compliance, documentation and work processes, particularly as it relates to internal controls.
- Operational performance with a focus on schedules and the progress of job completion versus original schedule.
- Financial performance with emphasis on cash flow models and cash flow management.

EXPERIENCE: ECP has experience with owners, receivers, lenders, administrators, insurers, capital sources, attorneys and governmental agencies who represent, work in and serve the healthcare sector.

Based on this experience, we have the ability to immediately provide qualified experts to assess the condition of a healthcare business. Then, based on benchmark information, we determine the necessary course of action:

- Implement a breakthrough or performance improvement initiative designed to achieve specific objectives.
- Implement a crisis response designed to prevent a disaster that may be in the making.
- Implement a turnaround that is designed to return the business or project to profitability.

When developing plans and managing initiatives, we carefully consider the unique aspects of the healthcare industry (regulatory and insurer requirements) and tailor our strategies and recommendations with a full understanding of financial consequences that are not apparent to one is who unfamiliar with project based management and economics.

ECP's objective in these situations is to take quick, decisive action to protect and preserve assets. ECP also assists in arranging equity and debt capital to take advantage of opportunities in order to form a basis for creating value for stakeholders. In the case of extreme distress, ECP has the experience and skill to obtain the maximum value of assets through a managed disposition process in an in or out of court process.

ECP has a unique capability to perform operational, financial and technical assessments necessary to objectively determine the status of healthcare operations and programs.

Foremost, with respect to our success, is our determination to align our strategies with our clients' goals and objectives.

II. BUSINESS APPROACH

ECP's professionals employ the proven approaches, skills and tools to provide solutions in the healthcare sector similar to what they do in other industries. Briefly, the stages of the process are:

Rapid assessment of the situation: We focus on three key issues:

- End game: Determine if it is possible to accomplish a restructuring, or is a sale or liquidation the best solution.
- Short-term survival: Is the entity viable, is there a core business, and is there enough money and other resources available to enable a recovery either in or out of bankruptcy?
- Long-term strategy: What will it take to create financial stability and increase stakeholder value to achieve a successful end game?

Management:

- In a turnaround, executives who are not capable of developing and implementing a recovery plan or who will impede the process must be replaced.
- In these situations an ECP professional, empowered to take necessary actions, will assume control of the company on an interim basis.

Emergency action: In unambiguous terms, emergency action (in or out of court), must focus on:

- Amputating problem activities.
- Stemming the bleeding of cash.
- Selling non-essential or non-core assets as applicable.
- Cutting costs.
- Improving liquidity and controlling the cash.
- Focusing all effort and attention on boosting revenue and cash flow.
- Creating the opportunity for longer-term strategy to be implemented.
- If a long term strategy is not viable, positioning the entity for a quick sale.

Restructuring: Restructuring encompasses:

- Refinancing the entity to secure long term survival and profitability.
- Identifying and recruiting new management.
- Ensuring the culture will support the longer term strategy.

Return to normal: Facilitate the transition to a normal operating mode as the basis for:

- Implementing the strategic growth plan.
- Monitoring achievement of key objectives and milestones.
- Disengaging from an active management role.
- Assisting with post recovery issues.
- Providing continuity in a limited advisory role.

III. HEALTHCARE PROFESSIONALS

ECP's construction practice is managed and staffed by a core group of qualified personnel with a wide range of senior management and functional experience in these sectors.

Joseph L. Palazzi: Practice Manager

Joseph L. Palazzi is a CPA and a Certified Turnaround Professional (CTP). Joe is experienced in turnaround and project management and has significant experience in the healthcare sector. He also has over twenty-five years of domestic and international leadership experience in the

healthcare, software, electrical, electronic and construction industries. He has an established track record of successful corporate turnarounds in both mature and emerging businesses.

Joe's recent experience includes advising the Connecticut Health and Educational Facilities Authority ("CHEFA" or "the Authority") on a large skilled care healthcare facility located in Fairfield County. He has also served as advisor to large provider of temporary and outsources professional services in the New York metropolitan area as well as a non for profit provider of foster care and children's healthcare in New York City.

In addition to healthcare, Joe's recent experience includes directing a turnaround at a multi-national textile manufacturer. He has also recently performed financial and operational assessments in the textile, construction and manufacturing industries for several leading financial institutions. His expertise includes out of court restructuring and Chapter 11 proceedings including pre-petition planning, administrative compliance through formulating plans of reorganization and asset sales under Section 363 of the code.

A native of Connecticut, Joe received his Bachelor of Science Degree in Accounting from Quinnipiac University and a Master of Business of Administration from the University of New Haven. Joe is a Certified Public Accountant in the State of Connecticut.

Frederick A. Rice: Special Valuation Advisor and Field Project Manager

Frederick A. Rice, CTP / CVA has over thirty years experience as a turnaround consultant, senior manager and banker. With an extensive background in bank workout and credit he has worked with a number of troubled banking institutions. He devised an innovative bankruptcy Plan of Reorganization leading to a \$19 million repayment of a \$24 million loan after an outside expert had estimated only a \$3-4 million recovery. Mr. Rice rehabilitated and restructured a medical transportation company to enable the company to be sold to a public company for \$800,000 above the book value of the assets.

In 1995, after a successful twenty-five year banking career, Fred formed his own consulting practice, The Nauset Group, Inc., specializing in turnarounds/workouts, valuations, and securing capital. That company has been active for over 11 years and has built an excellent reputation with the business communities. He is a Certified Turnaround Professional, having attained the certification in 1999. Rice is also an Accredited Valuation Analyst as designated by the National Association of Certified Valuation Analysts which was bestowed in 2001. Both accreditations require ongoing educational commitments.

Fred received a bachelor's degree in Business Administration, with a major in economics, from American University. He earned his MBA in Finance at Rutgers Graduate School of Business Administration. Fred has served as an adjunct professor at Ramapo College and has taught in the MBA program St. Thomas Aquinas College in NY and Seton Hall Graduate School of Business.

IV. ASSOCIATED PROFESSIONALS

ECP has established relationships with individuals and firms that have the special expertise required during the conduct of a construction engagement. These relationships are based on ECP having worked with these professionals on commercial and construction related assignments and include:

- Attorneys

- Accountants
- Appraisers
- Lenders
- Forensic Accountants
- Site Management Specialists
- Documentation Specialists

V. CASE HISTORIES

ECP's professionals have worked on a wide variety of turnaround situations in the healthcare sector. The following is representative of their experience.

FOR CREDITORS:

- Nursing Home and Rehabilitation Skilled Healthcare Provider:

As advisor to a state health and educational facilities authority ECP was asked to perform an initial assessment of the operational and administrative management capabilities and competencies as well as the determination of the enterprise value of the facility as standalone going concern. The assessment pointed out weaknesses in management and control resulting from staffing and funding shortfalls. Based on ECP's going concern enterprise valuation, the authority elected to accept a third party's bid rather and assume control of the facility with intent of subsequently selling the facility once it had been stabilized.

FOR SHAREHOLDERS:

- New York Metropolitan healthcare provider of professionals, therapists and nurses to state agencies and private individuals:

ECP was retained by the debtor after its lenders discovered a significant over-statement of third party receivables due to the failure to properly report third party claims as an offset. After assessment of internal accounting controls, management and work process, ECP recommended the secured lenders agree to grant a forbearance to allow for refinancing with a new lender. During the forbearance period the debtor was able to significantly mitigate third party claims and refinance the business with a new lender.

- New York City not for profit healthcare provider of child foster care and healthcare services to the under-privileged:

ECP was retained by the debtor after it defaulted on a loan covenant. After assessment of internal accounting controls, management and work process, ECP worked with the debtor and lender to arrange a standstill with the lender in order to allow time for the sale of its real property to pay down debt.

VI. CONTACT INFORMATION

To obtain additional information about ECP's capability in the healthcare sector please:

Contact our Practice Leader

**Joseph L. Palazzi, CPA/CTP
President
Elm City Partners, LLC
91 William Street
New Haven, CT 06511**

Tel: 203-789-1711

Fax: 203-789-0524

Cell: 203-887-5172

Email: jpalazzi@elmcitypartnersllc.com

Visit our website at: www.elmcitypartnersllc.com