

Resident Director: A Tale of Fantasy

Once upon a time, in a CCRC faraway, there dwelt a community of docile residents, content in their lives. They were creative in arts. Some women formed a tapestry sewing group. The men gathered for discussion or worked in the woodshop. All was well at Resteasy Village.

As was the custom at Resteasy, the Executive Director addressed the residents once a month. It was called Boss Day and the residents were free to ask questions as long as they weren't too pointed. Resteasy Village was a CCRC like most. Local businesspeople – developers, builders, financial advisers, and even a nurse – filled the Board. Nary a resident among them. That, too, was custom.

Sam Veltheim was a resident. At age 74, he fit in well with the other residents. He, too, enjoyed relaxing and reading. Sam was a leader in the men's discussions. He was respected. But Sam was different. Sam was one of the few residents at Resteasy Village who still worked fulltime. Sam, himself, was Executive Director of the nearby Sunny Acres Rest Home. Sunny Acres was much like Resteasy, though, it specialized in respite care, hospice, and care for those who would never again be able to help themselves.

As our story opens, Boss Day took on a new meaning. Instead of the usual conversations about move ins and repair projects, the Executive Director had an announcement. She had decided to retire and had given the Board 30 days' notice so they could find her successor. Shock spread through the room. Change is always unsettling.

In the days that followed the dramatic announcement on Boss Day, the residents huddled in groups quietly talking of what lay ahead. One of the men who admired Sam for the wisdom he brought to their discussions mused, "Wouldn't it be nice if Sam could become the next Executive Director here, instead of continuing at Sunny Acres?" Others agreed but said, "They would never allow a resident to have a job at Resteasy." Why not? The discussion went on and on until, finally, one of the men started a petition to make Sam Executive Director and left it near reception for other residents to sign. And they did. In droves. More than 85% of the residents wanted Sam to be the successor Executive Director.

The situation was unprecedented. The Board was called into emergency session on a Saturday morning to discuss what to do. The local loyalists of the Board were accustomed to following precedent. Finally, the Pastor of the local Assembly of God congregation, also a Board member, said that his faith suggested the Holy Spirit at work. He thought that the Board should call Sam to the post and see how it worked out.

The protests were immediate. One director said, "He's too old." Another countered, "Don't be ageist." The nurse director protested that offering a job to a resident was against the Resteasy rules. But the Board chair noted that the Board makes the rules, and so can change them. The Board agreed to offer Sam the job.

And that's what happened. For the first time in the long history of Resteasy Village, a resident was Executive Director. The residents called him Resident Director to note the uniqueness of his position. Sam, a naturally open person, loved interacting with residents, employees, and prospects alike and Resteasy thrived. It even retired a large portion of its debt, thereby increasing the peace of mind of the residents.

Sam had to accept that a Resident Director can be assailed at any time of day or night by anxious residents. Still, Sam didn't mind. He loved the job. And the residents loved Sam. One resident was heard to quip, "We have a Resident Director who makes a difference."

They all lived happily ever after.

The Ongoing Saga of Sam Veltheim, Resident Director

By popular request, the saga continues. When we last glimpsed him, Sam had just been named Executive Director, at Resteasy Village, the first resident ever to hold such a position. Now he had his first challenge. He arrived in his office one morning only to find a petition from a small group of activist residents demanding that residents be given more say. They wanted the Bylaws for Resteasy changed to make residents members in the nonprofit corporation.

Sam hesitated. He didn't know how to respond. These were his friends, his fellow residents. Were they speaking only for themselves? Were they just disrupters who liked to make trouble, or did they reflect wider sentiment among the residents? He looked through the existing Bylaws. ARTICLE II, titled MEMBERSHIP, had but one section: "Section 1. Corporate Member. The Corporation shall have no voting members." Sam knew that this was the industry standard, at least for the tax exempt, nonprofit providers who dominated the market.

In his quandary, Sam decided to survey the residents, but the results were inconclusive. The residents had trouble understanding the question but the buzz was that most residents wanted to be listened to but didn't want to have to manage the place. Sam knew that managing was his job so he could reassure everyone about that. When he consulted Resteasy's attorney, the lawyer said that there was no reason that the residents couldn't be the voting members and he offered a complex amendment to the Bylaws.

As a resident, Sam liked the idea of resident members. He recognized the need for the attorney's anticipatorily complex language. As Executive Director, Sam knew that he would have to spend considerable time communicating with the residents if they were members, but he loved his job and was willing to rise to the challenge of serving resident-members.

Central to the attorney's proposed Bylaws revision was the following: "Section 2.02. Only natural persons who enter Resteasy Village under contract as Independent Living residents shall be admitted to membership in the Corporation. Such residents who transfer to Assisted Living or the Care Center shall retain eligibility for Membership in the Corporation."

The next meeting of the Resteasy Board was stormy. The non-resident local leaders who gained stature from their Board service felt threatened by the prospect of resident empowerment. The developer-builder argued that construction contracts might go to friends of residents. The financial adviser feared that residents might insist on a Board that would cut fees below costs. The nurse wasn't convinced that aging residents retained the prudence to act responsibly. They all feared that a resident elected Board might replace them.

But then the attorney addressed the Board. Sam had asked him to attend because of the Bylaws question which it was within the powers of the Board to address. The attorney was eloquent, a master of rhetoric, and he invoked ancient concepts of right and wrong. It is wrong, he intoned, for governing decisions to be made without the will of the governed. Resteasy could distinguish itself both in the local market and in national acclaim by leading in recognizing the innate interest of residents in good governance of their home community. He was inspiring; he was compelling; and he prevailed. The Bylaws amendment was adopted by unanimous vote of the Board.

At the first Board election after the Bylaws change, the existing directors were both surprised and pleased to discover that they had been retained by the overwhelming majority of the residents. The Board was expanded at the same time, and four qualified residents now joined the Board. The Board continued to work for the best interests of the residents, but now the residents understood and appreciated that their interests were indeed paramount. The change also was a boon to marketing; the publicity was laudatory and widespread; and occupancy rose rapidly from 87% to 96% despite a downturn in the economy.

They all continued living happily ever after.

The Fantasy Continues

Tales of Sam Veltheim, Resident Director

The story so far: Sam Veltheim, an experienced Executive Director(ED) elsewhere, but a resident, is unexpectedly chosen as ED of Resteasy Village. After a short time as leader, the decision is made to make residents voting members in the not-for-profit corporation. That change proved a big boost to market acceptability. Disclaimer: in this story, and in other tales of Resteasy Village, all names, characters, and incidents are fictitious. No identification with actual persons (living or deceased), places, buildings, or circumstances should be inferred.

As our chapter opens, Resteasy Village was presented with a one-of-a-kind opportunity. There was a large, vacant eighty-acre lot between the CCRC and the nearby hospital. As the city grew up around it, the lot remained undeveloped open land. The owner, Coach Koch, pronounced “Koe” in deference to his German heritage, is not only descended from the earliest settlers in the area, but he is also a local celebrity, noted for his support of the high school football team, which he coached during his teaching career.

At 82 years old, Coach Koch wanted to contribute to the availability of services to help others who were aging like him. He approached his long-time friend, Sam Veltheim, about the possibility of Resteasy Village developing the property as an extension of its senior housing operations. Coach Koch was willing to donate the land to Resteasy Village if the Village were willing to take on the development challenge. Sam was thrilled. He immediately shared the news with Board members, to whom Sam expressed his belief that with the growth of the city the market need was great for such an expansion.

As a first step, Sam asked for proposals from a major tax-exempt investment banking bond origination firm, a prominent industry consulting and accounting firm, and from the industry’s leading architectural firm. They were eager to help. The investment bankers assured Sam that with Resteasy’s strong balance sheet, there would be no difficulty raising needed funds. The architects quickly offered sketches of a standard model CCRC: circular drive through a *porte cochère*, a large multistory building with wings, and a surrounding parking lot. The accountants

ran numbers to show that the project was feasible, though the piling on of debt would shift Resteasy from balance sheet strength to a negative net asset position.

Sam was ready with these preliminary responses for the next board meeting. He shared some of his thinking with individual board members in advance of the meeting. Sam was reasonably sure that he would get the go ahead from the board. In view of his generous gift, Coach Koch was invited to participate. Sam opened the meeting by having the consulting/accounting firm present a PowerPoint overview of the potential. Then he opened the floor for questions and discussion.

The local developer-builder on the board made a few comments about the architectural renderings and then noted that his firm was familiar with such projects and that the proposal was eminently doable. The financial-advisor noted that the increased leverage elevated Resteasy's financial exposure but said that he was willing to go along with the business judgment of management and the advisors. The new resident directors held their counsel until the other directors had spoken. The nurse thought that the new construction would enable Resteasy to better meet the needs of its residents, and her input was seconded by a resident director who had also been a nurse.

One of the new resident directors, Jim Kingsley, had a substantial financial background. Before moving to Resteasy, he had been CFO of a major national stockbrokerage firm, and when a Stock Exchange in New York City needed a CFO, the industry had named him to be the Exchange's CFO. In short, he was a man of considerable accounting, financial, and business experience and acumen. He listened intently to the presentation and the ensuing discussion, and when his turn came to speak, he chose his words carefully.

He began by echoing the concern of the financial-advisor about unduly leveraging the corporate entity. He then, quietly and respectfully, questioned the conclusion of the accounting firm that a negative net asset position would be of no concern. He noted that the only way to operate under those circumstances was to divert resident entrance fees from the contractual purposes for which they were consideration.

He observed that the investment banking firm lacked much expertise beyond the tax-exempt world, and he thought it desirable for the Board to consider all options before reaching such a major decision. He then offered his opinion about what he considered the nation's premier investment banking firm, perhaps the top in the world, and he suggested that "the world leading firm" be asked to make a proposal before proceeding. Suddenly, misgivings that other Directors had been harboring came to light and there was vigorous discussion of how best to proceed. Coach Koch said simply that he hoped that his gift might be a game changer to move senior care from institutionalization into making the best of life. Sam promised to do all he could to pursue these new angles and with that the Board meeting adjourned.

The next day, Sam, who believed in starting at the top, called "the world leading firm" and asked for the CEO's office by name. When the CEO wasn't available Sam left a message, and it wasn't ten minutes later before his phone rang with a partner from "the world leading firm" calling. The woman listened as Sam explained developments at Resteasay and the options that had been considered previously based on conventional not-for-profit industry advice. Her questions were quick, perceptive, and probing. Just from that short interaction, Sam found himself thinking of new possibilities which otherwise would never have occurred to him.

With this dramatic shift from the conventional industry advisers, Sam thought it prudent to open the discussion to the community of residents at large. A meeting was scheduled for the following Wednesday. In addition to Sam, Jim Kingsley, the retired Wall Street financial expert, joined him in presenting the opportunity to the residents. The ideas that flowed freely from the meeting and its aftermath are beyond the scope of this installment of the fantasy world of Sam Veltheim and Resteasay Village, but as Sam's story continues in the next issue of Lifeline, it will be evident that those residents that day, and in the weeks that followed, brought forth a vision for aging that transformed a sleepy, slow moving industry into a mainstay of aging in America.

(To be Continued)

Fantasy Dreaming for a Better Future

Tales of Sam Veltheim, Resident Director

The saga of Sam Veltheim and Resteas Village continues. When we last left Sam Veltheim, he had convened an all-residents meeting at Resteas CCRC to discuss an expansion opportunity presented by a land gift from Coach Koch, pronounced “Koe”, a longtime local citizen who had himself reached his mid-80s. You’ll recall that Sam was chosen Executive Director of Resteas, after some hesitation by the Board because Sam was a resident. Sam proved exemplary and occupancy soared after the residents were made voting members in the Resteas Village senior housing not-for-profit corporation. Disclaimer: in this story, and in other related tales of Resteas Village, all names, characters, and incidents are fictitious. No identification with actual persons (living or deceased), places, buildings, or circumstances should be inferred.

In preparation for the all-residents meeting Sam, and Jim Kingsley, also a resident and a retired Wall Street financial leader, prepared a presentation for the residents to set the stage for discussion and to encourage imagination-sparking facilitation of all ideas, no matter how innovative, that might come to the fore. At Jim’s urging, and with the backing of the Board, Sam had spoken with a partner from “the world leading investment banking firm”, Latisha Simpson, in addition to the conventional tax-exempt bond originators, architects, and accountants who typically serve the not-for-profit CCRC industry. Latisha flew in for the meeting so she could get a better feel for the situation on the ground.

The resident participants were seated at tables, with each table to develop ideas to be reported by a table recorder. Large Post-It notes were to be used for each idea. The ideas could then be sorted on a whiteboard at the front of the room. Actually, that’s how Sam would have liked the meeting to have worked. But this is a fantasy and the reality was somehow different. To encourage residents to listen to one another, Sam had organized the group into pairs. Each person was to share his or her ideas with a neighbor who would write the idea on a Post-It. That idea quickly broke down. “I know what I want to say,” Mike Thomas, protested. “Why should I have to share it? I know what I want to say.” That seemed to strain the smooth running of what had been intended as an exercise to encourage people to listen to each other.

The meeting became something of a free for all and it was hard for Sam to keep it constructive. At times, it threatened to deteriorate into a shouting match.

Despite the seeming chaos, some common elements began to emerge. The Post-Its were put on the wall whether they were self-written or reflecting a shared understanding. Residents were then asked to vote on the best ideas and here were some of the conclusions.

- Residents wanted to be sure that their entrance fees were used prudently and not diverted from the fulfillment of their contracts.
- Residents wanted easy access to the larger city, but they still wanted a safe, secure, age-friendly haven to which they could retreat.
- Residents didn't want the appearance or reality of institutionalization.
- Residents welcomed the possibilities for new, onsite services that a larger sized community could support.
- Residents asked if economies of size would make Resteasy Village more affordable.
- Residents wanted the existing buildings renovated on a par with the new structures.

In short, the residents brought forward many constructive ideas and Latisha Simpson made note of all of them. Latisha also had some creative ideas. Her focus was more on the financial aspects than on amenities. The residents wanted financial security but weren't sure how to achieve it. That was where her expertise came in. She was particularly helpful with her response to the overleveraging challenge, i.e. too much debt – like the mortgages leading up to the 2008 economic debacle. Then, home appraisals were kited upwards by friendly appraisers allowing new homeowners to borrow more than 100% of the market value of the house they bought. Ultimately that overleveraging caused a massive collapse.

Latisha had two ideas. One was to evaluate the economic impacts of converting from not-for-profit ownership to investor-funded so that residents, family, and others could invest equity funds in the expanded Resteasy project. The other was to retain not-for-profit ownership but

to issue Surplus Notes like those used for mutual insurance companies. These are debt-instruments that carry equity characteristics, much like junk bonds. Latisha also suggested that the Board work with an accounting firm with wider financing experience than the specialized firm they had been using, and that they speak with an architect who was noted for imagination, Gregorios Triandis, one of the world's leading traditional-style architects. Triandis made a reputation for himself when he designed collegiate buildings that were people friendly while retaining the warmth of the classics.

When the Board next met after the all-residents meeting, it was decided to retain “the world leading firm” and Latisha Simpson to work with Sam Veltheim as advisor on all aspects of the project. The design met with rapid acceptance as something which would bring stature to the city. The architect, Triandis, combined collegiate gothic with Greek classicism to create a structure that invited people to enter and that seemed more like a campus of many buildings than the interconnected structure that it was. The foundational elements were an underground garage surmounted by an entertainment gathering place with shopping as in a traditional Greek city.

The community was envisioned as having many plazas and atriums with beguiling vistas that invited people to enter into the vibrant city life. At the center was a forum – a theater – conceived as a gathering place for performance, discussion, worship, and camaraderie. The concept was that of the Greek agora, famed for teachers like Socrates and orators like Paul of Tarsus. The forum was anchored by two coffee shops opposite one another across the space. Moving away from the center were localized plazas, each with communal dining and shops. These public spaces were open to the general public.

The elements for the CCRC were integrated architecturally, but separated and secured, and reached through a guarded access point. For the CCRC, there were peripheral apartment dwellings, common areas, and graded care assistance neighborhoods, framing a central area in which were situated clustered single-family dwelling units each with an open atrium but all interconnected through an underground structure with high ceilings and with natural light delivered through Solatubes®. The below-grade level contained the wellness center, pool area,

library and other common amenities. The high ceilings and natural light gave these areas an open and inviting human dimension.

The private areas of the CCRC were mirrored elsewhere on site by public amenities open to the general public. The resulting development was designed to enhance the surrounding city much as a college campus can become a place of refuge in an urban setting. And, indeed, as time went on, a college was added to the planning when a local college decided to relocate to the new development, opening its classes to the CCRC residents... but that came later, and we shouldn't get ahead of our story.

The financing for the project took more time and more discussion. Latisha Simpson's expertise and creativity proved decisive in helping the Board and the residents to think through the plusses and minuses of the options. That's a story for another installment. For now, we leave Sam Veltheim and the residents of Resteasay Village considering the opportunity for community that Coach Koch's gift of land has made possible for them.

(To be Continued)

Our Fantasy Enters a New Phase

Tales of Sam Veltheim, Resident Director

We last left the residents of Resteasy Village, led by Executive Director, Sam Veltheim, himself a resident, contemplating the development for senior housing of an eighty-acre property given to them by the city's beloved Coach Koch (pronounced "Koe"), a descendant of the original settlers. Disclaimer: in this story, and in other related tales of Resteasy Village, all names, characters, and incidents are fictitious. No identification with actual persons (living or deceased), places, buildings, or circumstances should be inferred.

Enthusiasm for the new unified town plaza concept grew among the residents as they discussed it and looked at the architectural renderings. They had provided input from the earliest conceptualization and were impressed with the mixed classicism provided by renowned collegiate architect, Gregorios Triandis. Sam Veltheim was working closely with a partner from "the world leading investment banking firm", Latisha Simpson, in bringing the ambitious project to fruition. Market studies had shown that the growth of the city, and the aging of the surrounding municipalities, brought with it high demand for quality senior services.

The biggest challenge was how best to finance the project. This is where Latisha's financial expertise was of the greatest value. Resteasy Village was organized as a tax exempt, not-for-profit home for the aged under IRS guidelines. The conventional approach for expansion of such communities was to encumber resident entrance fees to guarantee the added debt.

Sam and Latisha thought this was unwise for two reasons. First, it would burden the CCRC to the point at which it became risky for residents. Second, diverting entrance fees to expansion broke faith with the contracting residents. Entrance fees are advance payment for lifetime commitments, not investment capital to be risked by the enterprise. Resteasy Village existed to provide haven for aging persons. Undermining that purpose was not acceptable to the Board, once the Directors fully understood the hazards of the conventional approach.

The Board's inclination was to continue as a tax-exempt organization, so Latisha explored with them the creative possibility of adapting the Surplus Note capability used to capitalize mutual

insurance companies to support adequate capitalization for Resteasy Village. The Board's financial goal was to maintain a positive net asset position at least equal to 20% of liabilities.

When Latisha first mentioned Surplus Notes to Sam Veltheim, he went to Wikipedia where he learned that, "In the United States a contingent surplus note is a bond-like instrument issued by an insurance company. These securities are subordinated obligations, and fall at the very bottom of the operating insurance company's capital structure." Insurance companies are allowed by statutory accounting to treat the proceeds from these notes as part of their net worth above the line. Latisha thought that it might be possible for Resteasy Village to use a similar financial device to meet its capital adequacy objectives while retaining tax exemption.

In practice, however, the Surplus Notes proposal seemed a bit too creative for the Board to be fully comfortable with. This all emerged in a full day Board workshop meeting at which the development and its financing was the core item on the agenda. Latisha opened the meeting with a presentation of alternatives. There was an obvious conflict between the Board's capital adequacy objective and retention of tax exempt status. The financial advisor on the Board made an impassioned plea that capital adequacy be given primacy, especially for an organization that had the security and welfare of vulnerable older people in its care.

Latisha presented the financial and other impacts that would ensue if Resteasy were to convert to for-profit status. For openers, the city would welcome the change because of the tax revenues it would receive. Surprisingly, the property taxes that would fall to the enterprise were not as great as many had feared. Moreover, Sam thought that there were economies associated with the development that could offset the taxes that the city would receive. In addition, converting to a taxpaying enterprise would facilitate the inclusion of the commercial entertainment and shopping center within the project.

The discussion lasted the rest of the morning and into the afternoon, but by the end of the day, the Board were much more comfortable with considering a financing approach that would involve a for-profit enterprise. They decided, though, to retain the not-for-profit enterprise for certain functions, including many of the common care functions. Because they formed, with Coach Koch's acquiescence, a new for-profit entity to work in collaboration with the nonprofit,

the conversion challenges were greatly reduced. They no longer had to obtain Attorney General approval to take the planned steps.

“The world leading firm” recommended a private placement with sophisticated investors known to have an interest in mixed-use commercial and senior housing development. Sam Veltheim wanted residents to have a priority opportunity to invest in the venture that houses them and Latisha Simpson suggested an initial round financing to be offered to residents, all of whom would have to be able to qualify as sophisticated investors, and thereafter, if needed, to open a second round to a larger circle of investors.

For the most part, a person qualifies as a sophisticated investor with either a net worth of \$2.5 million or earnings of more than \$250,000 in the past two years. Since confining the opportunity to sophisticated investors would spare Resteasy Village the cost of disclosure and prospectus requirements, Sam agreed to the restriction. Moreover, it seemed likely that the bulk of the residents who would want to make such an investment would qualify. The results were surprising. It turned out that there was more resident wealth than Sam had ever imagined. The offering, when it was made, was 80% subscribed by qualified residents with only another 20% to be made up in the second round. It was decided to finance the project with 75% debt and 25% equity.

With the money in hand, construction began and the project quickly took shape over the next 15 months. There were complexities attributable to the foundational and below grade aspects of the project; the soil compaction phase, for instance, took several months. But once construction was underway, shrewd use of contractor incentives, devised by Latisha Simpson, brought the project forward to completion on time and with high quality.

Resteasy Village, the name now adopted for the entire mixed-use project, soon took on a new connotation as a place for relaxation more than as a haven for those seeking peace of mind while aging. As had been envisioned, Resteasy provided a unifying center for the city which it had previously lacked. It became the local gathering place which gave families a safe place to come together while offering invigorating opportunities for the older residents in the CCRC. It wasn't long before the city decided to lease a structure at Resteasy Village as a Municipal

Center and City Hall. The merits of early planning with imagination and competence gave new life to all, bringing together all ages in a way conducive to interaction and natural harmony.

Crisis Comes to Resteasly Village

Tales of Sam Veltheim, Resident Director

When we last caught up with the folks at Resteasly Village, a generous donation of land from Coach Koch, pronounced “Koe,” had allowed the nonprofit CCRC to transform itself into an expanded CCRC plus a town center for the surrounding city. A multi-use commercial residential development gave the previously amorphous city and new center, new meaning, and new vibrancy. The residents of the CCRC benefitted from the adjacent vitality while enjoying the serenity and security of their haven of retreat nestled in a corner of the larger development.

As our story opens once more, age has taken a toll on Sam Veltheim and he no longer feels that he has the energy or the will to continue as CEO of the two corporations – one for-profit and one not-for-profit – which make up the commercial and CCRC aspects of Resteasly Village. The name, Resteasly Village, now applies not only to the CCRC but also to the larger center of relaxation and activity that comprises the new town center.

At the next Board meeting after his decision, Sam notified them that he would be retiring and gave them three months’ notice to find a successor. The Board immediately named a Search Committee consisting of the Development Contractor, the Financial Advisor, and Jim Kingsley, the resident who had been a Wall Street financial leader and who was also on the Board. The three soon contracted with a leading executive search firm. The search firm then met with the Search Committee to define criteria for Sam Veltheim’s successor.

The criteria decided on included experience managing a commercial shopping venue; a strong background in business leadership; and an awareness of the sensitivities of stewardship for the well-being of CCRC residents. The full Board was asked to weigh in and they added additional qualifications including a reputation for integrity; a commitment to community involvement; and people sensitivity. The resulting search reviewed over 100 potential candidates, from among whom seven were chosen for interviews, leading to three finalists, and ending when Bill Yeager was selected.

Bill Yeager brought outstanding credentials. After graduating in business from the University of North Texas at Denton, Yeager became a Marine Corps fighter pilot, leaving service after five years as a Captain. He then joined a REIT and led an effort to reposition the portfolio from strip center/small market malls with moderate performance and sales to a high-productivity portfolio of larger market malls and lifestyle retail. He had direct performance accountability for a small portfolio of senior housing properties within the REIT.

Bill Yeager took over from Sam Veltheim and hit the ground running. His focus was on improving profitability by increasing the number of high end fashion outlets in the commercial part of Resteasy Village and of improving the bond ratings for the not-for-profit CCRC by increasing resident fees. He also introduced fee-for-service pricing and admitted new residents who were more likely to use services, thereby increasing revenue per resident. For the commercial operations, he renamed what had become the town center as Resteasy Village with the name The Shoppes at Deauville. In his presentations to the Board, the new CEO emphasized what he was doing to maximize profit. The financials began to show improving profit margins.

While that might seem positive for some, the community reaction was not. Merchants complained that they were being squeezed out to make way for high end merchants. Residents in the CCRC became frightened that they might outlive their assets, and several residents were forced to seek charity care since they no longer had the funds to pay the escalating fees. And, the public began to go elsewhere to find life and activity. While the contractor on the Board was delighted, other directors were disturbed by the negative reputation that their enterprise was acquiring. A Board crisis ensued and the Board Chair called the Board into an emergency weekend meeting to consider what to do.

For the first time in its long history, the Board was divided. The more commercially minded members of the Board applauded the new allegiance to profit. Others, though, argued that customer service should be primary, and that if the people were properly served, then there would be sufficient profitability for all. An added factor was an analysis by the Financial Advisor

on the Board which showed that commercial revenues were beginning to drop as the surrounding residents began to avoid what was now The Shoppes at Deauville.

The Board discussion was contentious. In the end, though, it was decided that they could not continue with Bill Yeager and that a more people-minded leader was needed. The Board turned to the Financial Advisor, who agreed to assume the CEO post on an interim basis immediately. Yeager was let go with a handsome severance package; the name of the center was changed back to Resteasy Village; and gradually the human dimension returned to both the CCRC and to the now restored family-friendly community center. Surprisingly, total dollar profit continued to grow even as profit margins narrowed, but Resteasy Village became so popular that sales volume in the shopping operations was high and occupancy in the CCRC persisted at over 98%.