Revitalize Your Community and Your Revenue

BRUCE CANNON
Vice President, Director of Business Development
LCS®
What We’ll Cover

- Planning for Future Growth
- Repositioning and/or Expansion
- Sister Community Opportunities
- Significant Attendee Participation
<table>
<thead>
<tr>
<th><strong>135</strong></th>
<th>Communities Served</th>
</tr>
</thead>
<tbody>
<tr>
<td>61</td>
<td>Not-for-profit communities under management</td>
</tr>
<tr>
<td>71</td>
<td>Privately held</td>
</tr>
<tr>
<td>49</td>
<td>LCS Non-profit Communities developed without a failure</td>
</tr>
<tr>
<td><strong>32</strong></td>
<td>States with senior living communities under management</td>
</tr>
<tr>
<td><strong>34,369</strong></td>
<td>Independent units, assisted living, memory care and skilled nursing beds</td>
</tr>
<tr>
<td><strong>23,000</strong></td>
<td>Employed by managed communities</td>
</tr>
<tr>
<td>250</td>
<td>National supplier partner contracts</td>
</tr>
<tr>
<td>550</td>
<td>LCS employees nationwide</td>
</tr>
<tr>
<td>8</td>
<td>Regional offices</td>
</tr>
<tr>
<td>18</td>
<td>Business units</td>
</tr>
</tbody>
</table>
A passion to serve.

To LCS, our core principles are the promises we make to our residents, our partners, our employees, and ourselves. They guide our actions and define our direction. And they deepen our passion for serving seniors.

We serve our customer, first and foremost. This includes caring for and respecting loved ones whom have been entrusted to our care. We understand the importance of an enriching life and cherished memories for our residents and we are diligent and preserving in making that possible.

The depth of our commitment, integrity of our word and the standards we set for ourselves are on display at Sinai Residences of Boca Raton. Life Care Services™, An LCS Company, manages this not-for-profit continuing care retirement community, working hand-in-hand with the Jewish Federation of South Palm Beach County to deliver their core philosophy to honor heritage, lifelong learning and well-being.

At LCS, we believe that when we work together, we’re all greater. We look forward to our opportunity to work with you.
OUR BIGGEST ASSETS ARE OUR PEOPLE.

We have a talented, dedicated group of professionals who truly care about residents. Every one of them conducts their work according to the principles of LCS: integrity, honesty and transparency.
Survey the Audience?
## Strategic Planning

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Response Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annually</td>
<td>32%</td>
</tr>
<tr>
<td>Every 2-3 years</td>
<td>13%</td>
</tr>
<tr>
<td>Every 4 years or more</td>
<td>29%</td>
</tr>
<tr>
<td>Never</td>
<td>26%</td>
</tr>
</tbody>
</table>
Development Plan Components

• Board Master Priorities / Strategic Planning Outcomes
• Market Highlights
  – Primary Market Demographics
  – Competition
  – Annual Market Demand by Pricing Types
• Master Site Plan
  – Phase one, two, three, etc.
  – Alternative Design Scenarios
• Regulatory
• Project Economics
  – Key Assumptions
  – Financial Metrics
Establishing targets

- Start with the end in mind – What is your long range goal?
- Evaluate current performance
  - Operating Tenants – where do we want to improve
- Establish attainable road map to the end goal
- Build detailed plan for current period
  - Initiatives and Impact
- How will performance be reported?
- Keep key metrics Top of Mind

Clarity of targets frees up owners to execute.
Why Tenants matter

• Need something to measure against
• Need to be aware of industry trends
• Identify areas of opportunity
• Identify core strengths
• Consciously identify areas of differentiation
• Targets to model when looking at “what-ifs”
Metrics that matter most

- Need to establish a small number of key metrics that are critical to your success.
  - Resident Satisfaction
  - Occupancy
  - Sales and Closings
  - Revenue
  - Net Operating Income/Margin
  - Labor
  - AR
  - Cash and Debt

Ensure visibility and accountability to these metrics.
BEING SATISFIED IS NOT ENOUGH.
WE WANT TO DELIGHT OUR CUSTOMERS.

So we ask how we’re doing.
• Resident response rates have been 85% the past several years.
• 95% of residents in LCS communities would recommend their community to a friend or relative.
Current Financial Markets
Case Study – Friendship Village Sunset Hills

- Built in 1978
- Not-for-profit Life Plan (CCRC) community
- 512 Total Units
  - 40 Cottages
  - 293 IL Apartments
  - 61 AL Units
  - 118 Bed SNF
Case Study – Friendship Village sunset hills

• Tenant Impact examples:
  – Entry Fees should increase by a minimum of 3% per year
    • Lowering the increase in entry fees by 1% in just 1 year lowers cash generated over a 10 year period by over $1M
  – Targeted Capital Expenditures should be a minimum of 80% of depreciation expense
    • Dropping Capital Expenditures to 70% of depreciation results in over $7M of deferred maintenance over a 10 year period

Multiple small variances can add up to a significant financial issue for a community.
Case Study – Friendship Village sunset hills

• Fortunately, FV Sunset Hills had been diligent about monitoring financial performance and in being strategic about the future.
  – Strong balance sheet despite deteriorating market position.

• Held a strategic planning retreat in 2006 to develop plan through 2025.

• Hired an architect to address physical plant needs.
  – Needed to do a more comprehensive, economic driven plan.

• Engaged LCS Development to coordinate Master Planning effort.
Case Study – Friendship Village Sunset Hills

• Implemented decisions to drive improved financial performance to support master plan.
• Resident buy-in much easier with comprehensive plan.
• Financing opportunities increased with improved financial performance.
Case Study – Friendship Village Sunset Hills

• Community Assessment:
  – Aging physical plant
  – Undesirable apartment mix/size
  – Lack of in-apartment amenities
  – Medical model health center
  – Outdated cottages
  – Inadequate parking, location

• Master Plan Objectives:
  – Reposition community to address market positioning
  – Improve product offering
  – Efficient use and layout of site
  – Resident centered health care design
  – Optimal phasing plan
  – Maximize financial performance
Case Study – Friendship Village Sunset Hills

• **4 Phases**
  - New dynamic front entrance to campus
  - 78 apartment homes with competitive size and amenities
  - 10 additional Villas
  - New dining venues
  - New 25K sq ft Clubhouse
An analysis of Expansion buyers vs existing apartment buyers showed a dramatic shift to a younger, more affluent consumer.

**Attrition Buyer**

- **“CONNIE RITTER”**
  - Value-Minded Widow
  - Average Age: 84
  - Median Home Value: $165,000
  - Median Annual Income: $41,000
  - Median Total Assets: $598,000
  - Primarily single / widow

**Expansion Depositor**

- **“MR. BROWN”**
  - Security-Minded Senior
  - Average Age: 76
  - Median Home Value: $285,000
  - Median Annual Income: $71,000
  - Median Total Assets: $1,345,770
  - 50% couples

- **“THE MURPHYS”**
  - Active Seniors
  - Average Age: 76
  - Median Home Value: $285,000
  - Median Annual Income: $71,000
  - Median Total Assets: $1,345,770
  - 50% couples

**VS.**
Case Study – Friendship Village sunset hills

• Improved Financial Health ensures FV Sunset Hills can continue to advance its mission for the foreseeable future.
  – Annual Change in Cash
    • $3.1MM in 2015
    • $4.5MM in 2016 – Expansion opens 78 apartments and 10 villas
    • $5.9MM in 2017
    • $7.2MM in 2018
    • $7.3MM in 2019
    • $7.6MM in 2020
Case Study – Friendship Village Sunset Hills

Before

After
Case Study – Friendship Village Sunset Hills

Before

After
http://www.senior-living-development.com/case-studies/
LCS Standard Model Fee for Service Rental
Brand Pillars / Key Goals

Quality
- Intentional design
- Staff that anticipates needs and desires
- High quality service and care delivery
- Management by Life Care Services

Freedom
- Simple rental structure
- Lock and Leave living arrangements
- Live life as you desire

Casual
- Flexible dining and service options
- Easy living in a sophisticated manner
- Guests and family feel welcome

Engaged
- Focus on life enrichment
- Resident-led, easy-going, easy-living culture
- Lifestyle and health services programming
Market Analysis

- 2,653 AIQ Hshlds (75+ / $35k)
- 1,682 AIQ Hshlds (75+ / $50k)
- Penetration Rates
  - IL (8%)  AL (6.3%)  $35k
  - IL (13.6%)  AL (10.3%)  $50k
- Unmet Memory Care Demand
- Competition high occupancy rates at all levels of care
- LCS Penetration Standards (Favorable 0-10%, Moderate 11-19%, Unfavorable 20%+)
Project Overview Statistics

• Unit Mix
  – ILU’s 120
  – ALU’s 59 (65 Beds)
  – MC 32

• 14 Acres / 205,000 Square Ft / 1-4 Stories

• 17 Month Development Period

• $44.8m Total Development Costs (All-inclusive)

• Monthly Service Fees
  – ILU $3,240 ($2,200-$4,200)
  – AL $3,573
  – MC $5,561

• 39% Operating Margin
Unit Mix-ILU’s

120 Independent Living Apartments

- (12) Alcove Apartments (450 SF)
- (26) 1BR Apartments (600 SF)
- (44) 1BR Deluxe/Supreme (650-675 SF)
- (28) 2BR Apartments (850 SF)
- (16) 2BR Deluxe Apartments (925 SF)
59 Assisted Living Units / 65 Beds
- (23) Alcove Units (350 SF)
- (30) 1BR Units (475 SF)
- (6) 2BR Companion Suites (600 SF)

2 Memory Care Neighborhoods
- (28) Private Studio Units (275 SF)
- (4) Semi-Private Studio Units (375 SF)
Key Amenities

- 2 Dining Venues
- Library
- Multi Purpose Room
- Theatre
- Arts & Crafts
- Wellness & Fitness
Their next move... will you be at the top of their list?