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Saul Ewing Helps Co. Strike Three Deals Worth $284 Mil.

DEAL MAKERS

BY GINA PASSARELLA
Of the Legal Staff

Saul Ewing's managing partner David Antzis has represented Brandywine Senior Care Inc. for a lot longer than the 18 months it took to sell off the company in three different deals that, combined, are worth approximately $284 million.

He brought the Mt. Laurel, N.J.-based company in as a client when it was formed through private equity funding in 1996.

"It's cradle-to-grave representation," he said.

Brandywine has been owned by private equity companies ever since, and its general counsel, **Kenneth C. Segarnick**, said after those companies weathered the downs of the market, they were ready to liquidate the assets.

Brandywine owned several assisted living facilities and several skilled nursing facilities throughout Pennsylvania, New Jersey and Delaware.

Antzis said that because it is a C corporation, the challenge of the deal was finding a way to maximize the shareholder return and minimize the taxes paid because of the appreciation of assets.

"We decided the sum of the parts was greater than the whole," Segarnick said.

According to Antzis, the company didn't want to sell all of the assets at once, even though most buyers would prefer it that way.

It was decided to first sell the skilled nursing facilities and get out of that business altogether. They assumed there would need to be at least two deals, but it turned out that three was more beneficial for shareholder return, so the team decided to split the sale of the skilled nursing facilities between two buyers. The sum of those deals was approximately $134 million.

They then turned to **Warburg Pincus** to purchase the remaining assets, Antzis said.

"You're running three tough, challenging deals concurrently," Segarnick said. "We had to go into octopus mode."

Antzis said that if the deal was done in just one phase, he estimated that the company would have paid about $20 million more in taxes.

There were several issues that prolonged the completion of the sale, according to Segarnick and Antzis.

In the fall of 2005, the company was negotiating two different deals with buyers for the skilled nursing facilities that both fell through, Antzis said.

The company also had more than $60 million in debt to **GMAC**, mainly on its skilled-nursing side, which it was able to get one of the buyers of those facilities to assume. GMAC had, however, securitized the debt so it took several months to make sure the new owner was qualified for the ratings of the various companies that took over the debt from GMAC.

Antzis also said that Pennsylvania has a "much more complex corporate governance" structure than states like Delaware because it allows a seller to look not only at the best financial deal, but the best deal for all constituents including varying types of stockholders, employees and the community.

Steven C. Koppel of the New York office of **Heller Ehrman** represented Warburg Pincus in the deal. He said the two sides, despite having several obstacles over a long time period, worked very amicably together.

"There were a lot of challenges, and notwithstanding all that, everyone got along," he said.

ANTZIS

Koppel pointed out that his firm had attorneys from all over the country working on the deal, but enlisted the help of a few local attorneys as well, including **Bart Mellits** of **Ballard Spahr Andrews & Ingersoll** to handle real estate work and **Susan M. Hendrickson** of **Dechert** to handle regulatory issues.

Other Saul Ewing attorneys who worked with Antzis on the deal included **Stanley J. Kull** on the tax end, **Patricia A. Gritzan** on the corporate side and **Jack Pierce** on the real estate end. Antzis said the firm used attorneys from New Jersey to Baltimore in putting together this deal.

Even though the company he has represented for 10 years is no more, Segarnick said that Antzis will still have a client in Brandywine.

According to Segarnick, every day during the 18-month period that they were working on the deal, Antzis would call Segarnick at 7 a.m. and leave a message about where he would be all day and how he could be reached. Segarnick said that even though Antzis assumed the role of managing partner of Saul Ewing amidst this deal, he always felt like Brandywine was Antzis' only client.

DEAL DETAILS

Antzis said that the company started out in January 2005 by interviewing eight investment banking firms and settled on **Houlihan Lokey Howard & Zukin** to help them manage the deal.

They then contacted 160 potential buyers, held an auction and made 90 offers for proposals, received 35 responses of serious interest and interviewed 16 companies that had the best proposals, Antzis said. They negotiated between April and July 2005.

Brandywine completed three separate transactions over the course of 2006 that totaled $284 million.

The first transaction was the sale of the company's two Pennsylvania skilled nursing facilities in February for approximately $27 million, including working capital, to **Extendicare Inc**.

In June, Brandywine sold its seven skilled nursing facilities in New Jersey to **CPL Long Term Care Inc**., a subsidiary of Retirement Residences Real Estate Investment Trust, for $107 million including working capital. It was CPL that assumed the $60 million in debt from Brandywine.

The latest transaction, which was announced July 10, sold the remainder of the company's stock to an affiliate of private equity firm Warburg Pincus for $150 million. The company will change its name to **Brandywine Senior Living**.

It will maintain ownership of nine assisted living facilities in New Jersey, Pennsylvania and Delaware.

The entire senior management team of Brandywine Senior Care will remain intact, according to Segarnick. He said his role would expand to include mergers and acquisitions work for the new company. Company president **Brenda J. Bacon** will also maintain her role in the new company.

Please send any Deal Makers stories to Gina Passarella at gpassarella@alm.com. •