



**PRIMMER PIPER
EGGLESTON &
CRAMER PC**

SHIREEN T. HART
ADMITTED IN VT AND NH
shart@primmer.com
TEL: 802-864-0880
FAX: 802-864-0328

150 So. Champlain St. | P.O. Box 1489 | Burlington, VT 05402-1489

June 14, 2017

VIA EMAIL - Donna.Jerry@vermont.gov
AND US MAIL

Donna Jerry
Senior Health Policy Analyst
Green Mountain Care Board
89 Main Street
Montpelier, VT 05620

**RE: Docket No. GMCB-020-15con, Purchase Price Exceeding 10% of CON Approved
Amount for the Purchase of Rowan Court Health and Rehabilitation Center in
Barre, VT.**

Dear Ms. Jerry:

I am submitting responses from the Certificate of Need holder in the above matter to respond to the Green Mountain Care Board's requests for information dated June 7, 2017 related to the project cost overrun.

Respectfully submitted,

Shireen T. Hart

cc. Sean Londergan, Vermont Long Term Care Ombudsman

**STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD**

**IN RE: APPLICATION OF)
BARRE GARDENS HOLDINGS LLC AND) GMCB 020-15con
BARRE GARDENS NURSING AND REHAB LLC)**

**CERTIFICATE OF NEED HOLDER'S RESPONSES TO GREEN MOUNTAIN
CARE BOARD REQUESTS FOR INFORMATION DATED JUNE 7, 2017**

- 1. May 12, 2017 letter states that the closing date was "on or about" May 3, 2017. However, the Board was not consulted about this change prior to the closing date, nor informed of the change in the sale price until May 12, 2017. Provide a detailed explanation as to when the increase in the sale price was known and why the Board was not consulted or informed of this change as soon as it was known.**

Response:

Unfortunately, the increase in the sale price, without notice to the Board until May 12, 2017, is the result of human error. On Friday, May 5, 2017, while gathering backup information after the closing for filing the Stepped-Up Basis Rate Application with the Vermont Division of Rate Setting, Andrew Bachand, CPA inquired about the discrepancy in the sale price and what was approved in the CON. It was at this time that the individual acting on behalf of the purchasers, the VP of Finance for Priority Healthcare Group, realized that he had erroneously been operating under the premise that the CON approved a purchase price of \$6,600,000. He immediately explained that this was human error. While they had originally expected the purchase price to be \$6,000,000, it increased once the last of the other facilities in the same deal closed. This resulting number, \$6,600,000, erroneously became the operational number for both the purchase price and the CON approval for the VP of Finance. It then took the undersigned counsel one week to investigate what had occurred and to determine the extent of any other cost overruns.

- 2. Please provide complete information about Oxford Finance LLC (Oxford), its relationship with the purchasing members and previous financing of other projects the members have held interests in. Provide detailed information regarding whether any of the members purchasing Rowan Court have interests in Oxford and the specific nature of those interests. Explain whether Oxford was the entity the purchasers planned to finance the project with when the application was submitted. If not, please identify the financing entity the purchasing members originally planned to finance the project with and the reason for the change.**

Response:

In the CON application, the then-Applicant (CON holder) stated that it had a conditional commitment letter from Greystone Funding Corporation, a HUD lender. The then-Applicant explained that it anticipated “negotiating a 20-year term, whether with Greystone or another lending company.” When it came time to finance the purchase, almost 18-months following the submission of the CON application and representations to the Board about costs and borrowing terms, Greystone informed the CON holder that it wanted the CON holder to own the property for 1-2 years before entering into a borrowing relationship with them in Vermont.

At that time, the CON holder undertook due diligence to find a new lender. It settled on a private lender, Oxford Finance LLC.

The only relationship that exists between the purchasing members and Oxford is that one of the members has done business with Oxford. Specifically, Ephram Mordy Lahasky has financed two nursing home purchases through Oxford:

Highlands Manor, Exeter, PA, 2014
Wanaque Center, Haskell, NJ, 2014

None of the members has any interest in Oxford or any personal connection to Oxford.

- 3. Explain in detail the reasons for the significant increase in the interest rate from 4.5% to 7.99% and when the change in the interest rate was known.**

Response:

The CON holder represents that the difference in the interest rate is attributable in large part to the fact that they went from a HUD lender to a private lender. In addition, nearly 18 months elapsed between the initial representation about the interest rate and the final lending terms.

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In closing, the CON holder deeply regrets that it had this cost overrun and did not notify the Board until one-week after closing. Please be assured that there was no intent to mislead or withhold information. The failure to seek leave to proceed under amended terms was truly the result of regrettable human error.

On June 7th, 2017, David Gamzeh appeared before me and swore to the truth,
accuracy and completeness of the foregoing, Verification Under Oath.

Stella M. Vilardi

Notary public

My commission expires: _____

STELLA M. VILARDI
NOTARY PUBLIC, State of New York
No. 01VI6103407
Qualified in Nassau County
Commission Expires 12/29/2019