

GRACE MANAGEMENT, INC.

TURN-AROUND EXPERIENCE

Grace Management, Inc. has been responsible for turning around a number of under-performing properties. A sampling of these turn-around experiences is reflected below:

The FDIC foreclosed on a senior community in Houston, Texas, and asked Grace Management to manage the property. At that time, the property was 50 percent occupied, in turmoil as well as in financial default. Grace Management brought stability to the property, and, in two years, was able to raise occupancy to 95 percent. The property began cash flowing, and it is estimated that Grace Management's efforts added over \$3 million to the value and sale price of this property.

Grace Management took over a senior community in Cleveland, Ohio, just a few months after it had defaulted on its mortgage payments. At that time the building was 70 percent occupied and had an outstanding accounts payable debt of over \$75,000. Within one year, Grace Management eliminated all outstanding payables, reduced ongoing operational expenses by approximately 22 percent, and began making the first regular payments to HUD. By the end of the year, occupancy was up to 80 percent, despite the loss of almost 15 percent of the original residents who were not appropriate residents for an independent community. This property sold for nearly \$2 million more than HUD had appraised it for. Grace Management was credited by HUD officials for the property's increased value.

A portfolio of four privately held multi-family apartment complexes and three office buildings was under-performing. Grace Management successfully instituted professional operating procedures and increased revenues by 51 percent the first year and another 10 percent the following year (while expending over \$200,000 in property improvements). Each year thereafter the bottom line has improved substantially. An increase in property valued over our ten-year period of management is estimated at 18 million dollars.

A 209-unit condominium association in Atlanta, Georgia, was foreclosed-upon, and MONY, the mortgage holder, selected Grace Management to turn it around. This condominium community had sustained considerable damage to its reputation over the previous three years and was only 20% sold out. Within six months and with the infusion of \$300,000 in much needed improvements along with the implementation of a solid management and marketing plan, the image had been successfully restored. All units were sold in less than three years. We continue to operate this property after ten years.

Grace Management, Inc. was selected to convert a 200-unit multi-family building in Atlanta, Georgia to a full-service senior community. The conversion process took place during the 1996 Summer Olympics slowing the progress. Nonetheless, the building was converted from a multi-family property at 80 percent occupancy to a senior's specific property with 95 percent occupancy (at 230 percent of original revenues) in three years.

Grace Management, Inc. was designated a court appointed receiver on an 89 unit senior community in Medford, Oregon. Grace Management, Inc. officials testified as expert witnesses in hearings leading up to the receivership. Significant problems with proper licensing and insurance were the immediate concerns. The property was stabilized within three months and successfully sold to others at the foreclosure sale several months later. Lenders credited Grace Management, Inc. with a quick sale and the ability to recover outstanding loan obligations and advances made to the property during our receivership.

Grace Management, Inc. assumed management at foreclosure of a very challenging senior assisted living property in Lubbock, Texas. This property is located in a questionable area of downtown Lubbock. We repositioned the property, working with outside healthcare agencies to minimize the insurance risks and costs. A Grace official represented the lender/owner at city planning hearings on long outstanding fire and life safety issues never resolved. A plan of action was instituted to permit the eventual sale of the property to others.

Grace Management, Inc. assumed responsibility on New Year's Day for a large urban senior independent and assisted living property in Silver Springs, Maryland. This property had been poorly managed for years. An immediate reduction in staffing occurred within 60 days with programs instituted to ensure professional financial and operational management of the asset. A building renovation program that involved over three million dollars to remodel and update the property was coordinated by on site Grace Management, Inc. representatives as a part of our repositioning efforts.

Grace Management, Inc. took responsibility for a group of small CBRF (Community Based Residential Facilities) homes scattered throughout Wisconsin. We were given two days notice to assume control of the properties after an unsuccessful loan restructuring. The properties were repositioned with a name change. Grace Management instituted building modifications and code upgrades, negotiated county contracts to improve occupancy and re-positioned the portfolio to successful sale. It was an extremely challenging and time-consuming assignment that others declined to undertake. We worked with the new buyers to assist with licensing and insurance issues during the transition.

More recently, Grace Management, Inc. was selected by a large investment group in March 2005 to oversee the operations of an assisted living management company and its nine properties. This is a portfolio of properties located in North and South Carolina and Texas with corporate offices in Charlotte, North Carolina. The estimated value of the organization is approximately \$75 million. Grace Management, Inc.'s responsibility is to increase operational efficiencies and overall value of the portfolio.

We are court appointed receiver's on a portfolio of properties now lender owned in Grand Rapids, Michigan. The special servicer is Criimi Mae. Grace Management, Inc. coordinated licensing standards, operational and communications efficiencies and is currently working to sale the portfolio to others.

Criimi Mae also hired Grace Management, Inc. to assume receivership of a 153-unit independent senior property in Detroit. Grace Management, Inc. took responsibility for almost \$1.0 million in deferred maintenance and property improvements to position the property for sale.

Grace Management, Inc. was selected by GMACCM and Allied Capital (now called CW Capital) to assume responsibility for a 151-unit independent and licensed assisted living senior community in Denver, Colorado. Extensive property improvements were completed with an increase in occupancy to eventually position the property for sale.

Grace Management has also been involved in numerous third-party reviews of under-performing properties including independent living, Alzheimer and assisted living properties. These assignments include both not-for-profit and for-profit operating entities. It is estimated that Grace Management, Inc. has been involved in over 60 turnaround senior communities in at least 25 states. These assignments range from several months to over ten year assignments. A complete listing of states and properties is available upon request.

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