



Confidential Offering Memorandum

Portfolio of 3 properties in
Chapel Hill, NC



Purchase and NN Leaseback Opportunity
High End Assisted Living Residencies

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Introduction

This Confidential Offering Memorandum (“Memorandum”) has been prepared by AACRE, LLC (“AACRE” or the “Company”).

This Memorandum is being furnished to prospective investors on a confidential basis to be used so that prospective investors may consider an investment on a first come first serve basis and may not be used for any other purpose.

Any financial forecasts contained in this Memorandum are based on a AACRE, LLC estimate of the results of operations for the forecast period. Any forecasts or representations, written or oral, which do not conform to those contained in this Memorandum, shall not be permitted. The actual results achieved during the forecast period may vary from the financial forecasts and the variations may be material.

This Memorandum contains summaries of certain documents believed to be accurate, but reference is hereby made to the actual documents, copies of which will be provided with the final offering materials or are available at the offices of AACRE, LLC. All such summaries are qualified in their entirety by this reference. Certain information contained herein has been obtained from sources deemed reliable, but no representation or warranty is made as to the accuracy of such information. Any representations other than those set forth in this Memorandum and any information other than that contained in documents furnished by AACRE, LLC, upon request must not be relied upon in connection with this offering.

Prospective investors are not to construe the contents of this Memorandum or any prior or subsequent communication from AACRE, LLC or any professional associated with this offering as legal or tax advice.

Each investor should consult his own counsel, accountant and other advisors as to legal, tax, economic and related matters concerning the investment described herein and its suitability for that investor.

Prospective investors are urged to request any additional information they may consider necessary or desirable in making an informed investment decision. Each prospective investor is invited, prior to the consummation of a purchase of any property, to ask questions of and receive answers from Milos Radojkovic of AACRE, LLC. Mr. Radojkovic may be contacted at:

Milos Radojkovic

AACRE, LLC | 702 Oberlin Rd. Suite 400 | Raleigh, NC 27605

Phone (919) 282 4000 | Fax (919) 834.4488 | milos.rad@colliers.com and mrad@aacre.com

Executive Summary

- ▶ The Concept
 - ▶ Sale leaseback - Purchase of the subject properties from LiveWell that will be simultaneously leased to LiveWell Assisted Living Inc.(LiveWell or the “Tenant”), a wholly owned subsidiary of LiveWell Care, Inc.; an established healthcare services company
- ▶ The Opportunity
 - ▶ NN commercial style lease with an experienced and proven tenant
 - ▶ Corporate guaranty
 - ▶ High yield investment: cash flows
 - ▶ Superior liquidity of underlying asset: single family and townhome residential market
- ▶ The Potential
 - ▶ Exposure to ever growing assisted living - memory care sector
 - ▶ Extremely competitive CAP rate

Lease agreement summary

CAP Rate	9.1%
Year 1 NOI (based on \$1,965,000 sales price)	\$ 178,815.00
Initial Lease Term in years	5
Yearly rent bumps for Initial Term	3%
Number of Lease renewal options	2
Each Lease renewal options length	5
Notice period to exercise renewal option	min. 180 days prior to expiration of term
Yearly rent bumps for Extension Terms	3% annually unless Prime Rate exceeds 6%, then market rate
Initial Security deposit	1 month rent
Operating Expenses (see below for listed items) as per art. 2.4, paid by:	
Sewer/Septic	Tenant
Water	Tenant
Electric	Tenant
Gas (if available)	Tenant
Telephone	Tenant
HVAC (maintenance/service contract), repairs up to \$1000 per incident	Tenant
Security System (if available)	Tenant

Lease agreement summary (continued)

Fiber Optic (if available)	Tenant
Janitor/Cleaning	Tenant
Trash/Dumpster	Tenant
Landscaping maintenance	Tenant
Sprinkler System (if available)	Tenant
Termite and Pest Control	Tenant
Snow and Ice removal	Tenant
Maintenance Interior and Exterior of the buildings	Tenant
HOA Dues	Tenant
HOA special assessments	Tenant
Roof, foundation and HVAC replacement	Landlord
Landlord Real Estate Property Insurance premiums	Tenant (not included in base rent)
Increase in Landlord Insurance premiums	Tenant
Real Property Taxes	Tenant (not included in base rent)
Increase in Real Property Taxes	Tenant
Right Of First Offer for Lease extension	Tenant has 10 business days to respond
Right Of First Offer for Lease extension (renewal)	If property goes back on the market to be leased out
Purchase option	During initial term; sales price: appraised value +10%, subject to a floor value equal to original cost of acquisition cost +10%
Purchase option subject to	Landlord's obligation to honor Tenant's purchase option will be waived if Landlord gets under contract to sell the whole portfolio of LiveWell occupied properties

Recommended Portfolio Purchase Offer Summary

	4/13/2018
Portfolio Asking Price	\$ 1,965,000.00
Due Diligence Fee	\$ 3,000.00
Initial Earnest Money Deposit	\$ 50,000.00
Due diligence period	5/7/2018
DD number of days	24
Closing Date	5/20/2018
Closing in number of days	37
Personal Property to convey with all properties	Fridge, washer, dryer
Seller paying buyer's expenses	\$ -
Home Warranty	\$ -
Other terms	
<p>NOTES: <i>It is further understood that until an offer has been accepted, the seller is free to consider and may accept any other offers to purchase presented that contain terms and conditions satisfactory to him/her in his/her sole discretion.</i></p>	

6720 Pauline Dr, Chapel Hill, NC 27514

Property Sheet

Property and Lease info:	
SF Above Ground Finished space main House	5938
SF Above Ground Finished space above garage in-law suite	881
SF Above Ground 3 car garage	881
SF Above Ground Finished space - Racquetball court	933
SF Above Ground Sunroom style swimming pool	1312
SF Full size Basketball court	3706
<i>Note: square footage not professionally measured</i>	<i>Please measure if important</i>
Acres	3.45
Year Built	1978
Recent Updates (total approx. \$220k)	Sprinkler System \$125k Renovations \$45k Generator, HVAC, Septic & Equipment \$40k Painting/general repairs \$10k

6720 Pauline Dr, Chapel Hill, NC 27514

Financial Proforma

Weighed Purchase Price	\$	950,000.00
CAP		9.10%
NOI Year 1	\$	86,450.00
NOI Year 2	\$	89,043.50
NOI Year 3	\$	91,714.81
NOI Year 4	\$	94,466.25
NOI Year 5	\$	97,300.24

6720 Pauline Dr, Chapel Hill, NC 27514

Photos *(prior to LiveWell occupancy)*



11472 Club Dr, Chapel Hill, NC 27517

Property Sheet

Property and Lease info:	
SF Above Ground Finished space	3046
Walking distance to <i>Gouverner's Club</i> Country Club	
<i>Note: square footage not professionally measured</i>	<i>Please measure if important</i>
Acres	0.271
Year Built	1991
Recent Updates (total approx. \$110k)	Sprinkler System \$45k Bathroom renovations \$35k HVAC & Equipment \$15k General renovations \$15k

11472 Club Dr, Chapel Hill, NC 27517

Financial Proforma

Weighed Purchase Price	\$	465,000.00
CAP		9.10%
NOI Year 1	\$	42,315.00
NOI Year 2	\$	43,584.45
NOI Year 3	\$	44,891.98
NOI Year 4	\$	46,238.74
NOI Year 5	\$	47,625.91

11472 Club Dr, Chapel Hill, NC 27517

Photos *(prior to LiveWell occupancy)*



11476 Club Dr, Chapel Hill, NC 27517

Property Sheet

Property and Lease info:	
SF Above Ground Finished space	2924
SF Below Ground Finished space	2894
Walking distance to Gouverner's Club Country Club	
<i>Note: square footage not professionally measured</i>	<i>Please measure if important</i>
Acres	0.205
Year Built	1995
Recent Updates (total approx. \$122k)	Sprinkler System \$50k Bathroom renovations \$35k HVAC & Equipment \$17k General renovations \$20k

11476 Club Dr, Chapel Hill, NC 27517

Financial Proforma

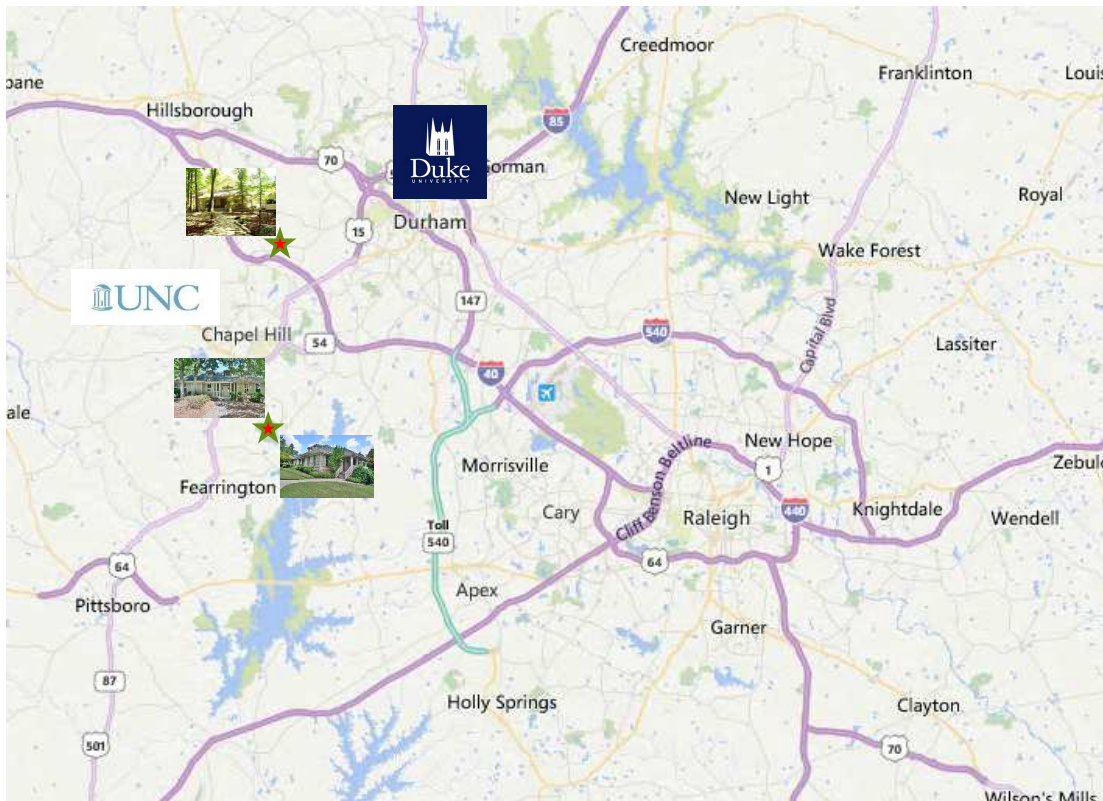
Weighed Purchase Price	\$	550,000.00
CAP		9.10%
NOI Year 1	\$	50,050.00
NOI Year 2	\$	51,551.50
NOI Year 3	\$	53,098.05
NOI Year 4	\$	54,690.99
NOI Year 5	\$	56,331.72

11476 Club Dr, Chapel Hill, NC 27517

Photos *(prior to LiveWell occupancy)*



Locations



- ▶ Subject properties are located in proximity to Duke University, UNC Chapel Hill, Duke and UNC hospital centers, with convenient access to major thoroughfares such as I-40, I-85, 15-501 creating a major resident attraction and retention pool.
- ▶ Club Dr properties are located in Governors Club gated golf community

Assisted Living - Memory Care Market

▶ North Carolina Projections

- ▶ By year 2025 there will be 210,000 people aged 65 and older affected by Alzheimer's
 - ▶ https://www.alz.org/documents_custom/facts_2016/statesheet_north_carolina.pdf
 - ▶ <http://alz.org/facts/>
- ▶ By 2025 that will represent a 31.3% increase since 2016
- ▶ LiveWell projects that 5% (approx. 10,500 people) will be able to afford high end personalized and low staff to resident ratio memory care in SFR (single family residence)
- ▶ With maximum 6 residents per SFR, this segment of the market will be in need of approx. 1,750 SFR in North Carolina alone.
- ▶ More on Alzheimer's disease: http://alz.org/documents_custom/2017-facts-and-figures.pdf

Assisted Living - Memory Care Regulations

- ▶ Official classification for this type of group homes:
 - ▶ **Assisted Living Property** *(designation endorsed by the following organizations: American Association of Homes & Services for the Aging (AAHSA); American Health Care Association (AHCA); American Seniors Housing Association (ASHA); Assisted Living Federation of America (ALFA); National Center for Assisted Living (NCAL); and the National Investment Center for the Seniors Housing & Care Industry, Inc. (NIC).)*
- ▶ Zoning permitted for this type of group home:
 - ▶ Residential
- ▶ Federal:
 - ▶ HOPA 1995 Act. <https://www.hud.gov/offices/fheo/library/hopa95.pdf>
 - ▶ <https://www.gpo.gov/fdsys/pkg/PLAW-104publ76/html/PLAW-104publ76.htm>
- ▶ State:
 - ▶ <http://reports.oah.state.nc.us/searchRules.asp?title=%2Fncac%2Ftitle+10a+-+health+and+human+services&chapter=%2Fncac%2Ftitle+10a+-+health+and+human+services%2Fchapter+13+-+nc+medical+care+commission&searchCriteria=13g&returnType=Rule>

About Tenant

- ▶ LiveWell Care, Inc. is a healthcare services company which specializes in the provision of elder care services and the management of healthcare providers. LiveWell Care, Inc. is headquartered in Los Angeles, California and was founded in 2000.
- ▶ With a 100 years of combined management expertise, LiveWell Care's core management team has provided service to hundreds of healthcare institutions (hospitals, clinics, care homes, rehab centers, nursing homes, doctors offices) and employment to thousands of health care professionals.
- ▶ LiveWell Care's 3 operating divisions:
 - ▶ ATC-West - Healthcare Recruitments and Staffing
 - ▶ LiveWell Assisted Living - Elder Care and Assisted Living
 - ▶ LiveWell Home Care - In-Home Care Services
- ▶ LiveWell's care philosophy embraces aging as a unique and precious opportunity in one's life for discovery, growth and restorative activities, not a time for idleness, decline and despair. LiveWell's custom designed care programs build on the unique moments of each individual's daily life from which they foster an environment where each day is filled with encouragement, achievement and well-being.
- ▶ More on LiveWell Team:
 - ▶ <http://www.livewellcares.com/team.html>



LiveWell SWOT analysis

▶ Strengths:

- ▶ Resident's quality of life and independence
- ▶ Established and smoothly functioning operations
- ▶ Everyone wants to stay at home (this is especially what children want for their parents)
- ▶ LiveWell does not force a move towards diaper use for their residents and tries to preserve their independence as much as possible
- ▶ Spouses, siblings and cousins are welcomed to become residents (usually occupying master bedrooms, two bed rooms)

▶ Weaknesses:

- ▶ Difficulty to find single family residences that fit LiveWell and regulators criteria
- ▶ Economic breakeven point is with 4th resident

LiveWell SWOT analysis (continued)

▶ Opportunities:

- ▶ Booming baby boomer population needing this type of care (see Assisted Living - Memory Care market projections page 12.)
- ▶ Much cheaper than 24h care at patient's home (can cost \$15k-\$18k/month)

▶ Threats:

- ▶ Possible change in regulations by sector regulators: Federal, State and Local
- ▶ Breakthrough in development of medications and treatments for memory loss patients
- ▶ Competition - Assisted living domain is intensely competitive with respect to price. In addition, there are many well-established assisted living competitors (in other segments of assisted living market) with substantially greater financial and other resources than the Company and with longer proven operating histories. *See list of some local 6+ residents competitors and their pricing.*

LiveWell Business model

► Pricing:

- Care fee 1 bedroom with 1 bed - (1 resident min. 120SF) approximately \$7,500/month/bedroom
- Care fee 1 master bedroom with 2 beds (2 residents min. 160SF) - approximately \$8,500-\$12,000/month/bedroom
- Plus Community fee for each resident
- Other services available “a la carte”: lessons, transport, events, excursions, etc...
- Resident continues to pay even if they are hospitalized. 30 day termination notice required
- LiveWell is a private pay only service provider (no Medicaid or Medicare reimbursements)

LiveWell Business model (continued)

▶ Finances:

- ▶ Average net yearly income from fully occupied residence (6 Residents): \$100k-\$120k
- ▶ P/L, Forecast, Credit and Background checks are satisfactory *(available for review with signature of Confidentiality Agreement)*
- ▶ Lease Guaranteed by two entities: LiveWell Assisted Living, Inc. and Live Well North Carolina Income Fund, LLC.

▶ Marketing:

- ▶ Referral sources and networks
- ▶ To CCRC (Continuing Care Retirement Community), residents age 75+ go to LiveWell, 1/3 of residents are coming from this source
- ▶ Residents coming from retirement communities (like Governor's Club with over 900 homes).
- ▶ Key words online, SEO, Online exposure, etc.
- ▶ Publications: " Living with Dementia in NC" by Dorika Beckett (available via virtual deal room)

LiveWell Business model (continued)

▶ Other:

- ▶ Average length of stay per resident? 1.4 - 3 years
- ▶ When does a resident lose his/her spot in one of the homes?
 - ▶ End of life (different from competitors)
 - ▶ Family decision
 - ▶ When community fee is not paid
- ▶ Any animals allowed? Yes, however all residents have to agree, therefore highly unlikely
- ▶ LiveWell currently has a waiting list with new residents
- ▶ LiveWell currently operates 6 homes in the Triangle region *(two Governor Club properties will be coming online mid April 2018 after final touchups and staging are finished)*

LiveWell property criteria

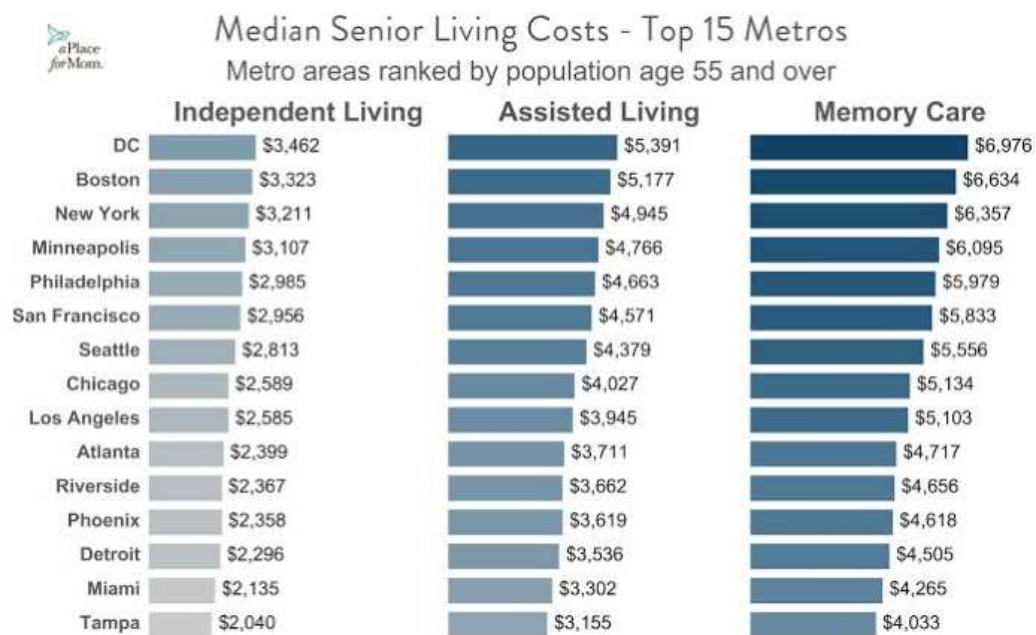
- ▶ Single level residential properties (no steps between rooms)
- ▶ Min. 3 baths and 2,700SF+
- ▶ Min. 3 common areas (ex. living room, dining room, family room, etc..)
- ▶ Ample parking space on the driveway (at least 4-5 cars)
- ▶ Locations: Wake, Orange, Durham and Chatham
- ▶ Max. 10-15min. drive to shops (no remote locations)
- ▶ Min. 1000ft from nearest assisted living home or already existing LiveWell home
- ▶ Calm neighborhoods, away from noisy roads
- ▶ Upscale neighborhoods
- ▶ Place for two wheelchair ramps (preferably not in front of the home)

LiveWell Competition

- ▶ In the same segment of SFR with up to 6 patients per residence (assisted living/memory care):
 - ▶ CRC Health
 - ▶ Competition extremely limited in this area and in this segment of service at this level of organization. Barely existent.

LiveWell Competition (continued)

- ▶ Please see Memory care column (Big Box operators):



LiveWell Competition in Triangle

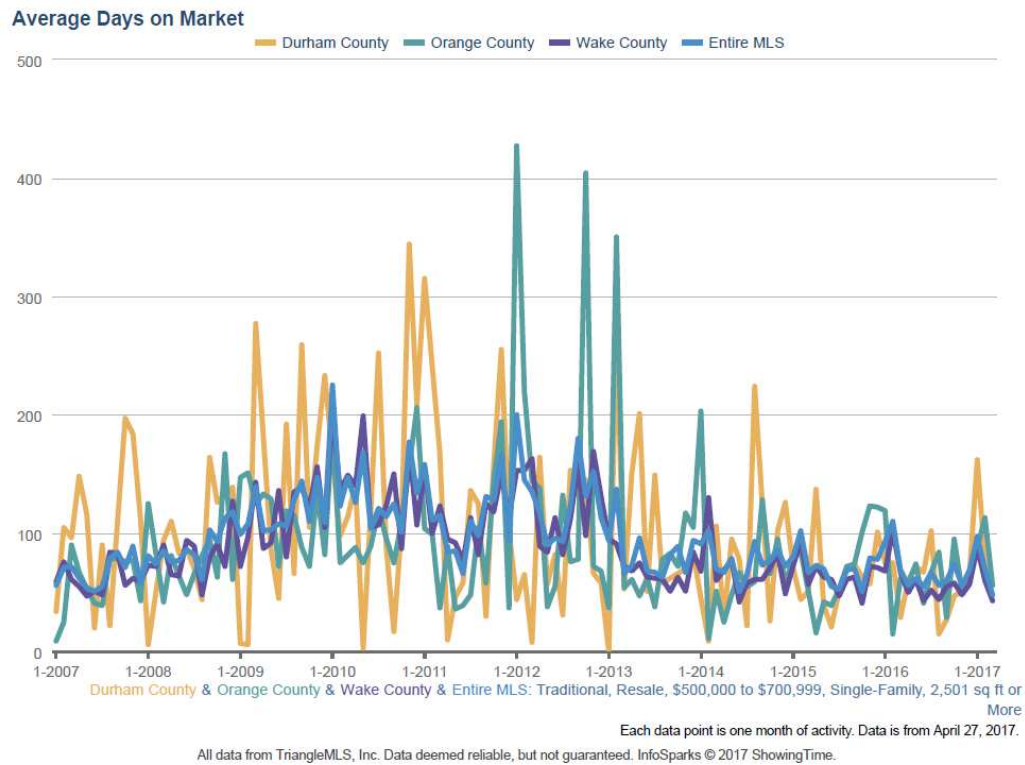
(other types of residencies and much larger scale, numbers from 2017)

▶ **Larger memory care (multifamily style operators):**

- ▶ Brookdale Durham - Durham, NC - Alzheimer care - studio \$6500-\$8500
- ▶ Brookdale Meadowmont - Chapel Hill, NC
- ▶ Sunrise of Cary
- ▶ Sunrise Brighton Gardens of Raleigh
- ▶ Sunrise of Raleigh
- ▶ Sunrise at North Hills

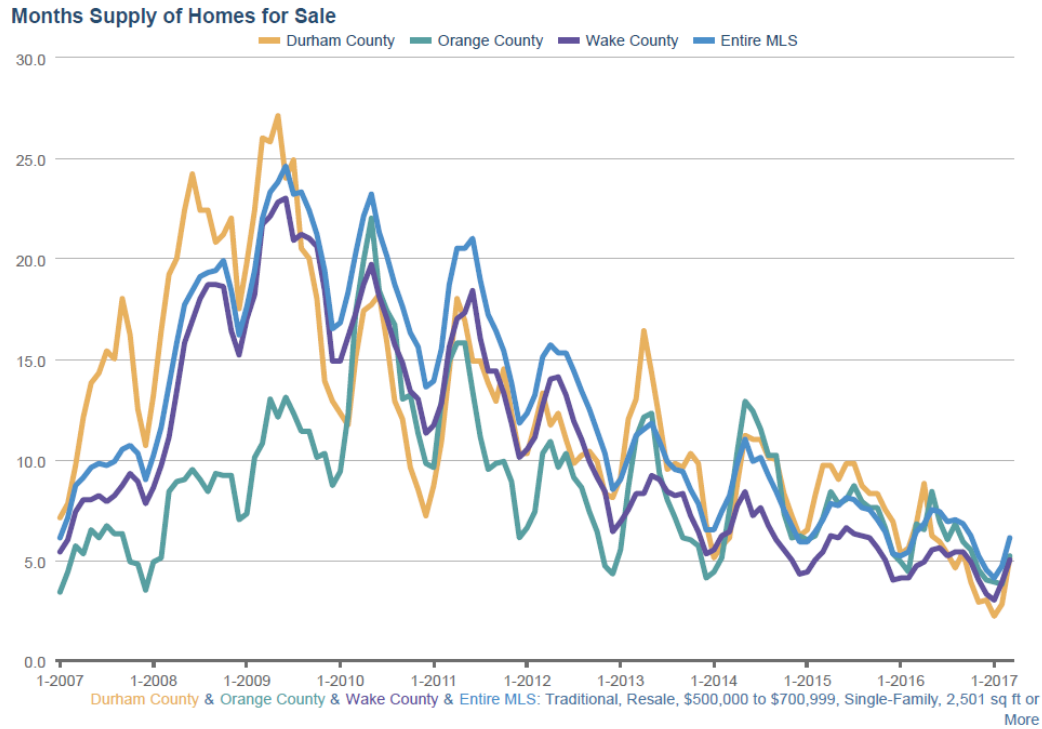
Triangle residential market stats for \$500k - \$700k, resale, SFR, 2500+SF period 2007-2017

Source: Infospark + MLS



Triangle residential market stats for \$500k - \$700k, resale, SFR, 2500+SF period 2007-2017

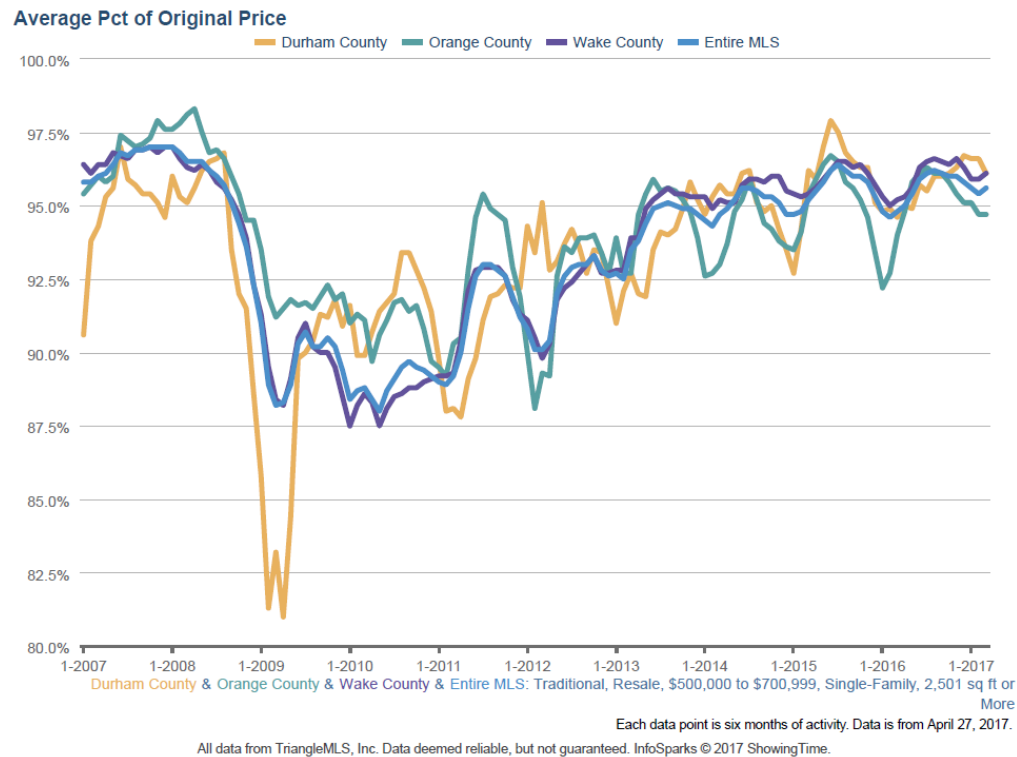
Source: Infospark + MLS



All data from TriangleMLS, Inc. Data deemed reliable, but not guaranteed. InfoSparks © 2017 ShowingTime.

Triangle residential market stats for \$500k - \$700k, resale, SFR, 2500+SF period 2007-2017

more stats available at: <https://www.dropbox.com/sh/mghrbhbaml1xa4h/AAC0wykZRsfmKFoXterf2mJEa?dl=0>



Risk Factors

In analyzing this offering, prospective investors should consider carefully the following factors which, individually or cumulatively, could result in a reduction in their expected return or loss of all or a portion of their entire investment. This is a non exhaustive list:

- ▶ **Property Related Risks**
 - ▶ Unforeseen maintenance issues and tenant's use of premises could deteriorate projected income and therefore planned ROI for this investment.
- ▶ **Tenant**
 - ▶ The success of Tenant's operation is dependent on the management team associated with the LiveWell, and the loss of any one of them could adversely affect results of operations. LiveWell have exclusive and complete discretion to manage the business and operations. The Tenant's success will be highly dependent on the effects and ability of LiveWell and their affiliates.
- ▶ **Market risk**
 - ▶ In case of disposition of subject property, investor is subject to fluctuations of residential market and its conditions in subject price range.
- ▶ **Tax Risk**
 - ▶ There are tax risks associated with the acquisition, holding and disposition of subject property. Therefore, prospective investor is urged to consult their own tax advisors with regard to the federal (as well as state and local) income tax consequences involved, with specific reference to the particular facts of their individual tax situations. Moreover, any future changes in the tax laws and interpretations thereof (which may be given retroactive effect) could adversely affect the tax consequences of an investment in the subject property.
- ▶ **No Independent Counsel**
 - ▶ No independent counsel has been retained to represent the interests of the Investor. The Lease Agreement and all other documents related thereto have not been reviewed by any attorney on behalf of the Investor. Investor is, therefore, urged to consult their own counsel at their own expense as to the terms and provisions of the proposed Lease Agreement and in all other documents related thereto.

Terms and Conditions

- ▶ **First come, first serve** - only respondents via email providing the following items will be shortlisted for second round of call for offers for this portfolio
 - ▶ Copy of ID if individual or copy of articles of organization if company
 - ▶ Copy of most recent bank statement showing available and sufficient acquisition funds
 - ▶ Funds must be available 20 days before scheduled closing and in checking account
- ▶ Please respond **only** via email to milos.rad@colliers.com and mrاد@aacre.com
- ▶ Tenant's Financials, Credit and Background check available after full execution of CA.
 - ▶ CA link: <https://www.dropbox.com/s/29p6rvvrhqa4pff/LW%20CA.pdf?dl=0>

Terms and Conditions

- ▶ Colliers International is exclusively representing the Seller only.
- ▶ Buyer's agents are welcome but no compensation is offered to buyer's agent (in case buyer is represented by one) for this particular deal
- ▶ Portfolio properties can be and are recommended to be viewed right after fully executed Offer to Purchase.
- ▶ In case of multiple offer situation, there will be a call for the highest and best offer communicated via email to all interested parties.
- ▶ Lease agreement between Live Well and buyer (future landlord) will be executed simultaneously with sale documents at the time of the closing.

Terms and Conditions

- ▶ Elected buyer expressly agrees that in the case he/she backs out of contract to purchase the LiveWell portfolio, the buyer will deliver all produced documents regarding the portfolio, including, but not limited to, any home inspections, surveys, well and septic inspections, etc, at no additional cost to the next buyer brought in by AACRE, LLC to take his place.
- ▶ *Please make sure you **fully** understand all the terms and conditions of this engagement prior to deciding to place your candidature for acquisition of subject portfolio.*

Additional Investor services

- ▶ Property management is available with Colliers International to investors for additional fee
 - ▶ 10% management fee
 - ▶ Hourly rate (a la carte) for maintenance services, eviction services, etc.

Deal brought to you by AACRE Properties, LLC



AACRE Properties, LLC is a commercial property acquisition and development entity. Since 1987, Colliers International Raleigh-Durham, formerly Anthony & Company Commercial Real Estate, has engaged in the management, leasing, acquisition, disposition, and development of commercial office buildings, retail centers, medical office buildings, industrial parks, mixed-use centers, student housing, and commercial land.

James I Anthony Jr. President & CEO

- ▶ Jim Anthony, serves as CEO of Colliers International Raleigh-Durham-Eastern North Carolina. Prior to founding Anthony & Company in 1987, Jim served as a consultant with Grubb & Ellis Company in Los Angeles, California, from 1979 to 1983. In 1983, Jim relocated to Raleigh, as Director of Leasing and Management for Carolantic Realty. Over the years, project offices have been operated in Myrtle Beach, South Carolina, Atlanta, Georgia, Niagara Falls, New York, Durham and Burlington, North Carolina, with corporate headquarters in Raleigh, North Carolina.

FAQs

- ▶ Q: Are there any complaints by neighbors and HOAs for existing LiveWell homes?
 - ▶ A: HOAs have complained about the presence of group homes in the areas they govern. As per LiveWell, their status, presence and conformity is protected by Federal Law.
 - ▶ A: Wheelchair ramps in the front of property. LiveWell is taking every effort to make ramps invisible from the street by placing them inside of the garage or behind the home.
- ▶ Q: Does LiveWell needs to follow any of NC state regulatory guidelines when it comes to the property they will occupy?
 - ▶ A: Yes.
 - ▶ Min. of 2 wheelchair ramps per property.
 - ▶ Full sprinkler system.
 - ▶ Min. 32” clearance for doors and 36” for hallways.