

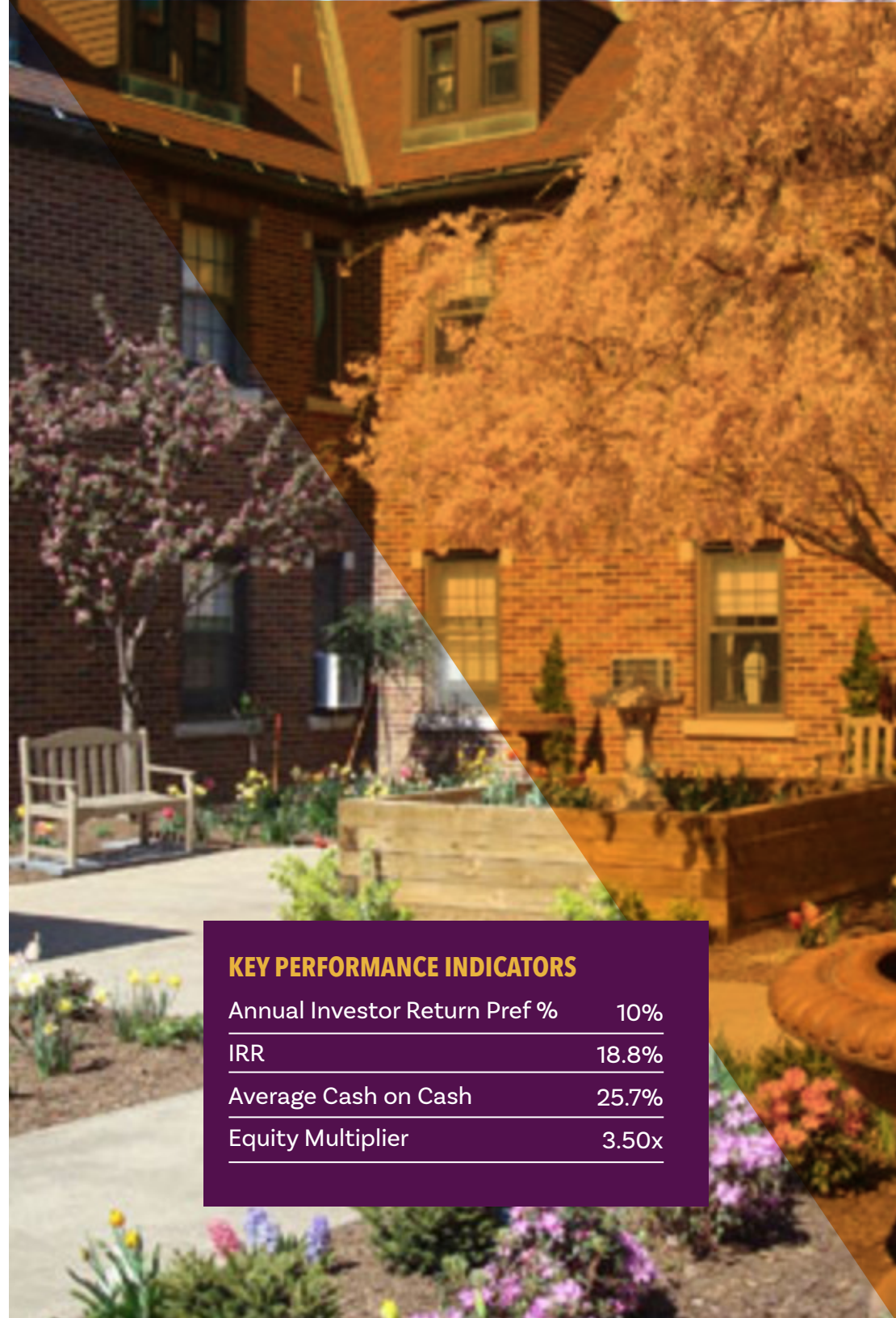


ST. MARY'S EAST

OFFERING MEMORANDUM

DEAL OVERVIEW

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KEY PERFORMANCE INDICATORS

Annual Investor Return Pref %	10%
IRR	18.8%
Average Cash on Cash	25.7%
Equity Multiplier	3.50x

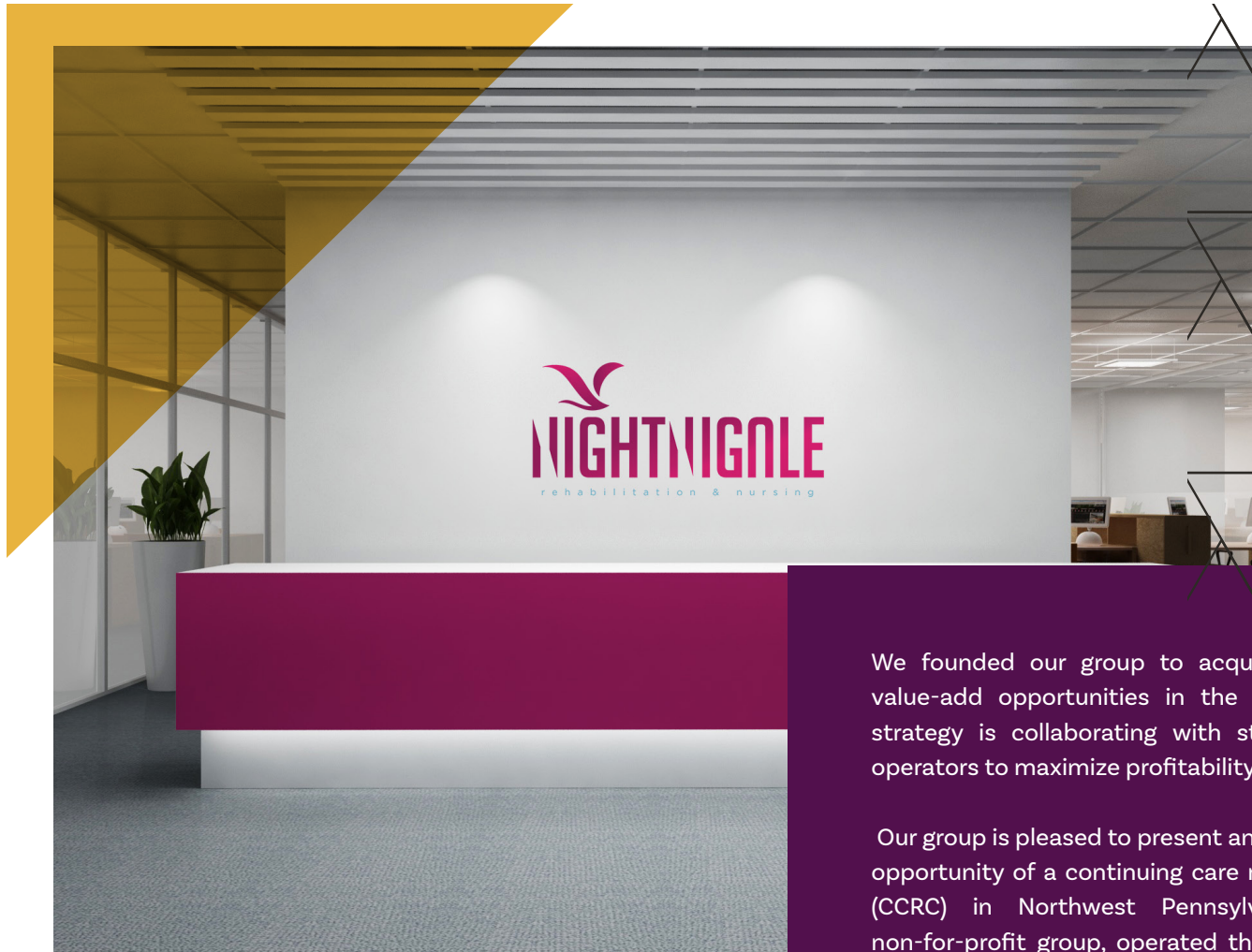
CONFIDENTIALITY

This initial offering memorandum contains certain information regarding a Continuing Care Retirement Community located in the state of Pennsylvania. By accepting this offering memorandum, the recipient agrees that it will cause its directors, officers, employees and representatives to use the information only to evaluate this specific transaction and for no other purpose. In addition, the recipient agrees not to divulge the information contained herein to any other party and shall return this information, and any subsequent release of information, upon request of the Seller. All recipients of this information are bound to the confidentiality agreement previously signed by the recipient and held on file by SLIB (Agent). It is understood that the recipient will refrain from any unauthorized on-site visits, contact with the Seller or contact with the facilities and/or employees.

The Seller reserves the right to negotiate with one or more parties at any time and to enter into a definitive agreement with respect to a transaction or to determine not to proceed with a transaction, without prior notice to the recipient. The Seller, and affiliates, shall not be legally bound to any recipient of this marketing package unless a written agreement concerning a transaction has been approved and duly executed.

The information contained in this marketing package was provided by the Seller and other public sources. This document has been prepared from sources that are believed to be reliable. The Seller and SLIB, all affiliates and their respective officers, directors, managers or employees make no representation or warranty as to the accuracy or completeness of any information.





We founded our group to acquire and capitalize on value-add opportunities in the healthcare space. Its strategy is collaborating with strategic partners and operators to maximize profitability on its portfolio.

Our group is pleased to present an attractive investment opportunity of a continuing care retirement community (CCRC) in Northwest Pennsylvania. The seller, a non-for-profit group, operated the facility for over 100 years, was unable to sustain operations under its mission. The facility had a 95%+ census on the skilled nursing portion of the business for over 20 years.

OPPORTUNITIES

1

MEDICARE RATE ENHANCEMENTS

on the market comps and the operator's other facilities, the Medicare Part A rates are approximately 20% below market. We will balance maximizing rates and census mix over the first twelve to eighteen months.

2

Based on a review of the cost reports and quality measures, Medicaid rate enhancements are clear pathways to improve CMI from a .98x to 1.2x or higher over three years. Improving CMI will increase the average Medicaid PPM rates of \$20+.

3

COST SAVINGS Through staffing adjustments over time, implementing technology, and outsourcing, we will procure contracted savings of \$50 PPD with additional upside.

4

UPSCALE ACCOMMODATIONS Through a multi-year CapEx plan, we will modernize the resident rooms to attract more skilled and private pay residents to increase the percentage of higher sourced payors to the facility.

5

PERSONAL CARE & INDEPENDENT LIVING

Hiring a building-specific marketing person will determine how we reposition the Personal Care / Independent Living beds to maximize profitability and potentially provide us a lower cap rate of HUD refinancing.

6

INCREASE IN LICENSED BEDS There is an opportunity to convert some of the resident rooms from private to semi-private by acquiring licenses from other facilities in the area that have struggled with their census. Purchasing licenses are a cost-effective method to increase Medicaid rooms revenues with only a limited increase in the facility's operating costs.

7

OTHER USES with the amount of excess building square footage on the campus, there are opportunities to add campus services to attract residents, including dialysis, on-site clinics, and rental income for otherwise unused space.

PROPERTY OVERVIEW

Saint Mary's East, located at 607 East 26th Street in Erie, PA consists of eight, two to three story buildings. The campus sits on approximately nine (9) acres of land and contains almost 240,000 square feet of building space. After construction of the original building in 1929, the campus has gone through several additions and renovations with the last project completed in 2010. The not-for-profit Type C Fee-For-Service CCRC provides Residential Living, Personal Care, Skilled Nursing, Memory Care and Adult Day Care for seniors.



KEY INVESTMENT POINTS

- The skilled portion of the community has a total of 139 beds. Building Three includes 100 beds of skilled nursing and Building Six (Gallagher Center) includes 39 beds dedicated to memory care. All beds are in private rooms except for three semi-private memory care rooms. CMS rated the campus a five (5) star facility.
- The personal care portion is licensed for 131 beds and has 91 units for residential living and personal care. However, only 29 units are included in the functional unit count moving forward since 62 units of Building One will be phased out due to the antiquated structure.
- The Seller also owns / operates a second community called Saint Mary's at Asbury Ridge 18-20 minutes away. This campus has 170 units of IL/PC and 80 nursing beds. This community is an entry fee community and not offered for sale.
- Age / income percentage of the population (those over the age of 75 with an annual income of +\$40,000) in the city of Erie is expected to increase over 31% through 2024; Erie County is expected to see an approximate 39% increase in the same sector
- This multi-acuity community features an attractive campus setting in a highly desirable submarket which would be difficult to replicate.

LOCATION OVERVIEW

MARKET OVERVIEW

Saint Mary's East is located in the city of Erie, Pennsylvania and is in the county of Erie. Situated in the northwest region of the state, Erie is approximately 120 miles north of Pittsburgh and 100 miles northeast of Cleveland, Ohio. Interstate 79 provides access to the city north and south; Interstate 90 provide access east and west. The city of Erie is home to the Presque Isle State Park, which resides on the shores of Lake Erie. Over four million people visit Erie during the summer to enjoy the attractions which include the Waldameer Amusement Park, hiking trails, and beaches on the bayfront. The area is served by Erie International Airport which is located 7.6 miles away from Saint Mary's East. Other airport locations include Pittsburgh, Cleveland, and Buffalo which are all within a three-hour drive.

MAJOR EMPLOYERS

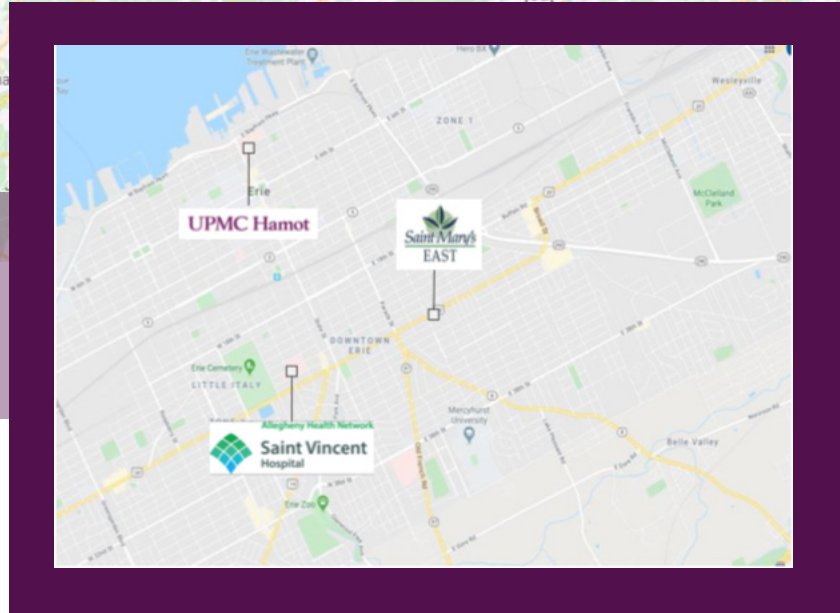
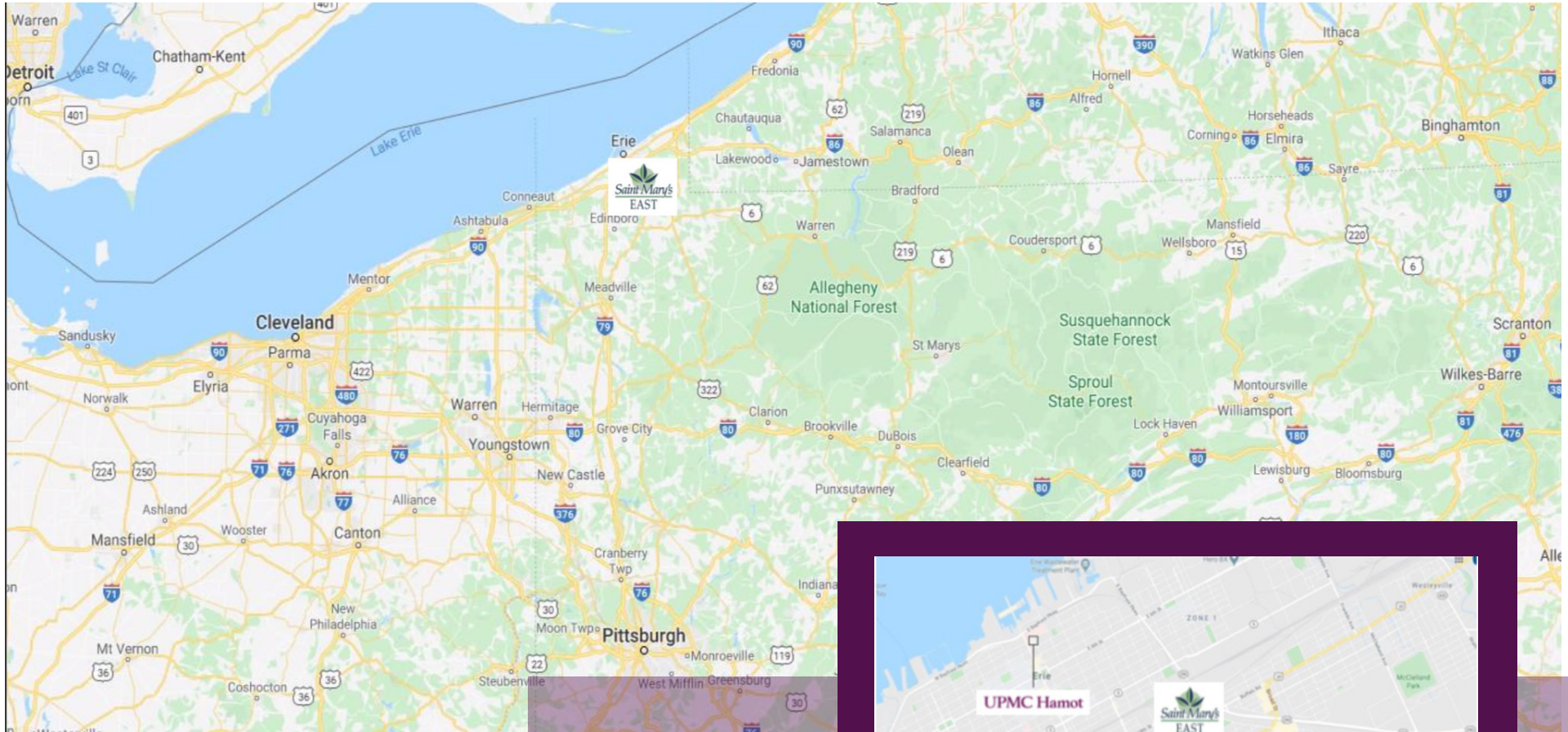
Erie Indemnity Co.
Wabtec US Rail, Inc.
UPMC Hamot
State Government
Wal-Mart Associates, Inc.

HOSPITALS

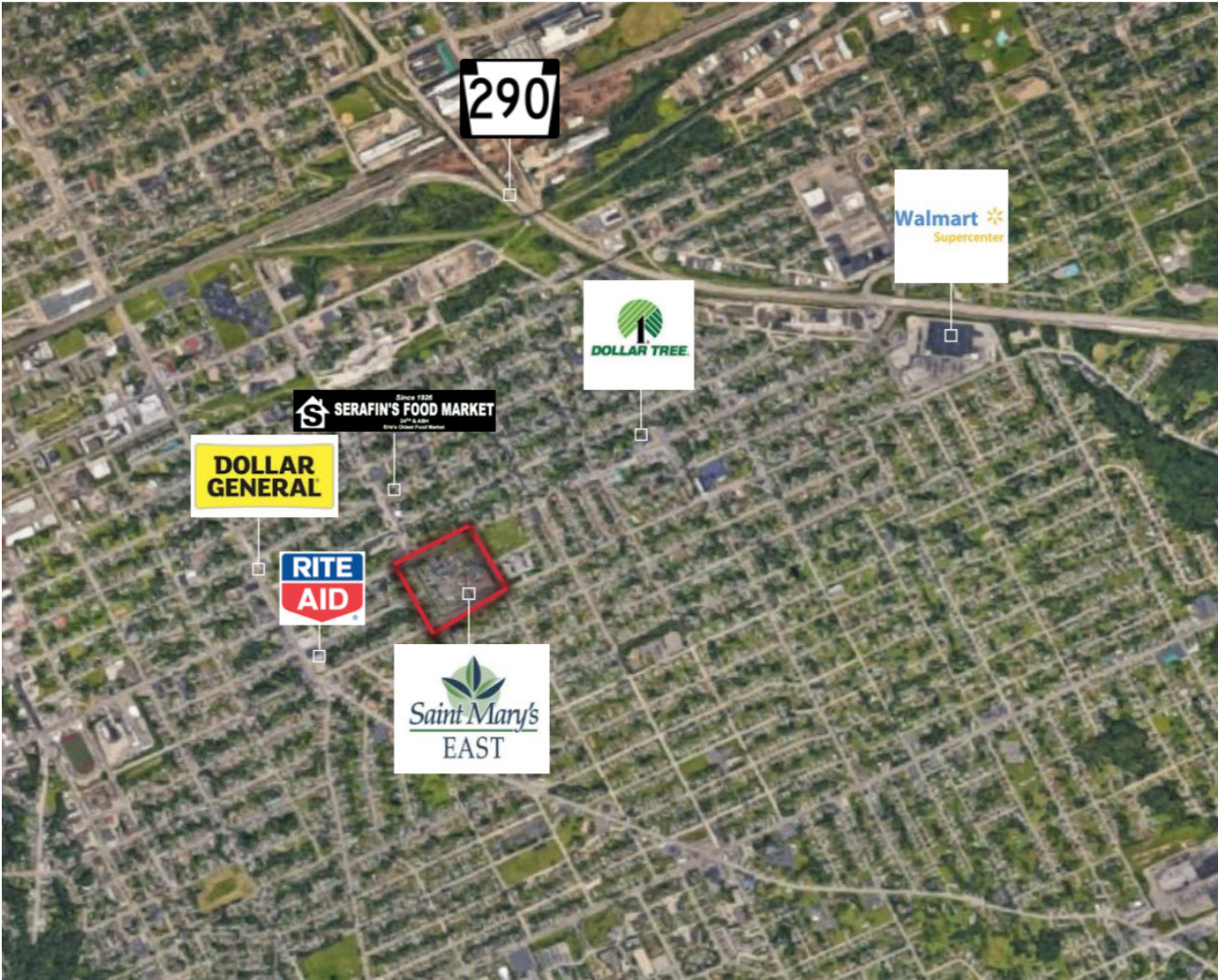
UPMC Hamot, an affiliate of the University of Pittsburgh Medical Center, located approximately three and a half miles from Saint Mary's East. UPMC Hamot is a 423-bed hospital in Erie, PA, offering a full complement of inpatient and outpatient services, and serves as a regional referral hub and Level II Trauma Center. Supported by a 300-member medical staff and nearly 3,000 dedicated employees, UPMC Hamot's mission is to serve its patients, communities, and one another in the UPMC Hamot tradition of quality, health, healing, and education.

Saint Vincent Hospital, and affiliate of Allegheny Health Network, is located within one and one-half miles of Saint Mary's East. From urgent care to cardiovascular care to neuroscience care prior to medicine, Saint Vincent features spacious patient rooms, a well-kept waiting area and more. It is one of the largest employers in the Erie region. The complex features several large buildings, including a heart attack heart care unit.

LOCATION OVERVIEW



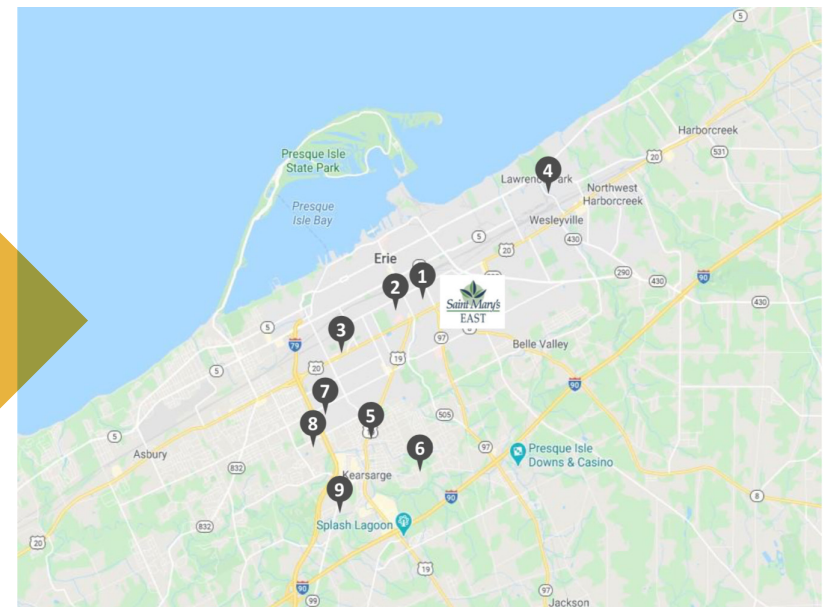
LOCATION OVERVIEW

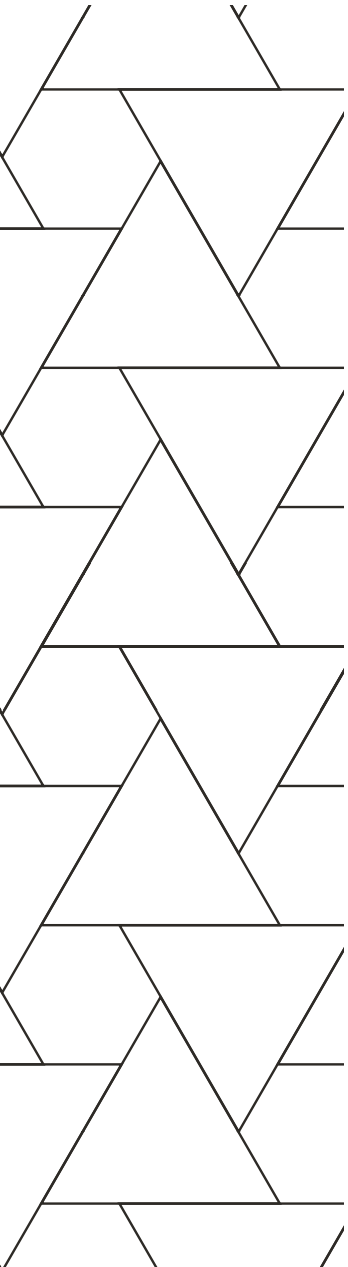


Located in Erie County, Saint Mary's East is situated on approximately nine acres in a generally residential area.

COMPETITOR OVERVIEW

#	FACILITY NAME	OPERATOR	TYPE	SNF BEDS	YEAR BUILT	DISTANCE
1	LECOM at Village Square	LECOM HEALTH	SNF	110	N/A	1.0 miles
2	Sarah Reed Senior Living	Owner- Operated	CCRC	106	1969	1.1 miles
3	Elmwood Gardens	Presbyterian Homes	SNF/AL	51	1967	2.4 miles
4	Twinbrook	Guardian Elder Care	SNF	120	1955	3.1 miles
5	Western Reserve	Guardian Elder care	SNF	133	1969	3.2 miles
6	Abington Crest	Guardian Elder Care	SNF	80	1969	3.6 miles
7	LECOM Health & Nursing	LECOM Health	SNF	141	1978	3.6 miles
8	Walnut Creek	Guardian Elder Care	SNF	115	2008	4.4 miles
9	Spring Hill Senior Living	Asbury Communities	CCRC	80	2004	4.7 miles





- 1 Building 1**
PC/Independent Living
Resident Room
- 2 Building 2**
Sunroom
Edu Center
Breakroom
- 3 Building 3**
Skilled Nursing
Therapy
Administration
Chapel
- 4 Building 4**
PC/Independent Living
Resident Rooms
Dietary/Coffee Shop
- 5 Building 5**
PC/Independent Living
Resident Rooms
HR
Adult Day Care
- 6 Building 6**
Gallagher Center
Finance
Central Supply



DETAILS

LOCATION	607 E 26th St, Erie, PA 16504
PROPERTY SIZE (SQUARE FEET)	238,292 Sq. Ft.
PARCEL ID NUMBER	18050064010100
CONSTRUCTION TYPE	Masonry Block
LAND AREA (ACRES)	8.97 Acres
NUMBER OF BUILDINGS	Eight
NUMBER OF UNITS - PC	29 Units / 58 beds <small>(units in building 1 excluded from count in terms of marketability / functional occupancy).</small> All Private Pay.
NUMBER OF BEDS - SNF	139 Beds <small>(100 SNF MC/MA and 39 ALZ Nursing)</small> 100 SNF beds dually certified. 39 ALZ beds not Medicare certified
YEAR BUILT	1924-2010
SPRINKLER SYSTEM	Full Sprinklered
WEBSITE	http://www.stmaryshome.org/
CENSUS (JUNE 2020)	Skilled Nursing 123/139: 88% Residential Living/PC 25/29: 86%
CMS STAR RATING	5-star
CMI AS OF 5/1/20 PICTURE DATE	1.07
RATES	Medicaid Rate: \$169.19 Private Pay Rate: \$435 SN, \$406-\$422 ALZ
UNION	Non-union

PAYOR MIX (SNF)

	2020 YTD (06/2020)	
PAYOR	RESIDENTS	%
PRIVATE	27	22%
MEDICAID	81	66%
MEDICARE	7	6%
OTHER / INSURANCE	8	6%
TOTAL	123	100%

ROOM MIX - SKILLED NURSING & ALZHEIMER

	ROOMS	BEDS
PRIVATE	133	133
SEMI PRIVATE	3	6
TOTAL	136	139

ROOM MIX - RESIDENTIAL LIVING / PERSONAL CARE

	UNITS	BEDS
BUILDING 1 (PHASING OUT)	62	73
BUILDING 4	22	44
BUILDING 5	7	14
TOTAL	91	131

PRIVATE ROOMS

133 of the SNF/ALZ beds are in private rooms. The physical layout should allow a buyer to maximize Quality Mix by attracting additional private pay and Medicare residents. Alternatively, if a buyer can acquire additional licensed beds, there is physical capacity to accommodate more semi-private rooms.

BUILDING 1

Building One is the oldest physical structure of the campus and has 75 units/rooms that are/were used for residential care and personal care. Only eight of those units are occupied and the Seller had not planned to remarket those units once they are vacated given the antiquated structure. However, a buyer may find the quantity of rooms useful for an alternative purpose or acuity. If a buyer wishes to use the units for residential living and personal care, the community is licensed for a total of 131 personal care beds. Only 58 of those beds have been considered part of the functional occupancy for the 29 units remaining in Buildings 4 & 5.

CAMPUS UPGRADES

A complete list of major campus upgrades may be found in the data room. Of note, Building 3 with the 100 skilled nursing beds and private rooms had a wall-to-wall renovation of existing rooms and addition to expand 2nd and 3rd floors in 2010.

COMPELLING DEMOGRAPHICS

The growth in the 75+ demographic is significant over the next several decades and really begins to accelerate as the baby boomers hit age 75 in 2021. For instance, the 75+ population in the United States is projected to grow from just over 19 million in 2012, to approximately 23.2 million by 2020, moving to 34.2 million by 2030. Our initial review of this market reveals positive growth factors within the 75+ population, with Erie County experiencing 13% growth in the 75+ age sector through 2023. Even more pronounced is the growth of the age and income qualified segment, which is expected to grow roughly 39% over the same period.

MANAGEMENT FEE

The EBITDAR generated by the property was adjusted to include a 5% management fee. At this level, the new owner/operator will realize approximately \$748,335 in management fees in the 2020 Jan - May Annualized financials. These management fees can be subordinated in the initial stages of consolidation to support the needed return.

EXCLUDED ASSETS

The name St. Mary's, Saint Mary's, Saint Mary's East and Saint Mary's Home of Erie are excluded from the sale. The community will need to be renamed. In addition, certain religious artifacts are excluded from the sale.

OFFERING SUMMARY

FACILITY BREAKDOWN

Number of Facilities	1
Total Licensed Beds	270
Price Per Bed	\$66,667



SOURCES AND USES

Mortgage A - 15% PG	15,300,000
Sponsor Equity	
Sponsor Equity	2,050,000
Equity Investment	2,910,005
Total Sources	20,260,005
Purchase Price	18,000,000
Working Capital	1,000,000
Broker Fee	360,005
Estimated Closing Costs	900,000
Total Uses	20,260,005

HUD REFINANCE: END OF YEAR 3

Sale Price	1 20,260,005
Mortgage Balance	15,300,000
Closing Costs	709,100
Capital Return	2,910,005
Net Proceeds (Sponsor Equity)	1,340,900
Investor Refinance Proceeds	
Proceeds	20,260,005
Capitalization Rate	11.0%
Min. EBITDAR Required for Valuation	2,228,601
Min. EBITDAR Required 100% Financing	2,785,751

INVESTMENT SUMMARY

RENT ANALYSIS

	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8
Annual Net Income		1,500,000	1,800,000	1,900,000	2,500,000	2,750,000	2,791,250	2,833,119	2,875,616
Annual Debt Service		(902,700)	(902,700)	(902,700)	(1,048,925)	(1,048,925)	(1,048,925)	(1,048,925)	(1,048,925)
Annual Accounting & Legal		(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)
Net Cash Flow from Operations		567,300	867,300	821,075	1,421,075	1,671,075	1,712,325	1,754,193	1,796,690
Distributable Cash ¹		267,300	507,300	587,300	1,193,802	1,421,075	1,458,575	1,496,637	1,535,271
Accrued Cash ²		300,000	360,000	233,775	227,273	250,000	253,750	257,556	261,420
Accrued Cash ²		300,000	660,000	893,775	1,121,047	1,371,047	1,371,047	1,371,047	1,371,047
Debt Service Coverage Ratio		1.63x	1.96x	1.78x	2.35x	2.59x	2.63x	2.67x	2.71x

INVESTOR - ROI ANALYSIS

Equity		40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Investor Preferred Return		496,001	496,001	496,001		-	-	-	-
Distributions in Excess of Preferred Return					477,521	568,430	583,430	598,655	614,108
Accelerated Equity Return (Cash Sweep)									
Accrued Cash Distribution ³		-					-	-	548,419
Additional Security Deposits									
Refinance/Sale		-		2,910,005	-	-	-		2,400,000
Total Distributions		496,001	496,001	3,406,006	477,521	568,430	583,430	598,655	3,562,527
Capital Balance	4,960,005	4,960,005	4,960,005	-	(477,521)	(1,045,951)	(1,629,381)	(2,228,035)	(5,790,563)
Cash on Cash Return (Original Investment)		10.0%	10.0%	68.7%	9.6%	11.5%	11.8%	12.1%	71.8%

¹Distributable Cash is all cash above a 1.25x Fixed Charge Coverage Ratio. ²Accrued Cash is the accumulation of the difference between the Net Cash Flow from Rent and the Distributable Cash minus any Accrued Cash Distributions, which is defined below.

³Once Accrued Cash exceeds 6 months of Annual Debt Service, the excess Accrued Cash shall be distributed.

INVESTOR - ROI ANALYSIS PER \$250,000 INVESTMENT

Equity		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Investor Preferred Return		25,000	25,000	25,000	-	-	-	-	-
Distributions in Excess of Preferred Return			-	-	24,069	28,651	29,407	30,174	30,953
Refinance/Sale		-		250,000	-	-	-		
Total Distributions		25,000	25,000	275,000	24,069	28,651	29,407	30,174	30,953
Cash on Cash Return (Original Investment)		10.0%	10.0%	110.0%	9.6%	11.5%	11.8%	12.1%	12.4%