



Executive Summary

Proposal for Acquisition and Development of 8.1 +/- Riverfront Parcel on John Street (CSM 6728)

**Pursuant to City of Appleton
Request for Proposal
Dated July 31, 2015**

Appleton, Wisconsin

**PROPRIETARY
AND
CONFIDENTIAL**

***Elite Senior Living Executive Summary and
Proposal for Acquisition and Development of CSM 6728***

Executive Summary

Elite Senior Living and/or its affiliates or designees (“ESL”) propose to acquire and develop the 8.1 +/- Riverfront Parcel on John Street in Appleton Wisconsin identified as CSM 6728 pursuant to the City of Appleton request for proposal dated July 31, 2015.

ESL is a progressive long term care company that provides high-quality rehabilitative and long term care services through its operation and management of skilled nursing and community based residential facilities. Elite Senior Living and its affiliates have operated senior living properties in Wisconsin since 2007, and current own and operate Bornemann Senior Communities in Green Bay, Wisconsin and Fountain View Care Center / Wolverton Glen Assisted Living in Ripon, Wisconsin. Each campus provides both skilled nursing care and assisted living care. ESL is wholly owned by Jonathan J. Heraty and Steven C. Tokarczyk, each with 50% ownership in all ESL affiliates. Additional information about the company is attached to this executive summary.

ESL proposes to acquire CSM 6728 and develop a residential seniors living campus on the site. The campus will consist initially of a 70 unit community based residential facility and will later include a 30 unit active senior living facility and a 20 unit executive apartment building. The proposed mid-rise development will integrate seamlessly with the surrounding neighborhood, replacing the whey processing plant which previously occupied the site with residential options primarily for the city’s senior population. The area’s seniors are important stakeholders in the community and should be included in the development of housing options along the waterfront. While many senior housing facilities are constructed in landlocked, high-traffic areas, the proposed development will allow aging seniors to continue to enjoy the Fox River in a quiet, serene setting. ESL will ensure that the project’s design derives from the architectural elements of the surrounding area so that it blends in, rather than stands out. Also, seniors tend to have fewer, if any, vehicles and travel less frequently, so the surrounding area would benefit by the community generating significantly less traffic than a typical residential community.

Senior living options have evolved greatly in the past ten years, and have increasingly allowed seniors to remain active and retain independence while providing support with needed tasks. Community based residential facilities in Wisconsin provide up to three hours per week of nursing assistance; this assistance is designed to ensure that seniors receive help with medication management and basic care to prevent health issues. This level of assistance helps maintain a level of well-being which allows seniors free to remain active and participate in independent dining, robust activity programs both inside and outside the facility, and remain connected with other residents, friends and family members.

Emerging trends suggest that senior living which is integrated in some way with surrounding colleges and universities provides significant benefit for residents, students, faculty and the community. The proximity of the new development to Lawrence University provides a unique opportunity to capitalize on these benefits. Examples include:

- Residents can enjoy the stimulation of the college environment and interaction with students. ESL will endeavor to design programs to allow seniors to participate in the college experience by offering to partner with and support Lawrence University and its many Arts and Music Programs.
- Alumni and retired faculty will have residence options near the college, to make the transition to a new residence less disruptive. The area surrounding Lawrence University is close knit and steeped in historical significance. A senior living community would allow seniors to age in place, rather than being displaced to communities across or out of town.
- Students can secure jobs and internships, and interact with residents with experiences to share. The new development will create over 40 new jobs within walking distance of the university. Also, there is a demonstrated benefit of music therapy for seniors with Alzheimer’s disease or other dementias. The Wisconsin Department of Health has created a “Music and Memory” program in which ESL has participated at the Ripon campus. The proximity of the development to the university will allow for community exposure for the students and a therapeutic environment for facility residents.

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As part of the development ESL will maintain a park area at the east end of John Street that will provide for public access to the Fox River area. In addition, ESL anticipates that many of its resident activities will be open to the community providing regular public access to the scenic property.

Development Plan

ESL proposes to acquire CSM 6728 and develop a residential seniors living campus on the site. The campus will consist initially of a 70 unit community based residential facility and will later include a 30 unit active senior living facility and a 20 unit executive apartment building. The community will consist of mid-rise buildings, designed to blend in with the surrounding area and maintain sightlines for area residents. The design will employ attractive landscaping and outdoor common areas to take advantage of the setting on the Fox River. The community based residential facility and active senior living facility will include inviting common areas for dining, activities and socialization of the residents. The estimated cost to complete all phases of the project is \$11,000,000. A preliminary site plan and building renderings are attached to this proposal.

Proposed Financing Strategy

ESL will finance the project with a combination of bank debt and funds invested by the principals. The principals of ESL worked in the commercial finance industry prior to forming the company, and have deep and broad contacts within the industry, including banks, commercial finance companies and investors. ESL has closed many successful financing packages with varying capital structures. Most recently, ESL acquired the campus which constitutes Bornemann Senior Communities for \$11 million, obtained 84% financing from a bank and funded the remainder of the acquisition price via direct equity contributions by the two principals; no outside investors were involved with the project.

ESL will conduct a full market study and feasibility analysis to confirm the viability of the proposed project. A market study conducted in 2011 indicated a strong demand for senior living in Appleton, and further indicated that the demand for senior living options will continue to increase as the population ages and the baby boomers require modern, updated housing options.

Development Experience and Qualifications

ESL redeveloped a property in Western New Jersey, Forest Manor Health Care Center, from a functionally obsolete 42-bed, 13,000 square foot nursing home to a state-of-the-art 120-bed 60,000 square foot skilled nursing and rehabilitation facility in the course of 18 months. The project, since divested by ESL, is fully occupied and financially stabilized. During the redevelopment process, ESL solicited guidance from many sources to ensure the project was a fit for the area – these sources included other healthcare providers, medical professionals, facility employees, facility residents and family members, and elected officials including the town mayor. This collaboration ensured that the projected would be well received by the community and a successful enterprise for many years.

As of the date of this executive summary, ESL is in the midst of a renovation to Bornemann Senior Communities. The skilled nursing facility was constructed in 1972 and 1977, and the community based residential facilities were constructed in 2002 and 2006, respectively. Certain aspects of the facility were dated and did not cater to the needs and wants of the facility's residents, so ESL has undertaken a process to upgrade the facility's physical plant and offer modern amenities. The design plan was developed by the principals of ESL after seeking advisement from interior designers, architects, medical staff and the surrounding community to ensure the changes were in the best interest of the facility's current and prospective residents and meshed well with the area surrounding the facility.

ESL plans to partner with Consolidated Construction Company ("CCC") of Appleton, Wisconsin for the design and construction of CSM 6728. CCC, a full-service construction contractor, delivers expert plan/design/build services as one of the largest hotel/multifamily firms in the Midwest, and has a dedicated senior living and

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assisted living division. CCC is an award-winning firm with two national awards for its green building practices, and will apply its expertise toward lean techniques and creating a sustainable project. CCC has been in business since 1950, and throughout its history has designed and managed projects, and employed dedicated field crews that perform concrete, precast, steel, and carpentry work for projects throughout Wisconsin and the Midwest. CCC plans to employ approximately 50 workers from the Fox Valley for this development, as well as contracting with other firms, such as suppliers and subcontractors, located in the Fox Valley. Additional information regarding CCC is attached to this executive summary.

Development Team Organizational Structure

ESL prides itself on a flat organizational structure and the hands-on involvement of the principals. For the development of CSM 6728, the principals will participate directly in and approve all aspects of the development plan and construction, including the site plans, architectural drawings, required submissions to the proper authorities and construction scope and timeframe. The principals will involve ESL staff and outside advisors as appropriate to ensure that the design elements create an internal and external environment for the residents and the surrounding community that is beneficial for all stakeholders.

Request for City Assistance

The majority of the financing will be provided by the developer. ESL requests assistance from the city in the form of tax increment financing ("TIF") based on the project's value.

Offering Price

ESL offers \$850,000 for acquisition of the site, provided a development agreement acceptable to ESL is reached with the City of Appleton and provided that a market study or studies commissioned by ESL demonstrate the feasibility of the development project in ESL's sole discretion.

Timetable for Completion of the Project

ESL anticipates breaking ground on the initial phase of the project in the second or third quarter of 2016. The construction period would last approximately 9-12 months, depending on external factors.

Estimated Value of the Completed Project

The total estimated value of the completed project, including but not limited to property acquisition, site development costs, architectural, permitting and other soft costs, construction, furnishings and other hard costs is \$11,000,000. This estimate is subject to change based on many and varied internal and external factors.

***Elite Senior Living Executive Summary and
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This proposal is respectfully submitted on October 9, 2015. We at Elite Senior Living thank the City of Appleton, the Appleton Redevelopment Authority and the Community and Economic Development Department for allowing us to propose and for considering our proposal. We are available for questions regarding our proposal at the Authority's convenience.

Jonathan J. Heraty, Member

Steven C. Tokarczyk, Member



Appleton Living Community

Appleton, Wisconsin

Project No.

Date: 10/09/15

ELITE SENIOR LIVING

Company Summary



ESL COMPANY OVERVIEW

Purpose

We exist to deliver exceptional, personalized care and services. We are about life... quality, passion, meaning and possibility... for each and every one, together.

Core Values

We commit to and put above all else:

Respect... cherishing and promoting the quality of life, for those we serve and for ourselves, through challenges, experiences and successes.

Integrity... being completely trustworthy in all we say and do.

Continuous Improvement ... always striving for the best personal experience for those we serve and for ourselves.

Collaboration... welcoming and celebrating the uniqueness and diversity of those we serve and each of our experiences to create a better future.



ESL COMPANY OVERVIEW

Our Facilities

Elite Senior Living (“ESL”) currently operates five healthcare facilities:

- Fountain View Care Center – 85-bed skilled nursing facility in Ripon, Wisconsin.
- Wolverton Glen Assisted Living – 20-bed community based residential facility in Ripon, Wisconsin.
- Bornemann Care Center – 127-bed skilled nursing facility in Green Bay, Wisconsin.
- Bornemann CBRF North – 20-bed community based residential facility in Green Bay, Wisconsin.
- Bornemann CBRF South – 20-bed community based residential facility in Green Bay, Wisconsin.



ESL COMPANY OVERVIEW

Our Strengths

While each of ESL's facilities has unique circumstances and dynamics, certain elements are common among all ESL operations:

Strong capitalization / capital structure – The principals of ESL have extensive experience in the healthcare finance industry, having underwritten over \$1 billion in financing commitments to the senior housing sector prior to launching ESL. This experience has helped ESL successfully obtain purchase leaseback financing, secured term loans and working capital lines of credit to finance the operations of its facilities. The financing has been secured from REITs, major banks and commercial finance companies, and ESL maintains strong working relationships with many other financing sources to ensure available capital for future growth.

In addition to expertise in debt financing, the principals of ESL have secured equity financing for ESL's operations, when needed, to ensure a strong capital structure. While we prefer to invest our own capital, we have also cultivated relationships with a select group of private investors whose objectives align with ESL's growth strategy, and who have expressed a strong desire to partner with us on future expansion.



ESL COMPANY OVERVIEW

Our Strengths

Strong History of Investment – ESL has a long history of reinvesting in its facilities to ensure competitive facilities that deliver state-of-the-art services to residents. The hallmark project during ESL's history was its \$19 million conversion of Forest Manor Health Care Center in Hope, New Jersey from a dated 42-bed facility to a brand new 120-bed facility. ESL provided critical direction during construction to ensure that the facility's layout provided for advanced programming and services that have made Forest Manor the premier destination for rehabilitation and long term care services in northwest New Jersey.

In addition to this progressive construction project, ESL has invested an average of \$650 per operating unit per year into its facilities, including those facilities which are leased. ESL's strategic reinvestment program has provided for improved quality of life and quality of services for its residents, with much of the investment focused on an electronic health record ("EHR") system, new types of equipment and physical plant enhancements that have a quantifiable impact on resident experiences.



ESL COMPANY OVERVIEW

Our Strengths

Tailored Approach to Operations – ESL recognizes each facility as a unique operating entity, with circumstances and dynamics that must be evaluated individually. While many operating procedures are standardized to ensure an efficient operation, understanding and addressing the factors that differentiate each facility is critical to ensuring the facility's long term success.

During its history, ESL has successfully operated facilities that are owned, leased, urban, rural, skilled nursing, assisted living, as many as 127 beds and as few as 20. ESL's success in different settings is attributable to its ability to understand, adapt to and navigate the varying challenges facing different types of facilities.



ESL COMPANY OVERVIEW

Our Investment Strategy

- ESL pursues a strategy of acquiring reasonably-priced facilities that provide the opportunity for operational enhancements; this allows for strategic reinvestment into the property, strong debt service or rent coverage, and strong investor returns.
- ESL seeks to grow in areas in the Northeast, Midwest and Mid-Atlantic United States in markets where it has established operations or where a critical mass of operations could be established within a short period of time.
- ESL seeks to grow in markets that offer the ability to add strategically integrated levels of care, such as skilled nursing and assisted living, that will provide for operational efficiencies and allow the company to deliver care based on patient needs and the demand for services.



ESL COMPANY OVERVIEW

Our People

Jon Heraty, MBA – Prior to co-founding ESL in 2007, Jon was part of several organizations which had a significant impact on his decision to launch ESL. As a regional manager for Lincare, Inc., the largest home medical equipment provider in the country, Jon experienced, firsthand, the value of providing quality healthcare services. As a senior loan and underwriting officer for GE Capital and CapitalSource, Jon was a critical part of teams that structured and managed loans to healthcare providers. In this role, Jon evaluated not only financial performance, but operational dynamics and the needs of borrowers to ensure that the company's loans were adequate to support each borrower's operations and growth, both at closing and throughout the lending relationship. By providing structured, managed credit facilities, Jon and his colleagues evolved from a lender to an important part of the healthcare delivery system. Jon's experiences laid the groundwork for him to integrate his financial expertise and desire to provide excellent health care, which led to the founding of ESL.



ESL COMPANY OVERVIEW

Our People

Steve Tokarczyk, CPA – Prior to co-founding ESL in 2007, Steve honed his financial expertise as a senior manager at Lumsden & McCormack, a major regional accounting firm, and then as a senior underwriting officer at CapitalSource, a significant national player in the healthcare lending industry. Steve's ability to evaluate a company's financial performance and predict future trends made him a critical part of CapitalSource teams that structured credit facilities for some of the largest long term care providers in the country while at CapitalSource. These same strengths have proven invaluable for ESL, as Steve can quickly identify trends and changes in performance which allows for changes in the allocation of financial resources, as well as cost savings that provide additional resources for resident care. As much as the professional experiences that led him to launch ESL, Steve's personal experience with the long term care industry was also a significant part of that decision. Steve was the primary caregiver for a loved one that entered a nursing home, and experienced long term care as a family member. This invaluable perspective played a large part in Steve's decision to found ESL, and continues to guide his decisions and vision for our future.



ESL COMPANY OVERVIEW

Our People

Joanne Riggs, RN, BSN, C-NE – Joanne Riggs joined Elite Senior Living in October 2014 as the Vice President of Continuous Quality Improvement. Joanne's 26 years of experience in senior care includes over 10 years with ElderWood Senior Care, where she was Executive Director for Continuous Quality Improvement. Joanne has a demonstrated track record of success in quality improvement systems and initiatives, including the development, tracking and reporting of rehospitalization reduction initiatives and CMS five star rating criteria. Joanne has developed ESL's Quality Assurance and Review system, which is designed to report and track key indicators across each facility's operational spectrum to ensure continuous improvement and result in improved outcomes for all residents. Joanne has been named to the advisory board for the state of Wisconsin Quality Coalition, which further demonstrates her deep expertise and experience. Joanne's experience as a floor nurse, nurse educator, nurse manager and director of nursing allows her to relate and interact effectively with all levels of staff. Joanne's career path embodies ESL's core value of continuous improvement, and makes her the perfect spokesperson and champion of ESL's continuous quality improvement system.



ESL COMPANY OVERVIEW

Our People

Dole Rugg – Dole Rugg joined ESL in January 2014 as the Vice President of Human Resources. Dole brings a wealth of experience in executive roles, both as Vice President of Human Resources/Corporate Compliance Officer for ElderWood Senior Care, an 18-facility senior care provider with over 2500 employees, and as Director of Human Resources for Hodgson Russ LLP, a prestigious law firm with over 450 attorneys and professional/support staff in six offices. As a CPA, her financial acumen complements her organizational development skills. Her experience includes over 20 years in the long term health care industry, providing leadership with integrity, developing systems and human capital for a premier provider of quality care as the businesses grew through acquisitions and facility construction and program development. Throughout her career, Dole has successfully developed strategic initiatives, formulated policies, and communicated and implemented systems for compensation, benefits, recruitment, employee relations, performance management and organizational development. Dole's expertise is a critical factor in fulfilling ESL's core value of fostering job satisfaction and continual learning among its employees.



ESL COMPANY OVERVIEW

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