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MARKET STUDY OF:

Pascagoula Assisted Living
A Proposed, 80-bed Assisted Living and Alzheimer/Memory Care Facility
Located at 1806 Live Oak Avenue
Pascagoula, Mississippi 39568

PREPARED FOR:

Ms. Sharon R. Pollock
Greystone Funding Corporation
419 Belle Air Lane
Warrenton, VA 20186

PREPARED BY:

Value Tech Realty Services, Inc.
240 Crystal Grove Boulevard
Lutz, Florida 33548

MARKET STUDY DATE:
February 6, 2012

DATE OF REPORT:
February 20, 2012

VALUE TECH REALTY SERVICES, INC.
FILE NUMBER: 2012-012

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ValueTech
REALTY SERVICES, INC.

"Providing solutions &
exceeding expectations through
vision, integrity & excellence"

February 20, 2012

Ms. Sharon R. Pollock
Greystone Funding Corporation
419 Belle Air Lane
Warrenton, VA 20186

RE: Market Study of Pascagoula Assisted Living, a proposed 80-bed Assisted Living and Alzheimer/Memory Care Facility to be located at 1806 Live Oak Avenue Pascagoula, Mississippi 39568.

Dear Ms. Pollock:

At your request, we prepared a market study of the above-referenced property. Accompanying this letter is a complete market study that contains a detailed identification of the property, factual data concerning the property and its surroundings, comparable market data, and appropriate supporting documentation.

This market study is supportive and consistent with the attached forms; Estimates of Market Rents by Comparison. Further, this market study has been prepared in conformance with the Housing and Urban Development's Section LEAN 232 program.

The plans for the subject will be to create a modern, state-of-the-art healthcare facility. The subject will contain 80-beds. The assisted living portion will contain 60 units accommodating 62 beds and 18 Alzheimer units/beds. Each resident will have access to dining facilities supported by an array of common amenities.

The subject will be located on approximately 5.7294-acres of land. The proposed site is located just south of Highway 90, which is a major east/west thoroughfare through the region, along the south side of Live Oak Avenue. The site is located next to the newly constructed Pascagoula Senior Center and less than a mile from Singing River Hospital. The subject will fill a void in the spectrum of care currently available in the region. Access to the immediate area and surrounding region is good.

Healthcare markets are generally classified as either age-in-place or adult child. The age-in-place market is comprised of seniors who have lived in the community for a long duration of time. The adult child market is comprised of middle-age adults re-locating aged-parents to a healthcare facility near them. In order to delineate the area from which the majority of the subject's residents would be drawn, we contacted healthcare providers and persons caring for the senior population in the region. Based on these interviews, the resident profile is generally age in place.

There are only two existing assisted living facilities in Jackson County and they are located in the western area near Biloxi. Facility representatives at these properties indicated that they do accommodate residents from the subject's immediate market area. Communities in Mobile, AL to the east of the subject were also interviewed and indicated that they did not receive many residents from the Jackson County, MS area.

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The senior population in Jackson County has experienced a large increase since 2000 which is projected to continue through 2015. This will provide an expanding base of demand related to senior housing as seniors require care. The proposed facility will be one component of the spectrum of care required by the market to service its senior base.

In addition to our interviews with facilities in the markets we conducted a supply and demand analysis to determine if there is excess demand in the macro and micro markets. Our analyses indicate that there is sufficient excess demand to support additions to supply. The subject facility will target the 'age in place' residents from Jackson County.

To estimate the subject's rate structure, we conducted a rental survey of all of the assisted living and/or Alzheimer care facilities in and around Jackson County. Each of these facilities was contacted regarding current rates, occupancies and market conditions. After making adjustments to bring each comparable in line with the various services and amenities, condition and quality, and room sizes for each of the subject's unit types, pricing levels were concluded.

Rates for the various levels of care are based on the market. Rates for assisted living typically reflect a base level with additional personal care charges reflecting individual needs. Rates for Alzheimer care are typically all inclusive of care and services. We have chosen these models for estimation of the subject's rents. The concluded rental rates are currently achieved in the market.

Based on the macro and micro demographic analysis, there is sufficient demand to support the subject.

We appreciate this opportunity to provide market study services to Greystone Funding Corporation

Respectfully submitted,

VALUE TECH REALTY SERVICES, INC.

Kay Kauchick, MAI
President

Jonathan Hurt
Associate

KK:ggw
2012-012

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MARKET ANALYST CERTIFICATION FOR HUD

I understand that my Market Study will be used by Greystone Funding Corporation to document to the U.S. Department of Housing and Urban Development that Lender's application for FHA mortgage insurance was prepared and reviewed in accordance with HUD requirements for the Section 232 LEAN Program, and certify that to the best of my knowledge and belief:

1. I have no financial interest or family relationship with the officers, directors, stockholders, or partners of the borrower, the general contractor, any subcontractors, the buyer or seller of the proposed property or engage in any business that might present a conflict of interest.
2. I am under contract for this specific assignment and I have no other side deals, agreements, or financial considerations with the Lender or others in connection with this transaction.
3. I have not succumbed to any pressure by the underwriter, Lender, borrower or other person, to alter the market study outcome to their advantage. The analyses, opinions, and conclusions are impartial, unbiased, and my own.
4. The statements contained in this report are true and correct.
5. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions.
6. I have no interest in the property that is the subject of this report.
7. My engagement and compensation in this assignment was not contingent upon developing or reporting predetermined results.
8. I did personally inspect the subject property of the work under review.
9. The following person(s) provided significant technical expertise, research, analysis, review, or consulting assistance to the person signing this certification: Jonathan Hurt
10. I (we) have performed a prior service concerning the subject property within the 3 year period immediately preceding acceptance of this appraisal assignment.

Market Analyst Signature:_____ Date: February 6, 2012

Warning: Title 18 U.S.C. 1001 provides in part that whoever knowingly and willfully makes or uses a document containing any false, fictitious, or fraudulent statement or entry, in any manner in the jurisdiction of any department of agency of the United States, shall be fined not more than $10,000 or imprisoned for not more than five years, or both.

Executive Summary

Property Name:	Pascagoula Assisted Living
Property Identification -	
Street Address:	1806 Live Oak Avenue
Municipality:	Pascagoula
County:	Jackson
State:	Mississippi
Zip:	39568
Congressional District	MS-4
Census Tract -	
State Code:	28
MSA Code:	37700
County Code:	059
Tract/BNA Code:	0422.00
Purpose of the Appraisal:	To estimate if there is market support for the proposed project
Pertinent Dates -	
As Is:	February 6, 2012
Report Date:	February 20, 2012
Certification -	
Market Analyst:	Kay Kauchick, MAI
Market Analyst	Jonathan Hurt
Site Summary -	
Site Size (Acres):	5.7294
Site Size (SF):	249,572
Shape:	Irregular
Zoning (Land Use):	MR-3 (Mixed Residential) (Formerly R-3)
Zoning Compliance:	Legally Conforming Special Use
Utilities:	All available
Flood Hazard Zone -	
Zone:	Zone X
Panel Number:	28059C0431G
Panel Date:	March 16, 2009
Flood Insurance Required:	None
Source:	FEMA

Improvement Summary -

Property Type:	Assisted Living/Alzheimer Care
Care Provided:	ALF/ALZ
Year of Construction:	2013
Construction Type:	Class C
Gross Building Area (SF):	66,105
Number of Stories:	3
Total Number of Units:	78
Number of AL Beds	62
Number of ALZ Beds	18
Number of Licensed Beds:	80
Number of Operating Beds:	80
Number of Parking Spaces	50 (5 Handicap)

Unit Mix:

PHYSICAL BUILDING				
UNIT TYPE	SQUARE FEET	NUMBER OF UNITS	PERCENT OF TOTAL GBA	TOTAL SQUARE FEET
Subject Units Assisted Living				
Studio	375	15	8.5%	5,625
One Bedroom Small	425	30	19.3%	12,750
One Bedroom Large	475	13	9.3%	6,175
Two Bedroom	785	2 (4 Beds)	2.4%	1,570
Subject Units Alzheimer Care				
Alzheimer Studio	275	18	7.5%	4,950
Totals	**398**	**78 (80 Beds)**	**47.0%**	**31,070**
Plus Common Areas			**53.0%**	**35,035**
Total Gross Building Area				**66,105**

Market Support Yes

Conditions: This market study is subject to the General Assumptions, General Limiting Conditions, Special Conditions, and Certificate of Market Study contained within this report.

Definitions

The definitions included in this section have been extracted, solely or in combination, from definitions and descriptions printed in:

The Uniform Standards of Professional Appraisal Practice 1999 Edition (USPAP);

The Dictionary of Real Estate Appraisal, Third Edition, Appraisal Institute, Chicago, Illinois, 1993 (*Dictionary*);

The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, Chicago, Illinois, 2001 (*Twelfth Edition*); and/or

Marshall Valuation Service, Marshall & Swift, L. P., Los Angeles, California, 1998 (*MVS*).

Credible

Worthy of belief. Credible assignment results require support, by relevant evidence and logic, to the degree necessary for the intended use. Credibility is intended to promote and maintain a high level of public trust in appraisal practice. (USPAP)

Effective Date of the Market Study

The date at which the market conclusion applies, which may or may not be the date of inspection; the date of the market conditions that provide the context for the market opinion. Current market study occurs when the effective date of the market study is contemporaneous with the date of the report. Prospective opinions (effective date of the market study is subsequent to the date of the report) are intended to reflect the current expectations and perceptions along with available factual data. Retrospective opinions are likely to apply as of a specific historic date; the opinions are intended to reflect the expectations and perceptions of market participants at the specified date, along with available factual data. Data subsequent to the effective date may be considered in estimating a retrospective value as a confirmation of trends. (*Dictionary and USPAP)*

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (*Dictionary*)

Gross Building Area (GBA)

The total floor area of a building, including below-grade space but excluding unenclosed areas; measured from the exterior of the walls. (*Dictionary*)

Marketing Period

A reasonable marketing period is the period of time it might take to sell a property interest in real estate at or near the concluded market value during the period immediately following the effective date of the Market Study. A marketing period is a function of price, time, use, and anticipated market conditions.

Market Study

A macroeconomic analysis that examines the general market conditions of supply, demand, and pricing or the demographics of demand for a specific area or property type. A market study may also include analyses of construction and absorption trends. A market study may also be the process of determining the general market conditions affecting the property to be marketed, including historical and potential levels of supply and demand.

Marketability Study

A process that investigates how a particular piece of property will be absorbed, sold, or leased under current or anticipated market conditions; includes a market study or analysis of the general class of property being studied. A marketability study can also be a microeconomic study that examines the marketability of a given property or class of properties, usually focusing on the market segment(s) in which the property is likely to generate demand. Marketability studies are useful in determining a specific highest and best use, testing development proposals, and projecting an appropriate tenant mix.

Background Information

Identification of the Subject

The subject is a proposed assisted living and Alzheimer care facility located in Pascagoula, Mississippi. The subject will have 78 (60 ALF, 18 ALZ) units and will be licensed for 80 assisted living/ memory care residents. The site is located along the south side of Live Oak Avenue and is located next to the newly constructed Pascagoula Senior Center. The subject parcel of land is generally irregular in shape and contains approximately 5.7294-acres.

Intended Use of the Market Study

The intended use of the market study is to define the geographic boundaries of the market area that the subject will compete within, conduct a quantitative and qualitative analysis of existing and proposed competitive facilities within the market, estimate rental rates and the amenities and services included within the rent. Further, the intent is to determine if there is market support for the project.

This engagement is a market and economic analysis of the housing and healthcare dynamics of the defined area and is not an appraisal or appraisal related service.

Intended User of the Market Study

This market study is to be used by Greystone Funding Corporation and HUD in underwriting a mortgage loan to be secured by the subject.

Pertinent Dates

The market study is dated on the last inspection date and/or the last date of obtaining market data; February 6, 2012. Preparation of the written report was completed on February 20, 2012.

Scope of Work, Market Research and Market Study Procedures

The steps in the market analysis and appraisal process are as follows:

Definition of the Problem						
Identification of real estate	Identification of property rights to be evaluated	Use of Market Study	Definition of Market	Date of value research	Description of scope of Market Study	Other limiting conditions

I

Preliminary Analysis and Data Selection and Collection		
General (Region, city and neighborhood)	Specific (Subject and comparables)	Competitive Supply and Demand (The subject market)
Social Economic Governmental Environmental	Site and improvements History of ownership and use of property Market orientation	Inventory of competitive properties Sales and listings Vacancies and offerings Absorption rates Demand studies

I

Report of Defined Conclusion

For HUD Section 232 LEAN Program, the *Healthcare Market Study Guidelines for Assisted Living and Board & Care Facilities* was followed to develop a conclusion regarding market support for the subject. According to this document, the following points are addressed in this market study. The detailed Healthcare Market Study Guidelines for HUD/FHA Section 232 Lean Program scope of work is provided in the addenda.

MARKET STUDY REQUIREMENTS - LEAN PROGRAM
Item to Cover
A. Purpose and focus of the analysis
1. Description of the proposed project.
2. Project location.
3. Use Restrictions. The market study must address any income, rent, or use restrictions that are or will be imposed on the project. The overall market study must address how these restrictions affect demand for the project.
B. Definition of the market area
1. a description of the geographic boundaries of the subject's market area
2. the locations of comparable and competitive facilities (existing, under construction and planned) within the area;
3. A general description of the localities from which the occupants in competing projects originate from if available. If the subject is an existing project with a proposed addition or a replacement facility, a resident origin analysis should be performed;
4. location and access to relevant services and amenities;
5. Any concentrations of targeted population groups.
C. Definition of the target resident: The report must include a qualitative description of the target residents and the type of housing and care proposed, including the economic and demographic characteristics of the target market (projected residents): income levels, wealth and assets, household size, age, physical and/or mental limitations, and other similar factors.
D. Description of the Current Inventory
E. Other Eldercare facilities The demand analysis should account for all other residential care and housing facilities that cater to seniors who need assistance with Activities of Daily Living (ADLs), including continuing care retirement communities (CCRCs), assisted living facilities (ALFs), board and care facilities, congregate care facilities, retirement service centers, instrumental assisted living facilities, nursing facilities, etc.
F. Alternative Health/Medical Care and Social Service System
G. Characteristics of Pipeline Activity. The following information should be provided in the report individually for each facility in the construction pipeline and each facility currently in the planning process: Total number of units currently under construction, Typical types of services and amenities offered, and Total number of units in planning stages likely to be developed
H. Data, Estimates, and Forecasts. The analysis must document the methods and techniques used to develop all estimates and forecasts; and provide adequate citations on the sources of all data, estimates and forecasts. The data and estimates provided should be relevant and current. All conclusions in the analysis must be consistent with the facts presented. Any findings and recommendations should be based on a reasonable forecast of market supply/demand conditions and sound assumptions regarding capture rates, absorption, achievable rents, income affordability and similar factors.
I. Basic Assumptions of the Analysis. The technical and analytical methods used by the Market Analyst and all subsequent findings and conclusions should be analytically and logically consistent.

Inspection

Kay Kauchick, MAI and Jonathan Hurt conducted a detailed physical inspection of the subject, comparables and market area. The last date of inspections and/or obtaining market research was February 6, 2012.

Data Collection

Three types of data are normally gathered while completing a market study: general, specific, and competitive supply and demand.

General Data—General data concerns the social, economic, governmental, and environmental forces that impact property. General data presented in this market study is found in the Area Description and Analysis and the Neighborhood Description and Analysis Sections. We gathered general data from a variety of sources and publications as noted in the analyses. General data concerning the neighborhood is also based upon observations made during our inspection of the neighborhood.

Specific Data—Data relating to the property being analyzed and to comparable properties, is referred to as specific data. Documents we relied upon for specific data pertaining to the subject are listed in the General Assumptions. Additional data pertaining to the subject was gathered from subject contacts, local city and county offices and chambers of commerce, various State offices, and other resources maintained in our library.

Specific comparable data was gathered from market participants. The extent of the comparable market data collection process varies for each type of comparable data. Refer to discussions preceding the presentation of data in the approaches to value for descriptions of the data sources consulted and the search criteria.

Competitive Supply and Demand Data—A complete analysis of the healthcare market has been prepared by Value Tech Realty Services, Inc.

Compliance

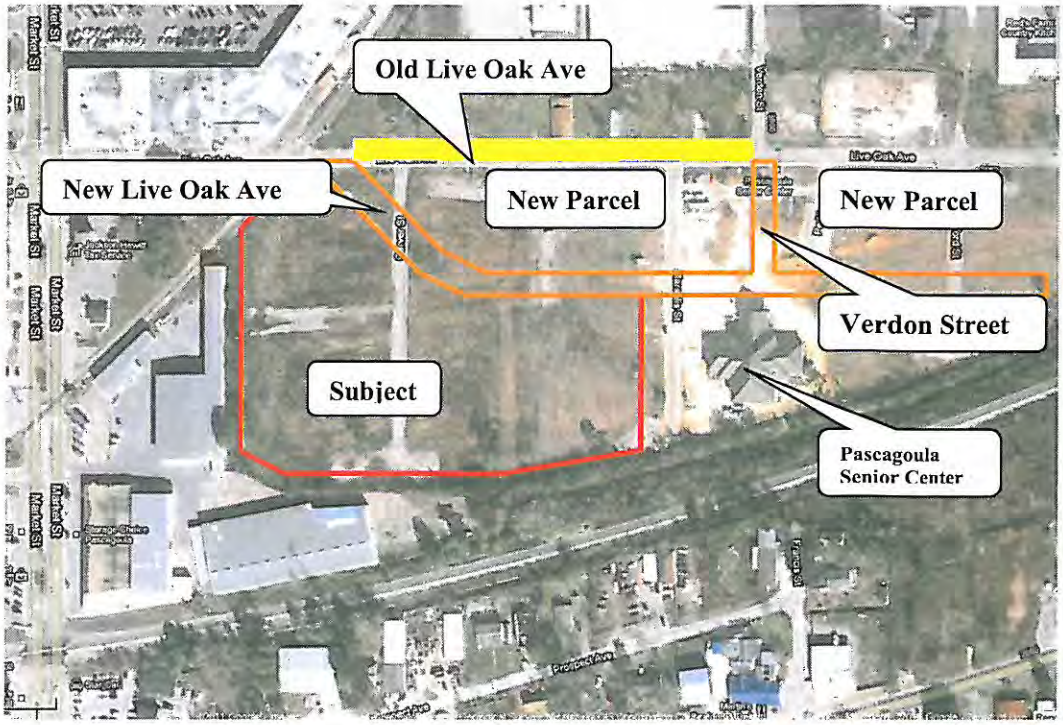
We developed this report in compliance with the HUD LEAN requirements.

Competency

Kay Kauchick, MAI, and Jonathan Hurt have analyzed Healthcare facilities in numerous locations throughout the United States. Kay Kauchick completed her HUD Lean training in July and December 2008 and attended the January 2010 & September 2011 LEAN conferences. Jonathan Hurt completed his HUD MAP Training in June 2010 and HUD Lean training in September 2011.

Ownership and History

According to public records, the land that the subject will be constructed on is currently owned by the City of Pascagoula. It is under contract for $xxxxxxxx. The subject site is part of a larger parcel that was sectioned off and re-platted to make room for the relocation of Live Oak Avenue to in front of the subject site. Two parcels were created north of Live Oak Avenue as a result of this. The relocation of Live Oak Avenue will provide the subject with increased access and exposure. The site is 5.7294-acres and is in a ready to go state. A visual representation of the site is provided in the following:



No other transactions have occurred involving the subject property within the past three years. No current listings were discovered and no other offers such as purchase, lease or option for the project are known to exist.

Management Overview

The subject will be managed and operated by Cooperative Retirement Services of America (CRSA). CRSA provides a full range of professional services to develop market, manage and finance retirement communities for investors, owners and sponsors. They are committed to providing a quality lifestyle for senior adults. CRSA was formed to meet the housing, health and service needs of the expanding senior population in America. They provide a full range of care from independent living, assisted living, Alzheimer's care and skilled nursing. They manage communities in the following cities Annapolis, MD, Tuscaloosa, AL, Newport News, VA, Bartlett, IL, Culpeper, VA, Hoover, AL, Pittsboro, NC, Daleville, VA, Richmond, VA, Austin, TX, Timonium, MD, Wichita Falls, TX, Columbus, GA, Germantown, TN, State College, PA, Blytheville, AR and West Lafayette, IN. Between all of the communities they manage 3,542 independent living units, 539 assisted living beds, 127 Alzheimer care beds and 681 skilled nursing beds. In addition to their management, they have several communities under development and one under construction as well as their consulting relationships with several other communities.

Assumptions and Limiting Conditions

The use of this report is subject to the following assumptions and limiting conditions:

General Assumptions

- No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
- The property was analyzed "free and clear" of any and all liens or encumbrances unless otherwise stated.
- Responsible ownership and competent property management are assumed.
- The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
- All engineering is assumed to be correct. The plot plans and illustrative material if presented in this report are included only to assist the reader in visualizing the property.
- It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less marketable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
- It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in this report.
- It is assumed that all applicable zoning and land use regulations and restrictions have been complied with unless a nonconformity has been stated, defined, and considered in this report.
- It is assumed that all required licenses, certificates of occupancy, consents or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the market support contained in this report is based.
- It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in this report.
- The analyst has not made an environmental inspection of the subject and is not qualified to detect the existence of hazardous materials. The analyst is relying on other third party sources for the detection of hazardous materials.
- The presence of hazardous materials such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value, marketability and/or of the property. The analyst assumes no responsibility for any existing conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if so desired.

- The Americans With Disabilities Act (ADA) became effective January 26, 1992. Noncompliance with the ADA could cause a loss in value. Unless otherwise stated in this report, Value Tech Realty Services, Inc. has not been provided with a compliance survey; therefore, our market conclusions and/or value estimate is predicated upon the assumption that the subject is not negatively or positively impacted by issues relating to the ADA.

- It is our assumption that the property has been designed in compliance with ADA as required.

General Limiting Conditions

- Possession of this report, or a copy thereof, does not carry with it the right of publication.

- The analyst herein by reason of this report is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.

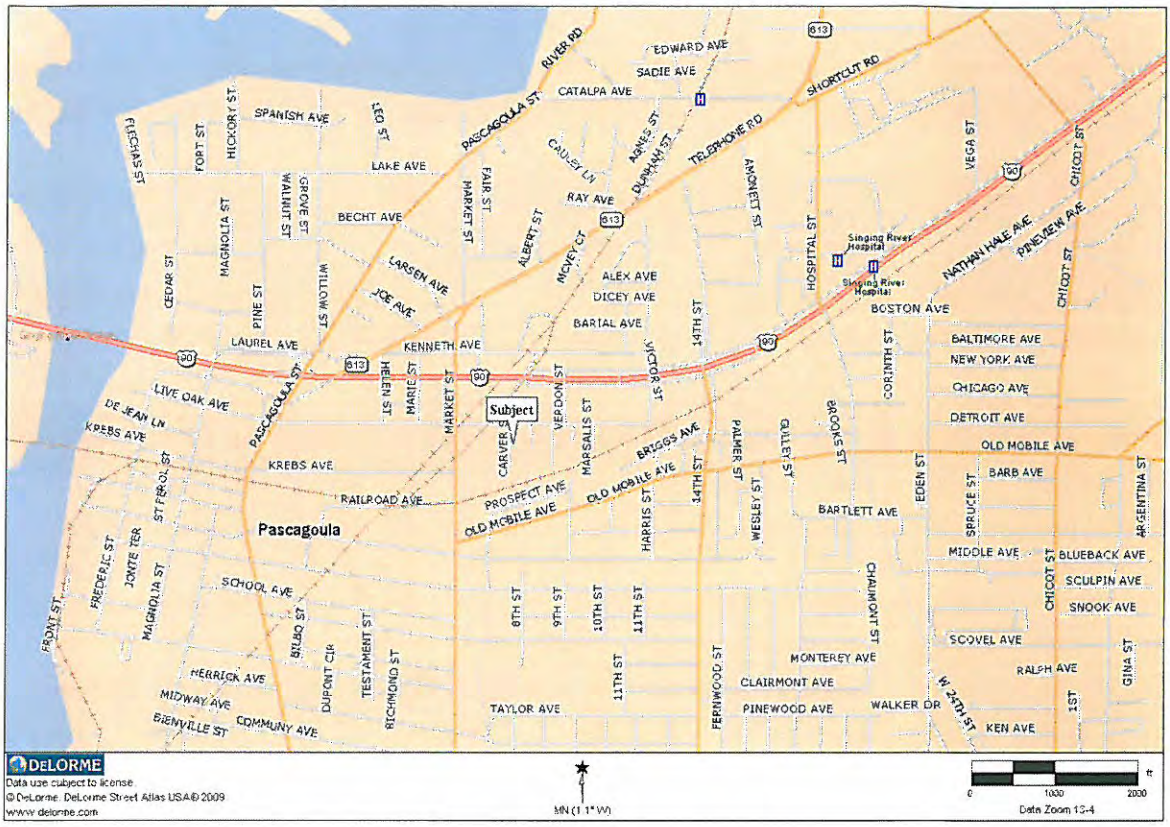
- Neither all nor any part of the contents of this report (especially any conclusions as to market support. The identity of the analyst or that with which the analyst is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the analyst.

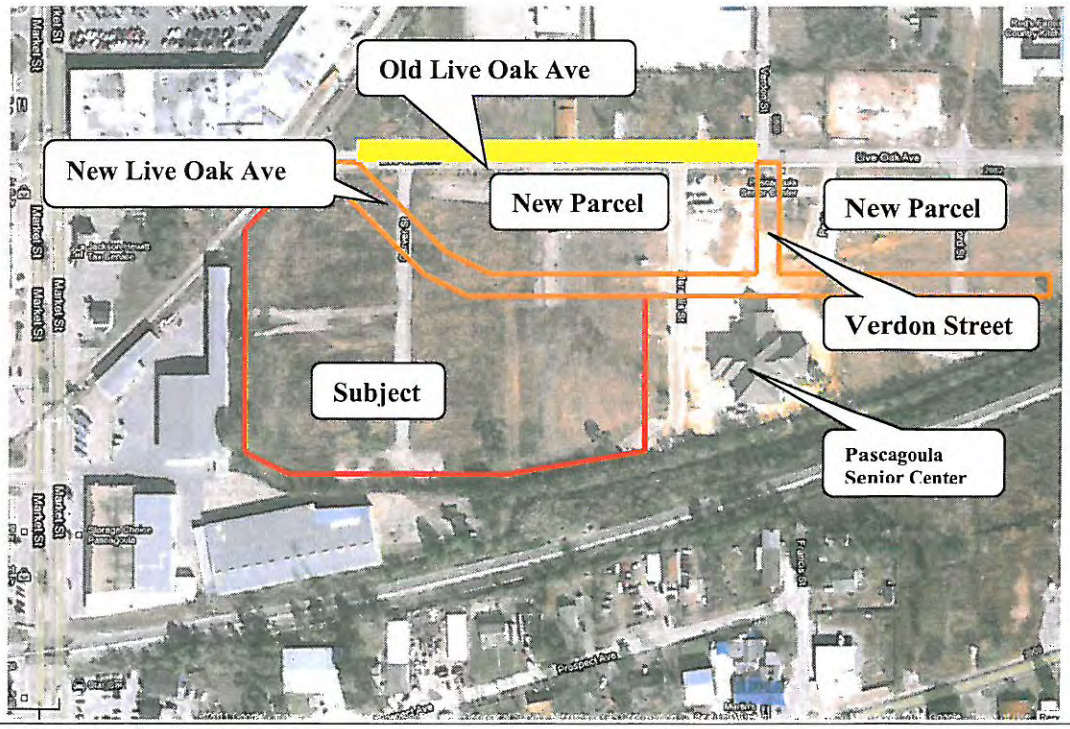
Specific Assumptions and Limiting Conditions

This report has also been made subject to the following specific assumptions and limiting conditions:

- We assume that the project will be constructed as proposed;
- We assume that the project will be maintained in a good condition;
- We assume that the subject will be aggressively marketed and professionally managed;
- We assume all necessary licenses and certifications for the subject will be obtained.

Project Description





The preceding maps visually depict the subject's location in relationship to the general area as well as in relationship to the major traffic arterials. The first portion of this section provides information regarding the site including location, access, topography, zoning, utilities, flood plain, hazardous materials, and related. The latter portion of this section provides detailed information on the improvements.

SITE DESCRIPTION			
Location:	1806 Live Oak Avenue, Pascagoula, Mississippi		
Frontage:	Live Oak Avenue	Shape	Irregular
Depth:	Varies	Excess Land:	None
Site Size	5.7294 acres	Topography	Generally Level
Usable Area	5.7294 acres	Zoning Code	MR-3 (Mixed Residential) (Formerly R-3)

	Excellent	Good	Average	Fair	Poor
Access		X			
Drainage		X			
Function/Utility		X			
Landscaping		X			
Shape		X			
Street Frontage		X			
Traffic Pattern		X			
Traffic Volume		X			
Utilities		X			

Comment: The area surrounding the subject is developed primarily with commercial land uses. There are train tracks to the south of the site. A quiet zone is being established that will prohibit train horns from blowing.

	Yes	No		Yes	No
Alley/Access Road		X	Corner Lot		X
Curbs and Gutters	X		Underground Utilities	X	
Electric	X		Assume Adequate Soils	X	
Gas	X		Environmental Issues		X
Lighting	X		Development Limitations		X
Public Sewer	X		Easements/Restrictions	X	
Sidewalks	X		**Flood Plain Information**		
Storm/Drainage	X		Zone:	Shaded Zone X	
Paved, Public Streets	X		Panel Number:	28059C0431G	
Public Water	X		Panel Date:	16-Mar-09	

Comments: Items checked "yes" above relating to development limitations, environmental issues, and/or easements/restrictions are discussed further in the text. Shaded Flood Zone X is located outside the 100 year and within the 500 year flood plain where base flood elevations have been determined.

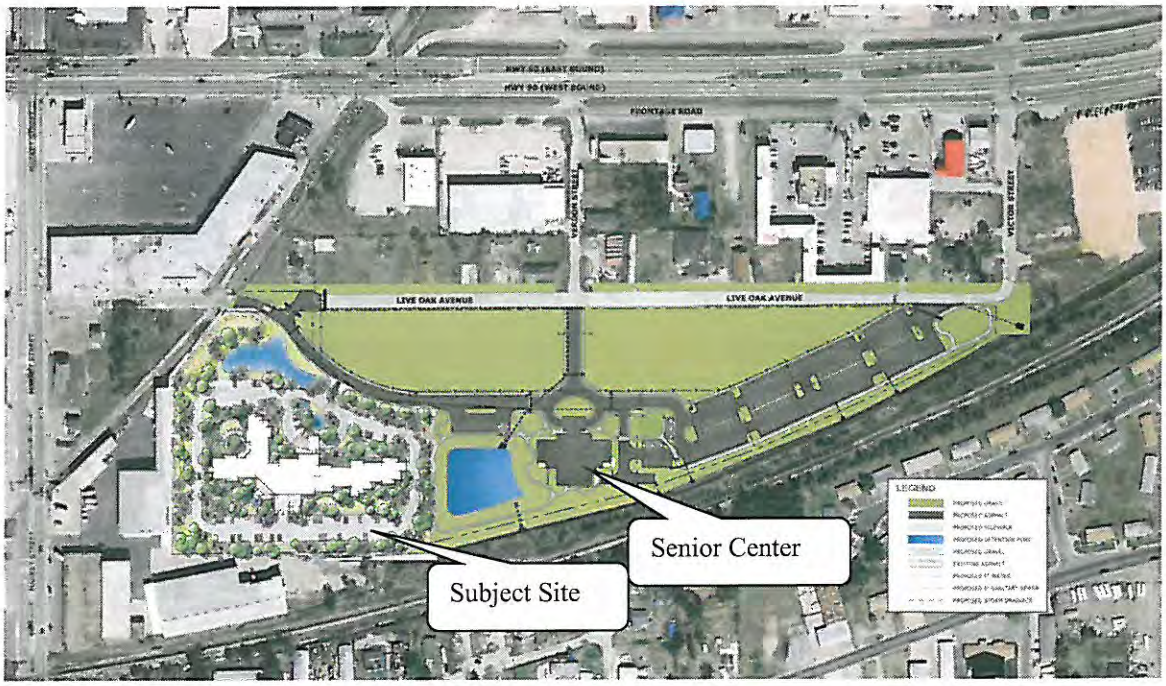
The subject is currently vacant land. The land is in a ready to go state and has utilities at the site.

Location and Access

The subject is located in Jackson County along Live Oak Avenue in Pascagoula, Mississippi. Live Oak Avenue is a small secondary street in Pascagoula. Highway 90 is located just north of the subject and is the main east/west commercial thoroughfare in the area. It runs along the Gulf Coast from New Orleans and Biloxi to the west and Mobile in the east. State Road 613 is also located just west of the subject site and provides access to the town of Moss Point and Interstate 10 to the north. Interstate 10 traverses the entire southern United States from Jacksonville, FL to the east and Los Angeles, CA to the west. The subject has excellent access to the surrounding areas within the region.

Area and Dimensions

The subject parcel is generally irregular in shape and contains approximately 5.7294-acres of land. Frontage will be along the relocated Live Oak Avenue. The site plan is illustrated below:



SITE PLAN

Topography & Drainage

The subject site is at road grade and drainage appears to be adequate.

Flood Hazard Statement

The subject is located in Panel Number 28059C0431G dated March 16, 2009. According to FEMA, the subject property is located in Zone X.

Utilities and Services

Utilities & Services			
Water:	City of Pascagoula	**Gas:**	City of Pascagoula
Sewer:	City of Pascagoula	**Fire**	Pascagoula Fire Department
Electricity:	Mississippi Power Company	**Police**	Pascagoula Police Department
Telephone:	BellSouth		

Land Uses

The land uses within the immediate area are as follows:

LAND USES IN IMMEDIATE AREA	
Direction	Land Use
North	Vacant Land/Commercial Retail
South	Train Tracks/Commercial
East	Pascagoula Senior Center
West	Commercial Retail

Photos of the surrounding land uses are illustrated in the following:

NORTH OF SUBJECT

SOUTH OF SUBJECT

EAST OF SUBJECT

WEST OF SUBJECT

Zoning

The subject is currently zoned MR-3 (Mixed Residential 3). The MR-3 district is established and intended to accommodate a mix of residential dwelling types, including single-family detached dwellings, two-family dwellings, townhouse dwellings, multifamily dwellings, manufactured homes, manufactured home parks and live/work dwellings. The district also accommodates group living uses and complementary nonresidential uses usually found in high-density urban residential neighborhoods. The subject would require approval and is a legally permissible special use. The subject has approvals in place. The development requirements are illustrated below:

Zoning:	MR-3 (Mixed Residential) (Formerly R-3)
Required Parking	1 per 3 beds
Minimum Floor Area per Density Unit (Sq. Ft.)	500 sq. ft.
Minimum Lot Width (Ft.)	50 feet
Minimum Lot Area (Sq. Ft.)	5,000 sq. ft.
Minimum Lot Area per Density Unit (Sq. Ft.)	8,000 for first 2 units + 2,500 per additional unit
Maximum Building Coverage (% of lot area)	55%
Maximum Height (Ft.)	50 feet
Maximum Density	1 dwelling per 2,500 sq. ft.
Front Setback	12 feet
Side Setback	5 feet plus 3 feet per story above first story
Rear Setback	10 feet

Easements

No easements were noted that would significantly impact the development potential of the site. As such, we have assumed no easement will negatively impact the marketability or use of the subject.

Noise

There are train tracks to the south of the site. A quiet zone is being established that will prohibit train horns from blowing in addition to landscaping to buffer. Thus, any noise concerns will be mitigated.

Licensing Requirements

Assisted Living and Alzheimer Care facilities are regulated under Personal Care Homes and Specialty Care facilities, respectively, by the Mississippi Department of Health. The licenses are requirements are summarized below.

ASSISTED LIVING LICENSE MISSISSIPPI	
License Type (Term):	Personal Care Home - Assisted Living
Regulatory Agency:	Mississippi Department of Health
Definitions:	The term "Personal Care Home -Assisted Living" and "Assisted Living Personal Care Home" mean any place or facility operating 24 hours a day, seven (7) days a week, accepting individuals who require assisted living services.
License Required:	Yes
Scope of Care Permitted:	The provision of personal care and the addition of supplemental services to include, but not be limited to, the provision of medical services (i.e., medication procedures and medication administration), and emergency response services. Residents must safely walk independently or with the use of a cane, walker, or other mechanical supportive device but not limited to, a wheelchair. A resident who requires a wheelchair must be capable of transferring to and propelling the wheelchair independently or with prompting. No more than ten percent (10%) of the resident census shall require assistance during any staffing shift.
Alzheimer's Unit Requirements:	Separate Licensure from the Personal Care Home.In addition to the staffing requirements as set forth for licensed facilities, the following staffing requirements shall apply to A/D Units: 1. Minimum requirements for nursing staff shall be based on the ratio of three (3.0) hours of nursing care per resident per twenty-four (24) hours Licensed nursing staff and nursing aides can be included in the ratio. Staffing requirements are based upon resident census. 2. A Registered Nurse or Licensed Practical Nurse shall be present on all shifts. 3. If the designated A/D Unit is not freestanding, licensed nursing staff may be shared with the rest of the facility for the purpose of meeting the minimum staffing requirements. 4. Trained staff shall be qualified individuals with experience and knowledge in the care of individuals with Alzheimer's Disease and other forms of dementia. The licensed facility shall provide an orientation program to all new employees assigned to the A/D Unit. 5. A minimum of two (2) staff members shall be on the A/D Unit at all times.
Administrator Education/Training:	There shall be a full-time employee designated as operator of the licensed facility who shall be responsible for the management of the licensed facility. The operator shall be at least twenty-one years of age and shall be a high school graduate, or have passed the GED, and shall not be a resident of the licensed facility. The operator shall have verification that he is not listed on the "Mississippi Nurses Aide Abuse Registry." When the operator is not within the licensed facility, there shall be an individual onsite at the licensed facility who shall represent the operator, and be capable of assuming the responsibility of operator. Said person must be at least twenty-one years or age and shall be a high school graduate, or have passed the GED, and shall have verification that he is not listed on the "Mississippi Nurses Aide Abuse Registry."
Staffing Requirements:	All direct care employees shall be a minimum of 18 years of age, and shall have verification that they are not listed on the "Mississippi Nurses Aide Abuse Registry." Personnel shall receive training on a quarterly basis on topics and issues related to the population being served in the licensed facility. Training shall be documented by a narrative of the content and signatures of those attending. Personnel shall be employed and on duty, awake, and fully dressed to provide personal care to the residents. The following staffing ratio shall apply: 1. One (1) resident attendant per fifteen (15) or fewer residents for the hours of 7:00 a.m. until 7:00 p.m.Minimum Standards for PCH Assisted Living Facilities Health Facilities Licensure and Certification 2. One (1) resident attendant per twenty-five (25) or fewer residents for the hours of 7:00 p.m. until 7:00 a.m. There shall be designated, in writing and posted in a conspicuous place, on-call personnel in the event of an emergency, during this shift. 3. Shall have a licensed nurse on the premises for eight (8) hours a day. Licensed nurses, as required by this section, shall not be included in the resident attendant ratio.

The subject will be operated in compliance with the required regulations of an assisted living and specialty care facility.

Soil and Subsoil

During our inspection, no soil or subsoil problems were apparent. This opinion is based solely on a visual inspection of the surface of the property. For market study purposes, we assume that the soil is of adequate load bearing capacity to support the improvements. We accept no responsibility for hidden or unapparent conditions beyond the area of our expertise as market analysts (see Item 6 of General Assumptions).

Hazardous or Toxic Materials

During our visual inspection of the subject, we did not observe any hazardous substances. We are not experts, however, in determining the presence of hazardous substances, defined as all hazardous or toxic wastes, pollutants, or contaminants (including asbestos, PCB's, or raw materials) either used in construction or stored on the property. We are not experts in determining the presence of hazardous substances, and another third party report is needed to address any environmental concerns.

Conclusion/Comments

The subject site has a good location within Pascagoula and near Highway 90, which is a major east/west thoroughfare in the region. The location of the property is good with respect to its close proximity to healthcare providers including local hospitals and the Pascagoula Senior Center. The location provides good access and excellent visibility. The subject site will sit on 5.7294-acres. Overall, the site has sufficient land to develop with a residentially-oriented use such as the proposed healthcare facility.

Improvement Description

Type and Size

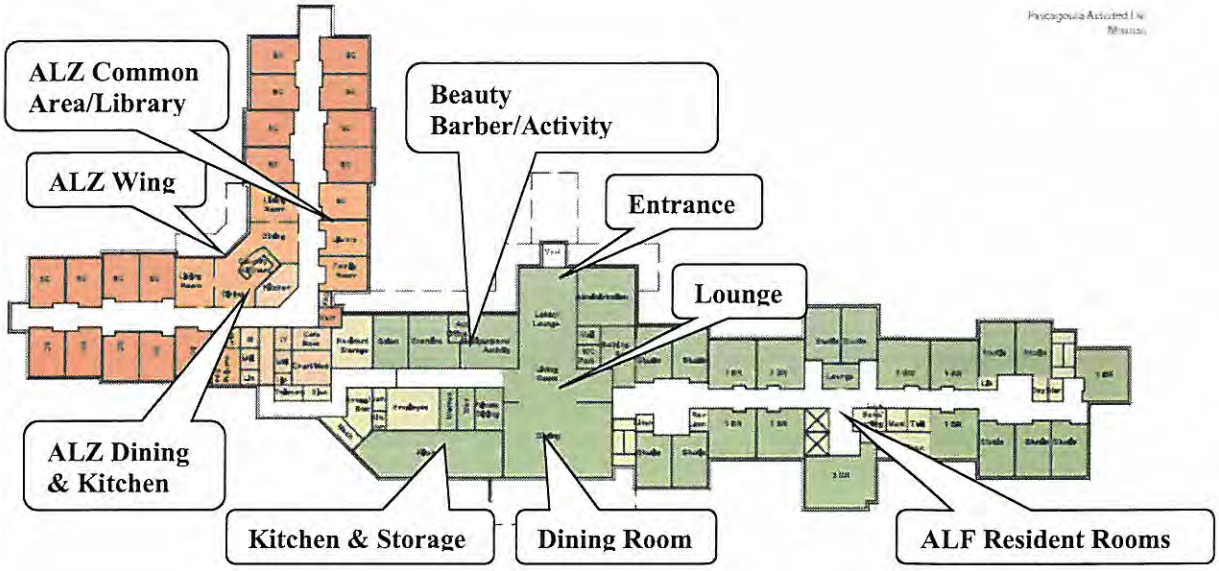
The subject will consist of one building with single-story and three-story sections containing the residential units and common areas. There are a total of 78-units and 80 licensed beds. This allows couples or shared occupancy in the two bedroom units.

The unit mix is as follows:

PHYSICAL BUILDING				
UNIT TYPE	SQUARE FEET	NUMBER OF UNITS	PERCENT OF TOTAL GBA	TOTAL SQUARE FEET
Subject Units Assisted Living				
Studio	375	15	8.5%	5,625
One Bedroom Small	425	30	19.3%	12,750
One Bedroom Large	475	13	9.3%	6,175
Two Bedroom	785	2 (4 Beds)	2.4%	1,570
Subject Units Alzheimer Care				
Alzheimer Studio	275	18	7.5%	4,950
Totals	**398**	**78 (80 Beds)**	**47.0%**	**31,070**
Plus Common Areas			**53.0%**	**35,035**
Total Gross Building Area				**66,105**

Layout and Design

A layout of the first floor of the building is provided as follows:



LEVEL 1

A layout of the second and third floors of the building is provided as follows:

LEVELS 2 & 3

The subject building will have a total of 66,105 square feet. The assisted living portion will contain 60 studio, one and two bedroom units and the Alzheimer care component will contain 18 studio units. There will be approximately 50 parking spaces including five handicap accessible.

A Porte cochere is located at the main entrance. The lobby provides access to the offices and the dining and living rooms. All residents are provided with full dining facilities supported by an in-house commercial kitchen. The dining room will be located in the middle of the facility which allows for access from the resident room section. A secure Alzheimer unit is located on the western side of the building and houses all the amenities necessary for residents in that area. There will be two separate dining rooms for assisted living and Alzheimer's care residents in each respective corridor of the building. An adjacent private dining room is included for family events and special occasions on the assisted living side.

Amenities and Services

Residents will have access to a variety of amenities and services as presented below:

PROJECT AMENITIES	
Three Meals	Weekly Linens
Laundry rooms	Transportation
Activity Rooms	Smoke detectors
Beauty Salon	24hr Emergency call system
Dining Room	24 hour a day central monitoring
Exercise Room	Individually controlled HVAC
Library/Den	Courtyard
Private Dining Room	Weekly housekeeping
Social activities	WIFI Access

UNIT AMENITIES	
Carpet and Vinyl flooring	Furnishings
Kitchenettes w/ sink	All utilities (Except Telephone)
Includes Refrigerator	Controlled access- ALZ
Includes Microwave Oven	Exercise room
*Alzheimer units will not have kitchenettes	

The design of the building and the individual floor plans are considered to be functional and attractive.

Construction Details and Conditions

Construction details are provided in the following chart.

IMPROVEMENT SUMMARY				
Construction Type:	Class C	**Parking:**	**Yes**	**No**
Rentable Area/Beds:	66,105 sq. ft./80 Beds	**On Site**	X	
Number of buildings:	1	**Paved**	X	
Number of Stories:	3	**Parking Garage**		X
Year Built:	2013	**Adequate**	X	
Effective Age:	0	**Conforms to Zoning**	X	
Economic Life:	60 years	**Number of Spaces**	50	
Remaining Econ. Life:	60 years	**Spaces/Bed**	0.63	
Construction Quality:	Good	**Landscaping:**	Good	
Construction Condition:	Good	**Lighting:**	Good	
Deferred Maintenance:	None	**Plumbing:**	Meets Code	
Ceiling:	Textured	**Office:**	Located near entrance	
Electrical:	Meets Code	**Restrooms:**	Central/resident rooms	
Elevators	2	**Roof Cover:**	Asphalt Shingle	
Exterior Walls:	Stucco/Vinyl Siding	**Security:**	24-hr emergency call system	
Floor Cover:	Carpet, Ceramic Tile	**Sprinklers:**	Yes	
Floor-to-Ceiling Height:	9 +/- feet	**Safety**	Central monitoring	
Foundation:	Concrete Slab	**Window:**	Aluminum Frame	
Frame:	Concrete Block	**Interior Partitions:**	Dry Wall	
HVAC: Central in common areas, individual units in resident rooms				
Source: Information provided by owner.				

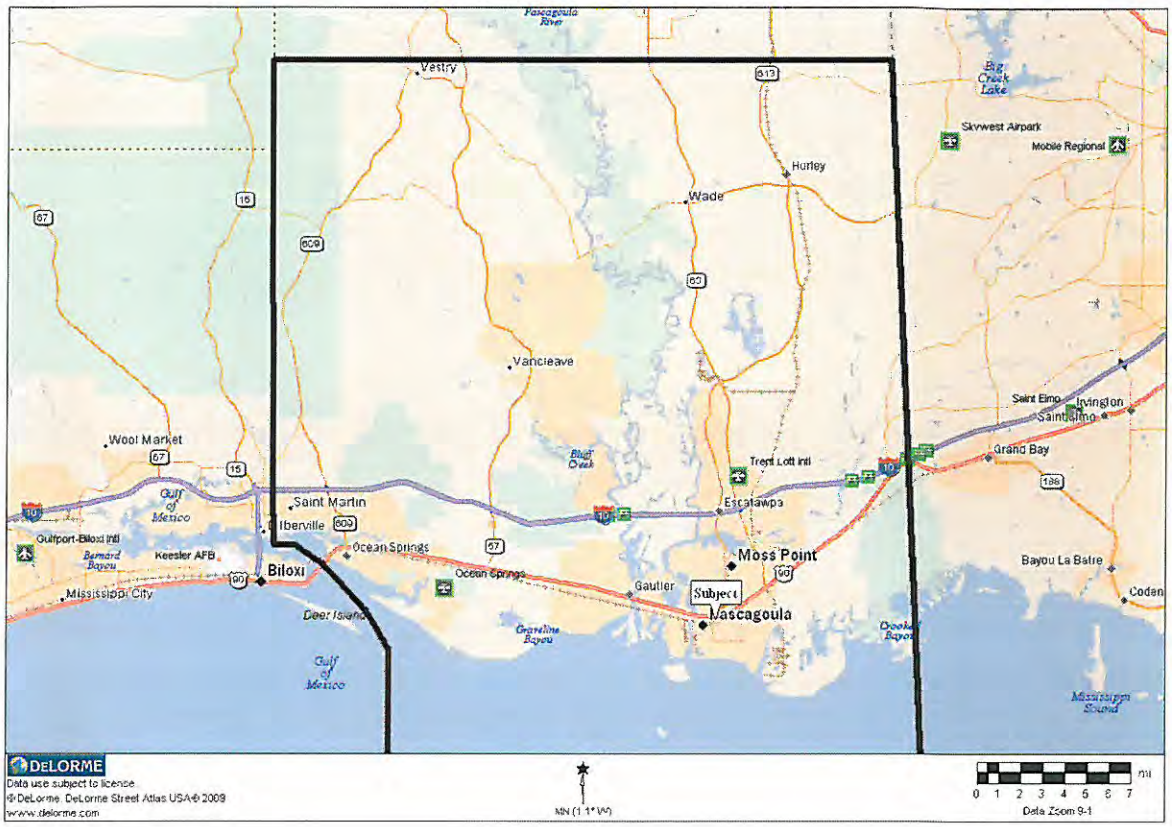
Americans with Disabilities Act of 1990

The Americans with Disabilities Act of 1990 sets strict and specific standards for handicapped access to and within most commercial and industrial buildings. Determination of compliance with these standards is beyond market study expertise and, therefore, has not been attempted by the market analyst. For purposes of this market study, we are assuming the improvements are in compliance; however, we would recommend an architectural inspection of the improvements to determine compliance or requirements for compliance if any items were in question. We assume no responsibility for the cost of such determination, and our market study is subject to revision if the improvements are not in compliance.

Conclusions/Comments

The subject will consist of one, three-story building with residential units and common areas. All facilities and services will be easily accessible. There are a total of 78-units (80-licensed beds) under the current layout that includes 60 assisted living (62 Beds) and 18 Alzheimer care units. The improvements are designed in conformance with current market standards for a property that will accommodate the private pay market. Further, improvements will be among the highest quality in the region. Resident room sizes, common areas, storage, and parking are expected to be adequate to meet the needs of the senior market.

Jackson County Area Analysis



Introduction

Jackson County is located in the southeast corner of Mississippi. It encompasses a total of 1,043 square miles (727 square miles of land and 316 square mile of water). US 90 and I-10E traverse the southern part of the county from east to west while SR 63 and SR 57 run through the county from north to south on the east and west sides of the Pascagoula River, respectively. Jackson County's neighboring counties are George to the north, Mobile to the east, Harrison to the west, and Stone to the northwest.

Jackson County was absorbed into the Mississippi territory in 1810 from Spain. In December of 1812 Mobile County was split into three parts, and Jackson County became what used to be the middle of Mobile County. In 1822 the northern row of townships was moved to Greene County. In 1840, under the leadership of John Grant, the port of Pascagoula was constructed.

The first economic boom for Jackson County came from 1880 to 1910 due to the prosperity of the timber and pecan industries. Ship building started early on with the construction of flat-bottomed schooners for trade. Now, the Ingalls shipyard is the largest employer in the county. The county Board of Supervisors created the Bayou Casotte Industrial Park in 1954. Large industries, like Chevron USA, moved to Jackson County in the 1960s.

The Jackson County Port Authority was organized in 1958 and was structured around a bootstrap concept for the purpose of attracting industry to the county. Jackson County has secured federal and state aid for deepening and maintaining the Pascagoula River and Bayou Casotte channels. Industrial and economic

development has been largely due to the Port of Pascagoula, which has up-to-date equipment and facilities. The county owns a state-of-the-art hospital system, has excellent schools, a top-rated community college and a Gulf Coast research center within its borders.

Jackson County Demographics

The following provides the 2000-2010 population and household growth information for the County:

POPULATION AND HOUSEHOLDS: JACKSON COUNTY				
	2000	2010	Change	% Change
Total Population	131,420	139,668	8,248	6.3%
Total Households	47,676	52,205	4,529	9.5%
Source: Demographic and Income Profile, Census 2010				

As shown in the above table, from the year 2000 to 2010, the population has grown 6.3%. The number of households has also increased by 9.5% over the same period. The previous information was provided by the US Census Bureau. The 2010 Census has only had a partial release of information at the time of this report. When information from the census was not available, the projections made by ESRI were utilized. The 2015 projections made in this section of the report were generated by applying the ESRI 2010-2015 growth rate projections to the 2010 Census data.

Population Age Distribution

The following table shows the area's population growth projection by age.

JACKSON COUNTY POPULATION PROJECTION BY AGE					
Total Number of Residents					
Age	**2000**	**2010**	**2015**	**Change 2010 - 2015**	**% Change**
0-4	9,240	9,671	9,387	-284	-2.9%
5-9	10,273	9,599	9,469	-130	-1.4%
10-14	10,597	9,233	9,547	314	3.4%
15-19	9,956	9,275	8,452	-823	-8.9%
20-24	8,555	8,210	8,003	-207	-2.5%
25-34	17,763	18,167	17,707	-460	-2.5%
35-44	21,453	18,200	17,862	-338	-1.9%
45-54	17,708	20,513	18,313	-2,200	-10.7%
55-64	12,328	16,058	17,250	1,192	7.4%
65-74	8,079	9,704	11,273	1,569	16.2%
75-84	4,204	5,064	5,473	409	8.1%
85+	1,264	1,701	1,779	78	4.6%
Total	**131,420**	**135,395**	**134,515**	**-880**	**-0.6%**
% Change		**3.0%**	**-0.6%**		
Compounded annual growth rate (2000 to 2015)			**0.2%**		
Compounded annual growth rate (2010 to 2015)			**-0.1%**		
Source: Census 2010					

As the table above illustrates, the area population is expected to experience a very slight decrease through 2015. However the most significant group for the subject property, the 65+ age group, is projected to have a noteworthy increase of 12.5%.

The age group expected to experience the largest increase is the 65 to 74 age bracket. This group is anticipated to grow 16.2% between 2010 and 2015. The 75 to 84 and 85+ age groups are projected to increase by 8.1% and 4.6%, respectively. Senior population projections are illustrated in the following table:

JACKSON COUNTY SENIOR POPULATION GROWTH PROJECTION					
Age	**2000**	**2010**	**2015**	**Change 2010-2015**	**% Change**
65-74	8,079	9,704	11,273	1,569	16.2%
75-84	4,204	5,064	5,473	409	8.1%
85+	1,264	1,701	1,779	78	4.6%
Total	**13,547**	**16,469**	**18,525**		
% Change		**21.6%**	**12.5%**		
Compounded annual growth rate (2000 to 2015)			**2.1%**		
Compounded annual growth rate (2010 to 2015)			**2.4%**		
Source: Demographic and Income Profile, ESRI Site Analysis					

Population Age Distribution

The following table illustrates the population by age groups by size in Jackson County:

2010 POPULATION BY AGE		
JACKSON COUNTY		
Age	Total	% of Total
0-19	39,301	28.1%
20-24	8,459	6.1%
25-44	36,801	26.3%
45-54	21,086	15.1%
55-64	16,680	11.9%
65-74	10,499	7.5%
75-84	5,254	3.8%
85+	1,588	1.1%
Total	139,668	100.0%
Source: Demographic and Income Profile, Census 2010		

As shown above, residents aged 0 to 54 constitute 75.6% of the total population. The largest single age groups are the 0-19 and 25-44 brackets, representing 28.1% and 26.3% of the total population, respectively. This likely indicates a large presence of young families within the County. The seniors aged 65+ make up 12.4% of the total population.

Housing Characteristics

The following table displays household growth in the County:

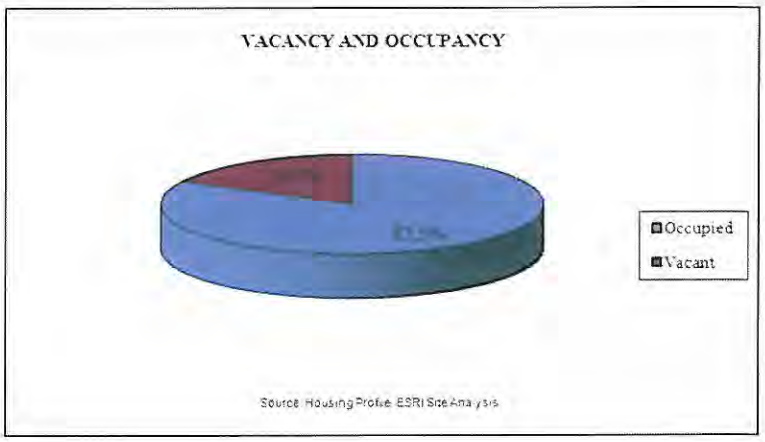
HOUSEHOLD PROJECTION FOR 2010 to 2015					
JACKSON COUNTY					
				% Household Change	
Year	2000	2010	2015	2000-2010	2010-2015
Total	47,676	52,205	52,158	9.5%	-0.1%
Compounded annual growth rate				**0.9%**	**0.0%**
Average Size	2.72	2.65	2.63	-2.6%	-0.8%
Source: Census 2010					

As shown in the previous table, average household size has decreased since 2000, but is projected to decrease at a slower rate through 2015. The number of households in Jackson County increased by 9.5% from 2000-2010 and is projected to slightly decrease through 2015. The following illustrates the distribution of housing units in Jackson County:

HOUSING UNITS IN JACKSON COUNTY		
	% of Total	**Total**
Total:	100.0%	49,726
Owner occupied	73.1%	36,342
Renter occupied	26.9%	13,384
Source: Census 2010		

As indicated above, Jackson County has a strong homeownership characteristic with 73.1% of the total housing units being owner occupied. The following table and figure illustrates the occupancy rate of housing units in Jackson:

HOUSING MARKET: JACKSON COUNTY		
	% of Total	**Total**
Total:	100.0%	60,255
Occupied	82.5%	49,726
Vacant	17.5%	10,529
Source: Census 2010		



As indicated above, 17.5% of housing units are vacant in Jackson County. This vacancy rate is largely due to the effects of Hurricane Katrina. Jackson County is currently renovating and rebuilding many homes.

The following table illustrates the market vacancies in the County:

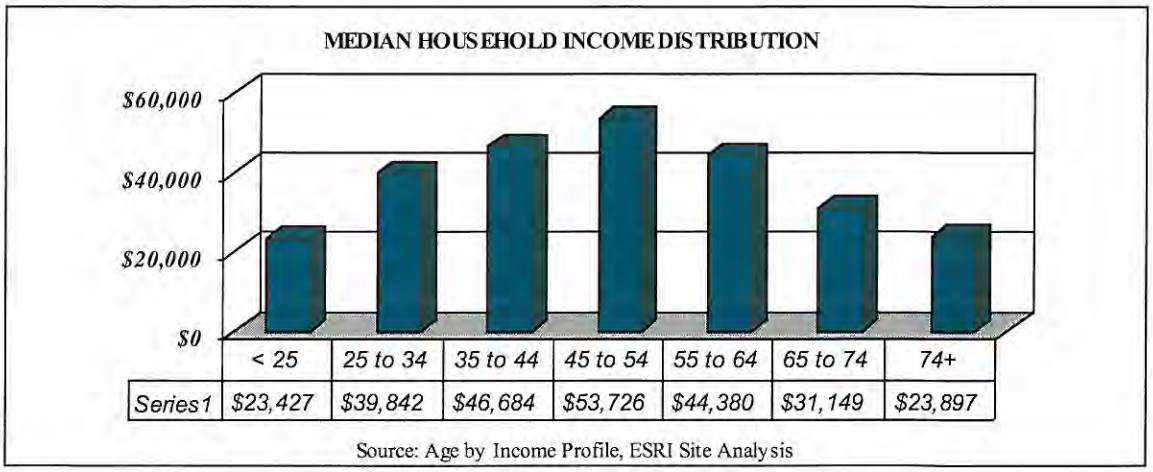
MARKET VACANCIES	
	Jackson County
Total:	10,529
For rent	4,490
For sale only	1,536
Rented or sold, not occupied	451
For seasonal, recreational, or occasional use	1,345
For migrant workers	2,707
Other vacant	10,529
Source: Census 2010	

As indicated above, there are 10,529 total vacant units in Jackson County. This equates to 17.5% of the total area housing supply. The other vacant category includes homes that are unlivable due to the flood waters caused by Hurricane Katrina.

Socio-Economic Characteristics

According to ESRI Inc., the median household income in Jackson County for 2010 is $42,535. The following chart indicates household income by age in the defined area:

MEDIAN HOUSEHOLD INCOME	
Median household income in 2010	Jackson County
Total	$42,535
< 25	$23,427
25 to 34	$39,842
35 to 44	$46,684
45 to 54	$53,726
55 to 64	$44,380
65 to 74	$31,149
74+	$23,897
Source: Age by Income Profile, ESRI Site Analysis	



As illustrated in the previous chart, median household income is highest within the 45 to 54 age group, while the under 25 group represents the area's lowest median income group. This is closely followed by the over 74 age bracket. Household income does not include assets such as stocks or homes. The following table illustrates the income distribution for seniors in Jackson County:

INCOME DISTRIBUTION FOR SENIOR MARKET: JACKSON COUNTY		
	Number	Percent
Householder 65 years and over:	10,468	100.0%
<$15,000	2,886	27.6%
$15,000 - $24,999	1,613	15.4%
$25,000 - $34,999	1,639	15.7%
$35,000 - $49,999	1,389	13.3%
$50,000 - $74,999	1,522	14.5%
$75,000 - $99,999	586	5.6%
$100,000 - $149,999	546	5.2%
$150,000 - $199,999	154	1.5%
$200,000+	133	1.3%
Source: Age 50+ Profile, ESRI Site Analysis		

As shown above, 28.1% of seniors in the area earn more than $50,000 annually. Within this group 13.6% of the households earn more than $75,000 per year.

Employment

The following table shows the employment by industry in Jackson County:

JACKSON COUNTY EMPLOYMENT BY INDUSTRY		
Industry	Number	Percent
Manufacturing	11,717	17.0%
Health Care/Social Assistance	8,684	12.6%
Retail Trade	6,134	8.9%
Construction	4,825	7.0%
Educational Services	4,480	6.5%
Accommodation/Food Services	4,204	6.1%
Arts/Entertainment/Recreation	4,135	6.0%
Public Administration	3,929	5.7%
Other Services	3,653	5.3%
Professional, Scientific, and Technical Services	3,515	5.1%
Admin., Support, and Waste Mgmt. Services	3,101	4.5%
Finance/Insurance	2,964	4.3%
Transportation/Warehousing	2,206	3.2%
Wholesale Trade	1,654	2.4%
Real Estate/Rental/Leasing	1,378	2.0%
Mining	758	1.1%
Utilities	689	1.0%
Information	551	0.8%
Agriculture, Forestry, Fishing, and Hunting	207	0.3%
Management of Companies/Enterprises	138	0.2%
Total	68,922	100%
Source: STDB 2010 Employed Civilian Population by Industry Chart		

As indicated in the previous chart, employment in Jackson County is dominated by the Manufacturing, the Health Care/Social Assistance, and the Retail Trade sectors.

Major Employers

The following table illustrates the major private employers of Jackson County:

JACKSON COUNTY MAJOR EMPLOYERS		
Company	Employees	Service
Ingalls Shipbuilding	12,300	Manufacturing/Shipbuilding
Singing River Health System	2,356	Medical
Chevron Pascagoula Refinery	1,610	Petroleum Refining
Wal-Mart	975	Retail
VT Halter	804	Manufacturing/Shipbuilding
Knight Marine & Industrial Services	742	Shipbuilding and repair
AT&T Mobility	724	Communications
Jackson County	700	Government
Ocean Springs School District	700	Education
Moss Point School District	300	Education
Source: Jackson County Economic Development Foundation, Inc.		

For more than 70 years, Ingalls Shipbuilding has pioneered the development of advance and capable warships for the U.S. Navy, U.S. Coast Guard, U.S. Marine Corps, and foreign and commercial customers.

Ingalls Shipbuilding is the largest supplier of U.S. Navy surface combatants having built 70 percent of the Navy fleet of warships. They are the builder of record for 28 of the 62 Aegis DDG 51 class of guided missile destroyers and have the premier Marine Composite Research, Development and Construction Facility in the country. Ingalls Shipbuilding is the largest employer in Mississippi and has 12,300 employs in Jackson County.

Singing River Health System (SRHS) is a governmental entity established under the community hospital statues of the state of Mississippi. The SRHS operates as a not-for-profit organization. Singing River Health System is comprised of two hospitals, one in Pascagoula and one in Ocean Springs, and nine community medical clinics. SRHS provides 24-hour emergency, heart and vascular, women's and children's, inpatient and outpatient rehabilitation, and behavioral health services along with the Neuroscience Center, the Regional Cancer Center, and Wound Care and Hyperbaric Medicine Center. SRHS provided $185 million in employee salaries and benefits in 2010. Singing River Health System has approximately 2,400 employees in Jackson County.

The Chevron Pascagoula Refinery opened its doors in October, 1963 and has been expanding ever since. The Pascagoula refinery has become Chevron's largest and the tenth largest refinery in the United States. Since the refinery's opening Chevron has invested over $3.1 billion in expansions. The most recent expansion is still in progress and is costing an estimated $500 million. The project is titled Continuous Catalyst Regeneration Project (CCR) and is expected to increase the overall oil production of the refinery by 10%, or 600,000 gallons per day. Chevron is also planning a new project that will bring growth to Jackson County. The Chevron Pascagoula Refinery has over 1,600 employees in Jackson County.

Labor Market

Civilian Labor Force is defined as individuals who are civilians (not members of the Armed Services) who are age 16 years or older, and are not in institutions such as prisons, mental hospitals, or nursing homes. Employment data for Jackson County is illustrated in the following table:

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT DATA IN JACKSON COUNTY				
Year	**Civilian Labor Force**	**Employment**	**Unemployment**	**Unemployment Rate (%)**
2011 YTD	66,810	59,673	7,137	10.7%
2010	64,127	58,080	6,047	9.4%
2009	61,838	56,636	5,202	8.4%
2008	60,899	57,313	3,586	5.9%
2007	59,053	55,761	3,292	5.6%
2006	58,311	53,620	4,691	8.0%
2005	62,388	56,072	6,316	10.1%
2004	60,219	56,625	3,594	6.0%
2003	60,094	56,288	3,806	6.3%
2002	60,261	56,072	4,189	7.0%
2001	60,886	57,407	3,479	5.7%
Source: BLS.gov				
2011 YTD consists of data up through February; the data is not seasonally adjusted				

As illustrated by the previous table, the unemployment rate has risen over the second half of the decade. However, this is due to the increases in the Civilian Labor Force. In actuality, Jackson County has seen an increase in employment over the last 3 years.

Real Estate Trends

The following table displays the number of new building permits issued in Jackson County from the year 2001 to YTD 2011, divided into single family and multifamily homes.

JACKSON COUNTY BUILDING PERMITS			
Year	**SF***	**MF***	**Total**
2011 (P) YTD	287	0	287
2010	267	19	286
2009	738	0	738
2008	499	515	1,014
2007	798	584	1,382
2006	1,293	213	1,506
2005	992	0	992
2004	1,245	133	1,378
2003	883	0	883
2002	757	0	757
2001	840	0	840
*SF= under 5 units MF=5+ units; Source: SOCDS Building Permits			
YTD 2011 consists of data through Dec. 2011; the data is not seasonally adjusted			

The Jackson County housing market has been affected by tighter lending practices, as evidenced by the drop in building permits since the peak in 2006. Engineered financing vehicles spurred homeownership beyond a sustainable level. The market has corrected itself and future permit levels will likely return to more normalized level.

Median housing prices for Jackson County are illustrated in the following table:

MEDIAN HOME PRICES FOR 2010-2015				
Jackson County				
			% Price Change	
2000	**2010**	**2015**	**2000-2010**	**2010-2015**
$75,388	$119,700	$142,420	58.8%	19.0%
Compounded annual growth rate			**4.7%**	**3.5%**
Source: Census 2010				

The median home price projection for 2015 reflects an increase in home values per year of 3.5%. This bodes well for the proposed project as seniors will typically sell their homes to finance a stay in an assisted living community.

Medical

Below is a list of major hospitals located in Jackson County:

MAJOR HOSPITALS		
Name	Location	Beds
Singing River Hospital	Pascagoula, MS	375
Ocean Springs Hospital	Ocean Springs, MS	124
Source: American Hospital Directory @ AHD.com		

SINGING RIVER HEALTH SYSTEM

Singing River Health System is a not-for-profit healthcare system comprised of two hospitals including Singing River Hospital (Pascagoula) and Ocean Springs Hospital (Ocean Springs), plus nine community medical clinics located throughout the Gulf Coast. Singing River Health System has developed a reputation for providing comprehensive, state-of-the-art medical care to residents of Jackson, George, and Harrison counties in Mississippi. Specialties include 24-hour emergency services; comprehensive heart services; The Regional Cancer Center; women's and children's services; inpatient and outpatient rehabilitation services; neurosciences program; Daybreak behavioral health; wound care and hyperbaric medicine center; and Hospice of Light.

Singing River Health System is one of the largest regional employers, providing more than 2,400 jobs. According to the Center for Policy Research and Planning at the Mississippi Institutions of Higher Learning, direct and indirect economic impact from the Singing River Health System on Jackson County is an estimated 3,750 jobs and $210 million per year in wages. Further, direct and indirect personal income generates an estimated $115 million in local retail sales and $720 thousand in local sales tax.

Schools

Jackson County is serviced by private and public schools. The school system includes elementary, middle and high schools. The county is also home to Mississippi Gulf Coast Community College.

Tourism

Audubon Center

The center is located in Moss Point on the Pascagoula River. The Pascagoula River is the longest unimpeded river in the Continental United States and is home to many unique species, making this site ideal for birdwatchers.

Fort Maurepas Park and Splash Pad

The park and Splash pad were opened in October, 2009. The park offers numerous hiking and mountain biking trails. There are also a good number of scenic campsites within the park. The Splash Pad located within the park is the perfect place to take children.

Casinos

The famous Biloxi Mississippi casinos are located just to the west of Jackson County. Biloxi, MS currently has 8 casinos that offer round-the-clock gambling as well as spas, bars, entertainment, and dining.

Walter Anderson Museum of Art

This museum opened in 1991, in Ocean Springs, and it is dedicated to celebrating the works of Walter Inglis Anderson (1903-1965). Anderson is considered an American master whose focus was on depicting the plants, animals, and people of the Gulf Coast. The museum also houses the works of Walter's brothers, Peter Anderson (1901-1984) and James McConnell Anderson (1907-1998).

Sports

The temperate weather means that hunting, sports, and other outdoor activities can be enjoyed year-round. The Pascagoula River and the Gulf of Mexico provide excellent freshwater and saltwater fishing, respectively.

Ground Transportation

The largest population centers in Jackson County are in the south along the Gulf Coast. The county is serviced by 4 major highways. US 90 and I-10E traverse the southern part of the county from east to west while SR 63 and SR 57 run through the county from north to south on the east and west sides of the Pascagoula River, respectively.

Airports

Jackson County is serviced by three airports. They are Ocean Springs Airport, located in Ocean Springs, MS, Trent Lott International Airport on SR 63 just north of I-10, and finally Mobile Airport, located in nearby Mobile, AL. All three airports are public general aviation airports accepting commercial flights.

Government:

Jackson County is managed by the Jackson County Board of Supervisors. The five supervisors are elected by district and serve four-year terms, there are no term limits. Board members serve residents in districts of different geographical size, but each district has approximately equal population. At the beginning of each year the board chooses a president and vice president from its members. The president presides over the meetings and signs the documents for the county. The vice president fills in for the absence of the president.

Conclusion

The County has experienced economic expansion over the last decade. According to the 2010 Census, population and households in Jackson County increased 6.3% and 9.5% over 2000, respectively. The 65+ senior populations in Jackson County are expected to increase by 12.5% by the end of 2015. Chevron's current $500 million expansion generates jobs and stimulates overall economic development in Jackson County. There are also plans for future expansions once the current addition is complete. The senior representation in the market along with a vibrant healthcare system and substantial corporate investments will continue to provide support for the health care market and overall economic growth.

Pascagoula Neighborhood Analysis

A neighborhood is an area of similar or complementary land uses, inhabitants, buildings, and business enterprises that are relatively uniform; that is, a neighborhood exhibits a greater degree of commonality than the larger area surrounding it.

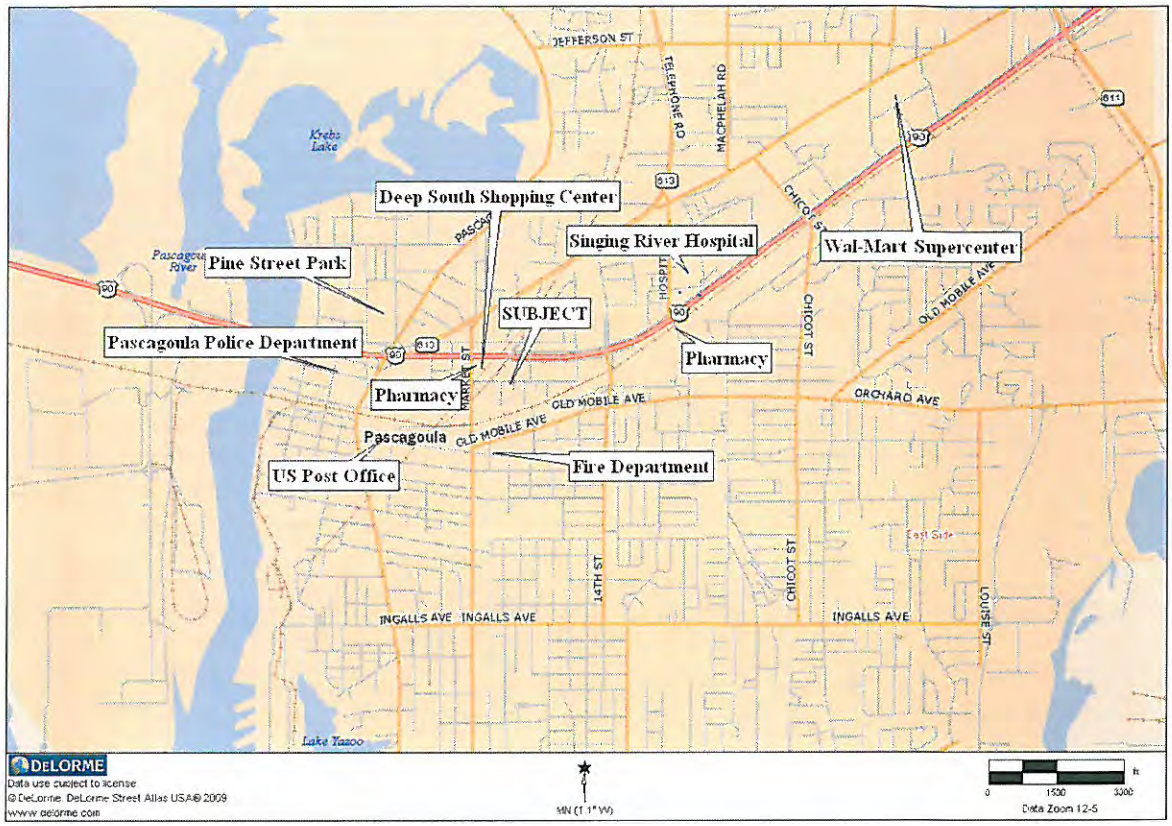
The defined neighborhood is located in the southeastern region of Jackson County. This neighborhood is formally defined as the city of Pascagoula and the incorporated areas associated under this name. Pascagoula is a city within the Pascagoula-Moss Point metropolitan area of Jackson. The city was originally a Native American settlement that was taken over by the Spanish and then English through the nineteenth century. Pascagoula gained city status in 1901. Pascagoula is the County seat and the largest economic center of Jackson County. Pascagoula is one of the major industrial cities in Mississippi and is home to the state's largest employer, Ingalls Shipbuilding.

Access

The defined neighborhood can be accessed via US 90, which runs from Mobile, AL in a southwest direction through the center of the defined neighborhood, only a few hundred feet north of the subject property. State Road 63 runs along the eastern border of the neighborhood as well. Pascagoula Street, Market Street, and Old Mobile Avenue are the main roads located within the defined neighborhood which can be used to access all parts of the neighborhood.

Community Support Services

There are a number of residential support services in the market area. Within the neighborhood are a commercial shopping center and a large hospital that is less than a mile from the subject property. The following map highlights several of the community support services available within the market:



Demographics

Population and household data for the defined neighborhood is provided in the following table:

POPULATION AND HOUSEHOLDS: PASCAGOULA				
	2000	2010	Change	% Change
Total Population	26,200	22,392	-3,808	-14.5%
Total Households	9,878	8,481	-1,397	-14.1%
Source: Census 2010				

As indicated above, the neighborhood has experienced a decline in both total population and total number of households from 2000 to 2010. This is most likely due to the effects of hurricane Katrina on the Gulf Coast. The defined neighborhood has been rebuilding residential and industrial areas over the last few years, which will likely lead to a growth in population as the area continues its rebuilding efforts.

The previous information was provided by the US Census Bureau. The 2010 Census has only had a partial release of information at the time of this report. When information from the census was not available, the projections made by ESRI were utilized. The 2015 projections made in this section of the report were generated by applying the ESRI 2010-2015 growth rate projections to the 2010 Census data.

The following table illustrates the distribution of age groups in the defined neighborhood:

2010 POPULATION BY AGE PASCAGOULA		
Age	Total	% of Total
0-19	6,396	28.6%
20-24	1,605	7.2%
25-44	6,068	27.1%
45-54	3,209	14.3%
55-64	2,421	10.8%
65-74	1,459	6.5%
75-84	895	4.0%
85+	339	1.5%
Total	22,392	100.0%
Source: Census 2010		

As indicated above, the largest single age group in the neighborhood is the under 19 age bracket, followed by the 25 to 44 age group. These trends may be associated with a significant presence of young families. Seniors aged 65+ in the area comprise 12% of total neighborhood demographics. The following table exhibits population projections by age for the defined neighborhood:

PASCAGOULA POPULATION PROJECTION BY AGE					
Total Number of Residents					
Age	**2000**	**2010**	**2015**	**Change 2010-2015**	**% Change**
0-4	2,052	1,710	1,687	-23	-1.4%
5-9	1,997	1,577	1,541	-36	-2.3%
10-14	1,938	1,524	1,459	-65	-4.2%
15-19	1,872	1,585	1,310	-275	-17.3%
20-24	2,318	1,605	1,616	11	0.7%
25-34	3,723	3,218	2,999	-219	-6.8%
35-44	3,856	2,850	2,522	-328	-11.5%
45-54	3,155	3,209	2,430	-779	-24.3%
55-64	2,182	2,421	2,613	192	7.9%
65-74	1,703	1,459	1,829	370	25.4%
75-84	1,047	895	935	40	4.5%
85+	357	339	392	53	15.7%
Total	**26,200**	**22,392**	**21,334**		
% Change		**-14.5%**	**-4.7%**		
Compounded annual growth rate (2000 to 2015)			**-1.4%**		
Compounded annual growth rate (2010 to 2015)			**-1.0%**		
Source: Census 2010					

As indicated above, a slight decline is expected to continue over the next five years at 1.0% per year through 2015. However, the 65+ population is in a state of growth.

The following chart illustrates projections for just the senior population in the defined neighborhood:

DEFINED NEIGHBORHOOD SENIOR POPULATION GROWTH PROJECTION BY AGE					
Age	**2000**	**2010**	**2015**	**Change 2010-2015**	**% Change**
65-74	1,703	1,459	1,829	370	25.4%
75-84	1,047	895	935	40	4.5%
85+	357	339	392	53	15.7%
Total	**3,107**	**2,693**	**3,157**		
% Change		**-13.3%**	**17.2%**		
Compounded annual growth rate (2000 to 2015)			**0.1%**		
Compounded annual growth rate (2010 to 2015)			**3.2%**		
Source: Census 2010					

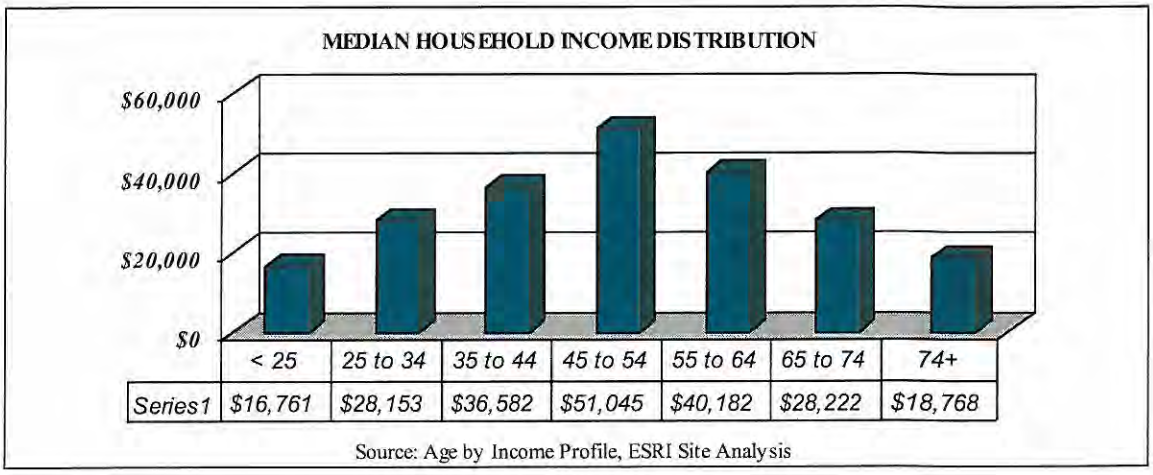
As indicated above, the overall senior population in the defined neighborhood is projected to increase by 17.2% over the next five years which correlates to an annual growth of 3.2%. These data are encouraging for the health care sector. The following chart illustrates the distribution of the household income levels:

2010 HOUSEHOLD INCOME PASCAGOULA		
Household Income Level	Number	% of Total
Total:	8,626	100.0%
< $15,000	1,670	19.4%
$15,000 - $24,999	1,193	13.8%
$25,000 - $34,999	765	8.9%
$35,000 - $49,999	1,315	15.2%
$50,000 - $74,999	1,602	18.6%
$75,000 - $99,999	1,015	11.8%
$100,000 - $149,999	817	9.5%
$150,000 - $199,999	137	1.6%
$200,000+	112	1.3%
Source: Census 2010		

As indicated above, 42.7% of households within the defined neighborhood earn more than $50,000 annually. Within this group, 24.1% earn more than $75,000 per year. Median income for households by age group is provided in the following table:

MEDIAN HOUSEHOLD INCOME	
Median household income in 2010	Pascagoula
Total	$33,021
< 25	$16,761
25 to 34	$28,153
35 to 44	$36,582
45 to 54	$51,045
55 to 64	$40,182
65 to 74	$28,222
74+	$18,768
Source: Age by Income Profile, ESRI Site Analysis	

The previous data is presented in the graph below.



As illustrated by the table and chart above, the median household income in the defined neighborhood is $33,021. The highest median income is found within the 45 to 54 age group, followed closely by the 55 to 64 and the 35-44 age groups. The lowest median incomes fall in the 25 and under age group.

The following chart illustrates senior income for the defined neighborhood:

INCOME DISTRIBUTION FOR SENIOR MARKET: PASCAGOULA		
	Number	Percent
Householder 50 years and over:	1,997	100.0%
<$15,000	654	32.8%
$15,000 - $24,999	378	18.9%
$25,000 - $34,999	243	12.2%
$35,000 - $49,999	310	15.5%
$50,000 - $74,999	221	11.0%
$75,000 - $99,999	81	4.1%
$100,000 - $149,999	71	3.6%
$150,000 - $199,999	14	0.7%
$200,000+	24	1.2%
Source: Census 2010		

As shown in the previous chart, 20.6% of seniors in the defined neighborhood earn more than $50,000 per year. Additionally, 9.6% of the neighborhood seniors earn more than $75,000 per year. The overall characteristic of the senior market is moderate incomes. Please note the senior income may not include assets such as investments, stocks, homes, etc.

Housing

The majority of housing units in the defined neighborhood are owner occupied. This is critical, as many seniors will finance healthcare services with the sale of a home. Rental housing includes all types of units such as apartments, duplexes, triplexes, manufactured housing, single-family homes, etc. The number of owner and renter occupied units is provided in the following table:

HOUSING UNITS IN PASCAGOULA		
	% of Total	**Total**
Total:	100.0%	8,626
Owner occupied	59.0%	5,089
Renter occupied	41.0%	3,537
Source: Census 2010		

As shown in the following, the housing market in the defined neighborhood reports a vacancy factor of 19.8%. This includes seasonal, occasional use and vacation homes. The percentages of occupied and vacant households within the neighborhood are presented in the following table and figure:

HOUSING MARKET: PASCAGOULA		
	% of Total	**Total**
Total:	100.0%	10,753
Occupied	80.2%	8,626
Vacant	19.8%	2,127
Source: Census 2010		

The vacancy rate of 19.8% includes all vacant homes regardless of availability. This vacancy rate is largely due to the effects of Hurricane Katrina. Pascagoula was mostly flooded after the hurricane and is currently renovating and rebuilding many homes.

The distribution of vacancy in the defined neighborhood follows:

MARKET VACANCIES	
	Pascagoula
Total:	2,127
For rent	907
For sale only	310
Rented or sold, not occupied	91
For seasonal, recreational, or occasional use	272
Other vacant	547
Source: Census 2010	

As indicated above, there are 2,127 total vacant units in Pascagoula. This equates to 19.8% of the total area housing supply. The other vacant category includes homes that are unlivable due to the flood waters caused by Hurricane Katrina.

County and Neighborhood Comparison

The following table shows a demographic comparison between the County and neighborhood:

AREA AND NEIGHBORHOOD COMPARISON		
Factor	County	Neighborhood
Senior Population Aged 65+ (% of Total)	12.42%	12.03%
Senior Population Aged 75+ (% of Total)	4.90%	5.51%
Median Income among Seniors Aged 65+	$27,523	$23,495
Median Income among Seniors Aged 75+	$23,897	$18,768
Median Age	37	35
Senior 55+ Population Growth 2000-2010	6.3%	-14.5%
Senior 55+ Population Growth 2010-2015	-0.6%	-4.7%

As shown in the above table, both the County and neighborhood are expected to experience a considerable increase in senior population growth over the next five years. The senior population is increasing in the defined neighborhood. Overall, the data illustrates favorable conditions for both the county and neighborhood as growth is projected to continue.

Conclusion

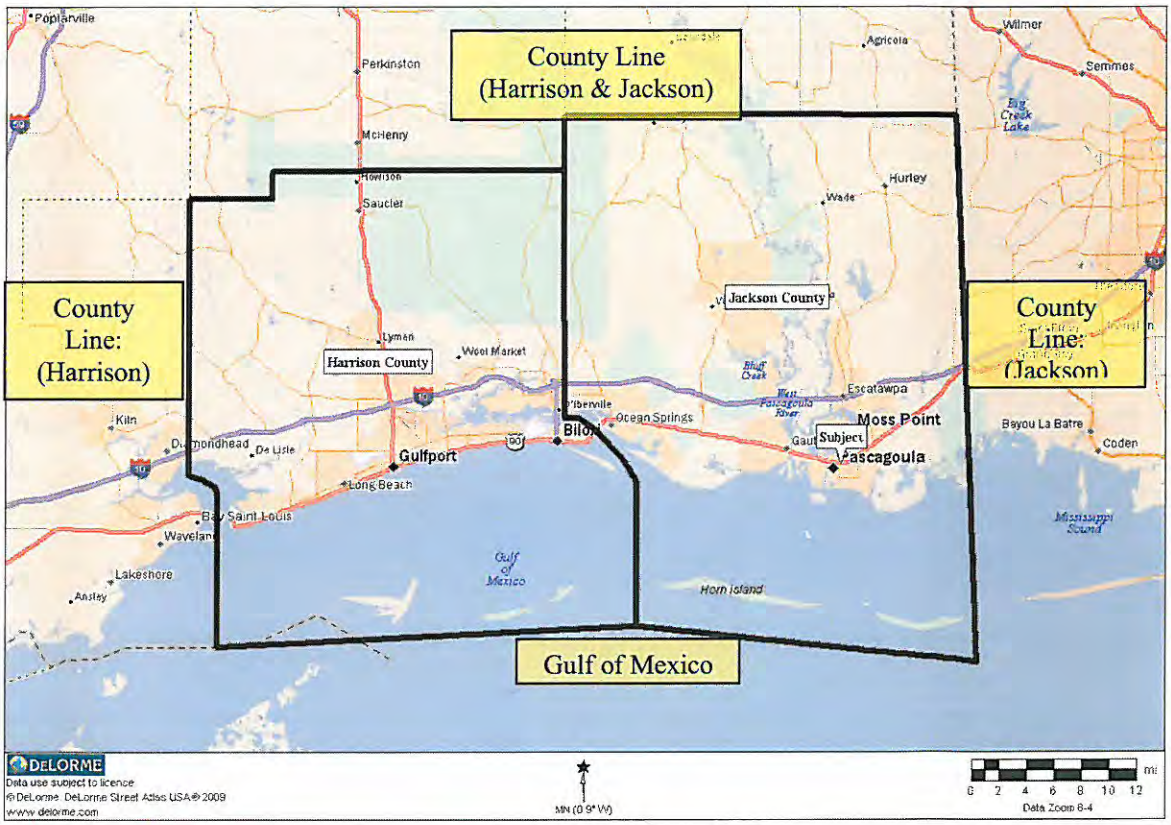
The defined neighborhood experienced an increase in its senior 65+ population totals from 2000 to 2010 and is projected to continue to increase over the next five years. The majority of the homes in the defined neighborhood are owner occupied. This is important, as many seniors will use the income from a home sale to finance health care related costs. The neighborhood features a vast array of residential support services including grocery stores, pharmacies and medical centers. All of the factors complement the health care services required by the senior population and will help to provide sustained demand for the subject's units.

Market Supply and Demand Analysis

Macro Analysis

Considering the dynamics of the region, a macro analysis was conducted to understand the characteristics within the subject's region and to evaluate the growth potential of the surrounding markets. Nearly all of the facilities in the region were interviewed in an effort to understand the characteristics of their residents and why they selected a specific location for residency.

This section of the report provides a summary discussion of the macro market's assisted living and Alzheimer care industries. Discussions with healthcare providers indicate that the region is densely population along the coast and rural inland. As a result, the facilities pull from a broad geographical area spanning the Gulf Coast. The macro market is made up of Jackson and Harrison Counties which includes the cities of Pascagoula, Moss Point, Ocean Springs, Biloxi and Gulf Port as well as unincorporated Jackson and Harrison Counties. As such, the macro analysis is based on the borders that define Jackson and Harrison Counties. Following the macro analysis is a micro analysis that evaluates if there is ample demand within the immediate area surrounding the proposed project to support the additional units. The following map outlines the defined macro market area of Jackson and Harrison Counties and defines the physical/psychological barriers that surround it.



The following table defines the area that makes up the macro market:

MACRO MARKET	
Harrison County	Jackson County

Medical/Health Facilities

Hospitals are feeders to lower intense healthcare providers. Below is a list of major hospitals located in the Macro Market:

MAJOR MEDICAL CENTERS				
Facility	Address	City	Type	# of Beds
Keesler AFB Medical Center	301 Fisher St	Keesler AFB	Short Tern Acute	185
Biloxi Regional Medical Center	150 Renior St	Biloxi	Short Tern Acute	198
Garden Park Medical Center	15200 Community Rd	Gulfport	Short Tern Acute	130
Memorial Hospital	4500 Thirteenth St	Gulfport	Short Tern Acute	445
Ocean Springs Hospital	3109 Bienville Blvd	Ocean Springs	Short Tern Acute	136
Select Specialty Hospital	1520 Broad Ave	Gulfport	Long Term	61
Singing River Hospital	2809 Denny Ave	Pascagoula	Short Tern Acute	435
Total				1,590
Source: American Hospital Directory (AHD)				

As the table illustrates, Singing River Hospital in Pascagoula is one of the largest acute care providers in the region. These hospitals are illustrated in the following map:

A brief summary of the major hospitals in the Macro Market are provided below:

Singing River Health System is a not-for-profit healthcare system comprised of two hospitals including Singing River Hospital (Pascagoula) and Ocean Springs Hospital (Ocean Springs), plus six community medical clinics located throughout the Gulf Coast. Singing River Health System has developed a reputation for providing comprehensive, state-of-the-art medical care to residents of Jackson, George, and Harrison counties in Mississippi. Specialties include 24-hour emergency services; comprehensive heart services; The Regional Cancer Center; women's and children's services; inpatient and outpatient rehabilitation services; neurosciences program; Daybreak behavioral health; wound care and hyperbaric medicine center; and Hospice of Light.

Singing River Health System is one of the largest regional employers, providing more than 2,600 jobs. According to the Center for Policy Research and Planning at the Mississippi Institutions of Higher Learning, direct and indirect economic impact from the Singing River Health System on Jackson County is an estimated 3,750 jobs and $210 million per year in wages. Further, direct and indirect personal income generates an estimated $115 million in local retail sales and $720 thousand in local sales tax.

Memorial Hospital is a non-profit, multi-specialty medical complex, supporting a comprehensive range of health and wellness services. Memorial is a modern facility with 445 licensed beds, employing a medical staff comprised of more than 285 physicians representing over 40 medical specialties. Memorial Hospital is accredited by The Joint Commission and is a member of the American Hospital Association, Mississippi Hospital Association, and Voluntary Hospitals of America.

Biloxi Regional Medical Center is an acute care, private hospital located in the Vieux Marche' area of downtown Biloxi. Licensed for 198-beds, this six-story facility provides a broad range of state-of-the-art medical technology and services. Biloxi Regional features all private rooms with baths. In addition, hospital specialties include a 24-hour emergency department; comprehensive pulmonary rehabilitation; MRI; and specialized patient oriented programs with emphasis on senior citizens, women's and children's healthcare and oncology. Biloxi Regional is accredited by The Joint Commission.

A chart listing each hospitals percentage of inpatient days for senior oriented services is below:

SENIOR ORIENTED INPATIENT SERVICES - MACRO MARKET HOSPITALS

Inpatient Categories	Percentage of Total Inpatient Days				
	Biloxi Regional Medical Center	Garden Park Medical Center	Memorial Hospital	Select Specialty Hospital	**Singing River Hospital**
Cardiology	15.7%	13.4%	17.6%	6.4%	**13.3%**
Cardiovascular Surgery	0.8%	0.0%	14.4%	0.0%	**7.5%**
Oncology	1.0%	0.0%	2.4%	0.0%	**1.8%**
Orthopedic Surgery	9.2%	20.1%	3.8%	0.0%	**9.8%**
Orthopedics	2.5%	2.9%	1.8%	7.0%	**2.7%**
Pulmonology	11.8%	13.2%	10.1%	29.4%	**12.6%**
Vascular Surgery	0.0%	0.9%	3.4%	0.0%	**1.9%**
Total	41.2%	50.4%	53.6%	42.7%	**49.6%**

The categories shown previously represent the areas of hospital visits most common for seniors. Orthopedic surgery for seniors can be related to a slip or fall while cardiology and pulmonology are areas of health that decay with increasing age. The total percentage of inpatient days oriented towards these services is almost half of each facility.

After a senior has a visit or stay in the hospital, they tend to move to a healthcare facility until they recover. After a hospital event, seniors or their families will start to evaluate the viability of a senior returning to their home. If a return is not appropriate, alternative care facilities are sought.

The hospital statistics illustrated above are strong indicators that there is substantial demand in the market for senior healthcare facilities that will provide skilled nursing or assisted living care.

Independent Living

Independent living in this section refers to apartment-like units that receive meals and services as part of their rent. Services typically relate to housekeeping, organized activities and transportation. Residents that are accommodated in these facilities typically have some form of instrumental need. This may include help with preparing meals, restrictions on driving, some mobility impairment, assistance with maintaining financial records such as check writing, controlled diets and/or related activities. There are no independent living facilities within the Macro Market. There are two facilities in planning and under construction in Pascagoula and Gautier, MS. The facility in Pascagoula will be a 58 unit senior apartment facility called Bayside Village that will be located in the old Pascagoula High School. The other community in Gautier will be a 20 home community built by the Volunteers of America. These communities can be referrals to assisted living and Alzheimer communities like the proposed subject and indicate the growing presence of seniors within the region.

Assisted Living

After a thorough search of the Macro Market, there are three properties that are licensed to provide assisted living. Below is a list of facilities in the Macro Market area that offer assisted living services:

ASSISTED LIVING FACILITIES			
Property	Address	City	# of Units
Emeritus of Biloxi	2120 Enterprise Dr	Biloxi	80
Lemoyne Place	**14306 Lemoyne Blvd**	**Biloxi**	**20**
The Gardens	**1260 Ocean Springs Rd**	**Ocean Springs**	**52**
Total			152
***Located in PMA.**			

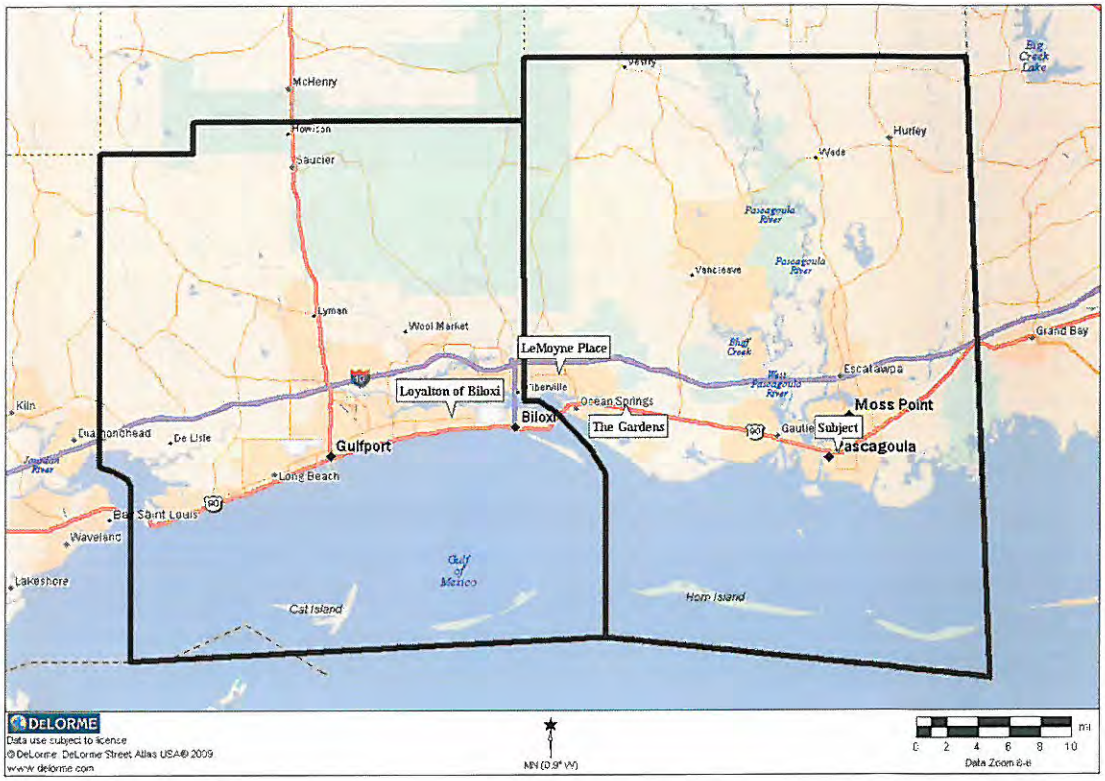
Please note that all of the properties are in the Macro market but only Lemoyne Place and The Gardens are located within the subject's primary market area.

Alzheimer/Memory Care

There are two properties in the Macro Market that offer Alzheimer/memory care services in an assisted living setting. Although skilled facilities will generally have a portion of their resident population with memory impairments, they typically denote a different class of resident with higher acuity needs. A list of facilities in the Macro Market area that offer Alzheimer/memory care services is provided below:

ASSISTED LIVING FACILITIES			
Property	Address	City	# of Units
Emeritus of Biloxi	2120 Enterprise Dr	Biloxi	25
Lemoyne Place	**14306 Lemoyne Blvd**	**Biloxi**	**14**
Total			39
***Located in PMA.**			

Note that Lemoyne Place is located within the primary market area. The following map illustrates the locations of assisted living and Alzheimer/memory care facilities in the region and primary market area:



As previously noted, both Lemoyne Place and The Gardens are located within the subject's primary market area. Detailed information for these properties can be found later in this report.

Skilled Care Facilities

There are eleven (11) facilities in the Macro Market area that provide skilled care services. The following is list of skilled care facilities in the Macro Market:

SKILLED NURSING FACILITIES			
Property	Address	City	# of Beds
Biloxi Community Living Center	2279 Atkinson Rd	Biloxi	240
Boyinton Health Care Facility	1530 Broad Ave	Gulfport	180
Dixie White House	538 Menge Ave	Pass Christian	60
Driftwood Inn	1500 Broad Ave	Gulfport	151
Greenbriar Nursing Center	4347 W Gay Rd	D'Iberville	60
Lakeview Nursing Center	16411 Robinson Rd	Gulfport	105
Ocean Springs Nursing Center	**1199 Ocean Rd**	**Ocean Springs**	**115**
Plaza Community Living Center	**4403 Hospital Rd**	**Pascagoula**	**120**
River Chase Village	**5090 Gautier Vancleave Rd**	**Gautier**	**60**
Singing River Rehab and Nursing	**3401 Main St**	**Moss Point**	**160**
Sunplex Sub-Acute Center	**6520 Sunscope Dr**	**Ocean Springs**	**73**
Total			1,324
***Located in PMA.**			

Skilled care facilities can be referral sources to assisted living communities and vice versa. Further, discussions with facility representatives indicate that some of their in-house population could reside in a lower-care setting. As illustrated above, there are five (5) skilled care facilities located in the primary market area.

Alternative Health/Medical Care and Social Service Systems

There are other senior housing alternatives located in the macro and primary markets such as home health, adult day care, housekeeping services, meal preparation, visiting nurses, on-call transportation services, health care, and alternative providers of supportive services. These services are designed for seniors who still reside in their own home or live with an adult child.

The providers of these services can range from private companies, government programs, fraternal, social, charitable or religious organizations. These services can sometimes be free or low cost but mostly are run by private companies and can be costly as the services accrue. The level of supervision and services included in rent at the subject is more inclusive and cost effective than the contracted services. Therefore, the potential impact of these alternative services is minimal based on the cost to acquire comparable care and services similar to the subject that potential residents would require.

Assisted Living Resident Characteristics

There are varying definitions of assisted living throughout the country and regulations differ among states. However, through the cooperation of the industry leaders, a general philosophy of assisted living exists. Assisted living generally includes 24-hour supervision, housekeeping, meal preparation, and assistance with activities of daily living. This philosophy also includes meeting a resident's scheduled and unscheduled needs; maximizing a resident's independence, privacy, autonomy, and dignity; maximizing the need for a resident to move when his or her needs change; and providing a home-like environment.

Resident characteristics have been compiled by a number of organizations with some general characteristics outlined below:

- The average age of residents was 86. This indicates that move-in may be below this level but that the average age of the resident in-house is high;
- 79% of the residents are women;
- The majority are single householders with estimates of only 3% to 5% couples;
- Residents need assistance with an average of 2.3 activities of daily living compared with 3.8 for nursing homes;
- About 52% of assisted living residents have some form of cognitive impairment;
- The average length of stay is 27 months;
- About 78% of residents that are out-placed do so because they need higher levels of care with 34% moving into a nursing home;
- About 30% of the residents will pass away while at the assisted living facility;
- Because of the lack of public subsidies, assisted living facilities are often unaffordable for persons with low or moderate incomes;
- 67% of residents pay with their own funds, 8% receive support from their families and 2% have long-term care insurance;
- 60% of residents move from a private home or apartment, 12% move from a retirement or independent living community, 10% move from a family residence (living with an adult child), 9% are from another facility and 8% are from a nursing home.

Future Growth Trends-Macro Market Area

In general, the older population will continue to grow significantly in the future. In the subject's macro market, the populations aged 65+ and aged 75+ are projected to increase through 2015 as follows:

DEFINED MARKET AREA SENIOR POPULATION PROJECTIONS				
Year	**Aged 65+**	**% Change**	**Aged 75+**	**% Change**
Defined Market Area				
2000 (Census)	34,549	-	14,235	-
2010 (Estimate)	38,248	10.71%	16,467	15.68%
2015 (Projection)	43,230	13.03%	17,332	5.25%
Source: ESRI, Inc., Age 55+ Profile - Population by Age.				

The 75+ age group was chosen to help quantify growth in future demand in the macro market area. The 75+ age group dominates the resident population of most facilities, and is therefore the most appropriate age group to examine in the demand analysis. As the chart illustrates, the elderly population in the macro market area (over 75 years of age) is expected to increase by 5.25% from 2010-2015.

Demand Methodology

Demand for assisted living and Alzheimer care takes into consideration the characteristics of the residents. Quantification of the market is based on the following steps:

1. Age qualify the market. This was based on 75+ age thresholds.
2. Income-qualify the market. This was based on a private-pay scenario with the income requirements corresponding cost to income ratios of current market rental rates;
3. Reduce the age and income qualified households to reflect "single householders" because the majority of the residents at "move-in" are single;
4. Segment the potential demand by disability and care requirements recognizing that assisted living residence on average require assistance with 2.3 activities of daily living;
5. Segment out demand between assisted living and Alzheimer care.

Demand for assisted living and Alzheimer care services were estimated in the defined market area. The macro market area was described previously as the geographic area that follows:

MACRO MARKET	
Harrison County	Jackson County

For assisted living and Alzheimer care the number of senior households by income level was quantified. National statistics on the prevalence of disabilities pertaining to persons likely to require assisted living and Alzheimer care services were estimated.

The 75+ national population statistics utilized in this analysis represent the civilian non-institutionalized population living in the United States. Thus, disabilities of the institutionalized population, such as those in nursing homes, are not reported. Seniors aged 75+ were chosen as the target market after a review of the subject's competitive market and general trends within the industry. Once the age, income and prevalence of disability are determined, the demand generated by seniors can be calculated for the defined market.

Macro-Market Demographic Analysis

The subject will be oriented to the private pay market. As a result, an analysis was conducted to determine the cost-to-income ratio that is supportable by the market for potential residents at the proposed project. The cost-to-income ratio is defined as the sum of the rent and other typical service charges, divided by the total monthly income.

The cost-to-income ratios projected to be achieved at the proposed subject property are determined by comparing the price of each care type's studio unit at comparable properties to the minimum target income group. Senior Living Communities[1], states that within assisted living facilities the cost-to-income ratio is within a 75% to 80% spread nationally. In essence, a senior is able to expend 75% to 80% of their income on rent within an assisted living facility with the balance of 20% to 25% for the remainder of their personal expenses. A 75% cost-to-income ratio is applied for assisted living when the rental rate is a "base rate" and levels of care could be charged. If the rental rate is "all inclusive", then the higher ratio would be appropriate.

The same methodology was utilized for the determination of the Alzheimer/memory care's minimum target income group. The cost-to-income ratios that correspond with Alzheimer/memory care are 90% to 95%. As stated earlier the more services included in the rental rates, the higher the ratios. A 90% cost to income ratio was utilized for the Alzheimer/memory care units.

COST-TO-INCOME RATIO ANALYSIS		
Care Type	**Assisted Living**	**Alzheimer/Memory Care**
Market Comparables Lowest Priced Unit Per Month	$2,800	$3,625
Market Comparables Lowest Priced Unit Per Year	$33,600	$43,500
Cost-to-Income Ratio	75%	90%
Required Income	**$44,800**	**$48,333**

Seniors will typically accumulate assets over the course of their life. The largest asset is usually their home. The liquidation of an asset can be utilized to fund a stay in a healthcare facility.

1 Pearce, Benjamin W. Senior Living Communities. Second Edition. John Hopkins University Press: 1998. Pg. 183-184

A study of assisted living customers was conducted by the Assisted Living Federation of America and the National Investment Center (NIC) in a report called "National Survey of Assisted Living Residents: Who is the Customer?" published in 1998. NIC also studies the income levels in a report called "Income Confirmation Study of Assisted Living Residents and the Age 75+ Population" in 1999. The result of these studies was that about 64% of the residents in assisted living facilities had incomes below $25,000 despite the average fee charged at communities above this amount. This suggests that the use of an asset (net worth) or financial assistance (Adult Child) can broaden the available pool of qualifying residents.

Seniors will typically accumulate assets over the course of their life. Depletion of assets is a normal occurrence of residents residing in Senior Communities. According to Analyzing Senior Housing Markets[2], nationally 68% of seniors own a home with no mortgage. Furthermore, within the macro market area, 82.4% of seniors own a home. Discussions with the admissions personnel in the market verified that the sale of assets is often a source of additional funds to off-set the cost of a stay. According to the Site To Do Business, the net worth of the seniors 75 and older within the macro market area is $140,448. Usually the asset will be sold and the funds placed in a liquid but secure investment vehicle. Because of the low risk of the investment vehicle, the return is typically minimal. Thus, the principal will likely be absorbed as well as any interest return.

The National Center for Health Statistics[3] indicates a 75 year old can expect to live until they are 86 years old or for eleven (11) years. Assisted living facilities are generally admitting residents in the 75 to 85 age group. Therefore, assets could be available to help fund their stay in a healthcare facility for about 10 years.

The following table illustrates the calculation of the income brackets for ALZ and ALF costs within Jackson and Harrison Counties:

COST-TO-INCOME RATIO ANALYSIS			
Care Type		**Assisted Living**	**Alzheimer/Memory Care**
Lowest Priced Unit Per Month		$2,800	$3,625
Lowest Priced Unit Per Year		$33,600	$43,500
Cost-to-Income Ratio		75%	90%
Income Required		**$44,800**	**$48,333**
Median Net Worth	$140,448		
Annuity Term	10		
Annual Return	4.00%		
Annual Annuity	$17,316		
Net Worth Deduction		$17,316	$17,316
Minimum Income Bracket		$27,484	$31,017
Selected Income Bracket		**$35,000**	**$35,000**

Based on the previous table, the market suggests the minimum income required, if net worth (includes asset of home) is available, is $27,484 for assisted living and $31,017 for Alzheimer/memory care. For conservatism, the macro market was defined as including only those seniors aged 75+ with incomes above $35,000 for assisted living and Alzheimer/memory care. If the $25,000+ income group were utilized it would only further mitigate any risk associated with the project.

2 Brecht, Susan B. Analyzing Senior Housing Markets. Urban Land Institute: 2002. Pg. 53-54

3 National Center for Health Statistics. Health, United States, 2007 With Chartbook on Trends in Health of Americans. Hyattsville, MD: 2007

The senior (75+) households in the subject market by income group are provided in the following:

INCOME DISTRIBUTION FOR SENIOR MARKET				
	MARKET - 2010 ESTIMATE		MARKET-2015 ESTIMATE	
INCOME GROUPS	Number	Percent	Number	Percent
Householder 75 years and over:	10,583	100%	11,140	100%
Less than $15,000	3,798	36%	3,847	35%
$15,000 to $24,999	1,598	15%	1,540	14%
$25,000 to $34,999	1,472	14%	1,501	13%
$35,000 to $49,999	1,029	10%	898	8%
$50,000 to $74,999	1,259	12%	1,989	18%
$75,000 to $99,999	603	6%	601	5%
$100,000 to $149,999	552	5%	543	5%
$150,000 to $199,999	156	1%	132	1%
$200,000 and over	116	1%	89	1%
Total $35,000+	**3,715**	**35%**	**4,252**	**38%**
Source: ESRI, Inc., Age by Income Profile - 2010 Households by Income and Age of Householder.				

Compound annual growth rates for the $35,000+ income groups are provided below:

GROWTH RATES BY INCOME GROUP			
Income Group	2010 Total Population	2015 Total Population	Annual Growth Rate
$35,000+	3,715	4,252	2.74%

The households within the defined income brackets are further examined for the likelihood of movement into a healthcare facility. This includes focusing on single households and health constraints. About 76% of the residents in health facilities are female and the majority of the residents are single primarily due to the death of a spouse. Considering the move from home is typically related to an event such as the loss of a spouse, we have only included single-householders in the analysis.

According to the 2010 U.S. Census Bureau estimates for the defined market, 38.7% of the 75 and older households are single households in the defined market. This is shown in the table below:

MARKET HOUSEHOLD SIZE, AGE 75+		
Persons in Household	Number	% of Total
One-person household	4,093	38.7%
Households with Two or more People	6,490	61.3%
Total	10,583	100.0%
Source: P26, Household Type by Household Size. Data Set: Census 2010 Summary File 1 (SF1) 100 Percent Data.		

The age and income qualified households are reduced to only include single householders as follows:

POTENTIAL HOUSEHOLDS BY HOUSEHOLD SIZE MACRO MARKET		
	$35,000+	
Year	**2010**	**2015**
Age and Income Qualified Households	3,715	4,252
Percent One-Person Households	38.7%	38.7%
Likely Age and Income-Qualified One-Person Households	**1,437**	**1,644**

The figure shown previously represents all age and income qualified households (age-in-place) that contain one person. To estimate the number of health qualified households, statistics about disabilities were compiled and are discussed in the following.

National Prevalence of Disabilities

As previously mentioned, assisted living and Alzheimer/dementia is defined as seniors needing personal assistance with 3 or more ADLs or IADLs. According to the U.S. Census Bureau, ADLs include difficulty getting around inside the home, getting in or out of bed or a chair, taking a bath or shower, dressing, eating, and getting to or using the toilet. IADLs include difficulty going outside the home, keeping track of money and bills, preparing meals, doing light housework, taking prescription medicines appropriately, and using the telephone.

National statistics on the prevalence of severe disabilities for the 75+ age group as reported by the US Census Bureau are illustrated in the following table:

NATIONAL PREVALENCE OF DISABILITIES	
Total Population, Age 75+	15,786,000
with Severe Disabilities [1] Percent of Total Population Age 75+	7,489,000 47.4%
with Alzheimer's disease [2] Percent of Severe Disability	1,947,140 26.0%
Potential for Assisted Living (Severe Disabilities Less Alzheimer's) Percent of Severe Disability	5,541,860 74.0%
needing assistance (non-severe disability, potential for Independent Living) [3] Percent of Total Population Age 75+	3,723,000 23.6%
[1]Severe disability is defined as follows: People 15 and over were identified as having a severe disability if they were unable to perform one or more functional activities; needed personal assistance with an ADL or IADL; used a wheelchair; were a long-term user of a cane, crutches, or a walker; had a developmental disability or Alzheimer's disease; were unable to do housework; were receiving federal disability benefits; or were 16 to 67 years old and unable to work at a job or business.	
[2] Source: A profile of frail older Americans and their Caregivers, The Retirement Project, February 2006. Calculated as 26% of population with severe disabilities.	
[3] People are classified as having a non-severe disability if they meet the criteria for disability, but do not meet the criteria for severe disability. For example, a person who has difficulties with activities of daily living (one of the criteria for disability) but who does not need personal assistance with activities of daily living, would be classified as having a non-severe disability.	
Source, other than previously noted: U.S. Census Bureau, Survey of Income and Program Participation, June-September 2002.	

According to the data reported by the US Census Bureau, **23.6%** of the 75+ age group requires a need for some assistance with a disability and **47.4%** requires a need for personal assistance with some sort of severe disability. Of the severe disability population, 26% have Alzheimer's disease while the remaining 74% are candidates for assisted living.

Reconciliation of the Age-in-Place Demand Analysis

The next step in the analysis is to reconcile the components presented in the demand methodology. This is provided in the following table:

ASSISTED LIVING AND ALZHEIMER CARE DEMAND ANALYSIS MACRO MARKET			
Assisted Living and Alzheimer's Care, Age 75+			
		$35,000+	
	Year	2010	2015
1	Potential Age and Income Qualified One-Person Households	1,437	1,644
2	with Severe Disabilities	47.4%	47.4%
3	Total AL/ALZ Demand Generated from Primary Market (LINE 1 * LINE 2)	682	780
4	**Alzheimer's Demand** (26% * LINE 3)	**177**	**203**
5	**Assisted Living Demand** (LINE 3 minus LINE 4)	**504**	**577**

At the $35,000+ income level, qualified demand is **504** for assisted living and **177** for Alzheimer/memory care in the macro market area for 2010.

Adult Child Demand

Adult children have the potential to play a role in demand for assisted living and Alzheimer/memory care. The 45-64 year old households consist of the age cohorts that are the basis for adult child demand. Nationally 2.6% of 45-64 year old households support a senior in a healthcare facility. However, conversations with local facilities indicated that their population consists of mostly age-in-place residents with minimal secondary demand driven from adult children. For conservatism, the effect of adult children has been classified as relatively minimal and not included in the analysis.

Macro Market Supply

Facilities located in the macro market area providing assisted living and/or Alzheimer care were interviewed. Once the interviews were completed, a better understanding of the defined market area in which the subject will compete was obtained. The following tables summarize the performance levels at the facilities in the macro market area.

ASSISTED LIVING MARKET			
Facility Name	AL Beds	Occupied Beds	Occupancy %
Emeritus of Biloxi	80	79	98.8%
LeMoyne Place	20	18	90.0%
The Gardens	52	51	98.1%
Market Total	152	148	97.4%

ALZHEIMER'S CARE MARKET			
Facility Name	ALZ Beds	Occupied Beds	Occupancy %
Emeritus of Biloxi	22	21	95.5%
LeMoyne Place	14	13	92.9%
Market Total	36	34	94.4%

Overall, area facilities are reporting stable occupancy levels and are performing well. There are only 4 assisted living beds available and 2 memory care beds available. Lemoyne Place was included in competitive supply for conservatism. However, discussions with the Administrator confirmed that the facility is licensed by the state's Medicaid Waiver Program, which is designed to provide qualified residents with personal care services at reduced rates. This program provides an alternative to low-income individuals who do not qualify for traditional Medicaid at skilled nursing facilities and will not be directly competitive to the subject.

Demand vs. Supply-- Macro Market

The final step in the analysis is to reconcile the components presented previously in the market supply and the demand methodology. This is done by combining market demand and market supply together to calculate excess demand. Total potential assisted living and Alzheimer care is calculated over the next 5 years by growing 2010 demand by the annual compounded growth rate of 2.74% ($35,000+). The growth rate was derived from the annual anticipated growth for the income qualified population from 2010-2015. **A conservative approach was utilized that only considers the age in place market.**

The following table displays the excess demand in the macro market for the next 5 years for assisted living:

ASSISTED LIVING SUPPLY AND DEMAND ANALYSIS OVER THE NEXT 5 YEARS $35,000+ INCOME BRACKET MACRO MARKET						
Year	2010	2011	2012	**2013**	2014	2015
Qualified Households	504	518	532	**547**	562	577
Current Competitive Beds	152	152	152	**152**	152	152
Future Supply	0	0	0	**0**	0	0
Net Qualified Households	352	366	380	**395**	410	425
Subject Beds	60	60	60	**60**	60	60
Net Market Penetration	17.0%	16.4%	15.8%	**15.2%**	14.6%	14.1%

The following table displays the excess demand in the market for the next 5 years for Alzheimer care:

ALZHEIMER CARE SUPPLY AND DEMAND ANALYSIS OVER THE NEXT 5 YEARS $35,000+ INCOME BRACKET MACRO MARKET						
Year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Qualified Households	177	182	187	**192**	197	203
Current Competitive Beds	36	36	36	**36**	36	36
Future Supply	0	0	0	**0**	0	0
Net Qualified Households	141	146	151	**156**	161	167
Subject Beds	18	18	18	**18**	18	18
Net Market Penetration	12.7%	12.3%	11.9%	**11.5%**	11.2%	10.8%

Excess demand clearly exists in the assisted living and Alzheimer care markets as shown previously in the demand charts. The subject would not enter the market until 2013. Over the coming years the senior market will be rapidly expanding, which will continually increase demand for all care levels.

Market Penetration of Subject and Competitors

Discussions with various underwriters of senior housing loans suggest that the penetration rates they seek are generally under 25% to 30% if health is also quantified. The penetration rate is calculated on age, income, household size and health. In the macro market, the qualified households were based on household size and health.

Penetration rates are categorized into four different classifications. The lower the penetration rate within these bands, the less risk is considered to be in the market. The higher two bands are generally not acceptable. The following provides the acceptable penetration rates:

ANALYSIS OF PENETRATION RATES-2013 MACRO MARKET		
	Age, Income, Single Household and Health Qualified	
	Percent of Market	**15.2%**
Significant Excess Demand	**0%**	**33%**
Excess Demand	33%	67%
Marginal	67%	99%
No Market Support	100% and Above	
ANALYSIS OF PENETRATION RATES-ALZHEIMER CARE 2013		
	Age, Income, Single Household and Health Qualified	
	Percent of Market	**11.5%**
Significant Excess Demand	**0%**	**33%**
Excess Demand	33%	67%
Marginal	67%	99%
No Market Support	100% and Above	

The subject falls within the significant excess demand category in 2013 for assisted living and Alzheimer care. An examination of the micro (Primary Market) is examined in the following pages.

Micro (Primary Market) Analysis

The purpose of the micro analysis is to illustrate a more conservative approach after considering the various dynamics of the market including the subject's location and market orientation.

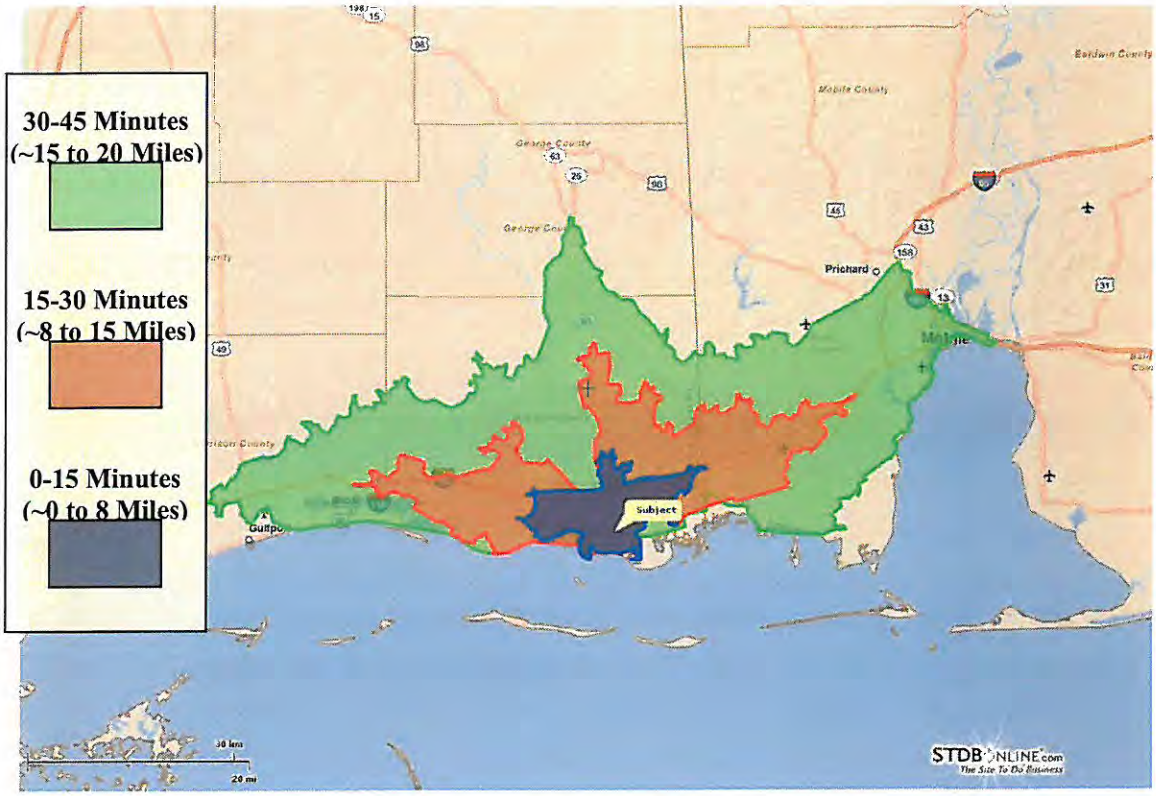
Delineation of Market Area

The Primary Market Area for any form of real estate property is defined as the area that a majority of the project's tenants will be drawn. According to various industry sources, the primary market area for assisted living and Alzheimer care facilities is determined by the density of the population, the proximity of competing properties, and the ease of transit in the surrounding area. The primary market area for urban facilities is generally from 5 to 10 miles, for suburban facilities 10 to 20 miles, and for small town and rural facilities 20 to 40 miles.

A number of factors tend to define a market area. One important factor is density. In rural areas, it may be many miles between towns large enough to sustain services, and residents are accustomed to driving significant distances to access services. Conversely, in urban or suburban areas, a resident may have a choice of competing services within a short drive of his or her home and will normally select the more proximal service provider or the service provider more convenient to access. Physical barriers can also shape market areas. Rivers, lakes, streams, military bases, and major highways are all examples of barriers that can constrain market areas. Barriers can also be psychological. For example, it is common for persons who live on one side of a highway to seldom access services in a similar area on the opposite side of the same freeway, even though access is not constrained. Likewise, persons living in a given town or county are often reluctant to access services in an adjacent town or county. The location of competing facilities is also a factor to consider. In market areas served by a greater number of competing facilities, the primary drawing area for each facility tends to be smaller since residents of the market area tend to access the service provider nearest their location. Each of these factors was considered in the delineation of the subject's market area.

The subject property is located in the southeastern portion of Jackson County just south of Highway 90, which is a main east/west thoroughfare through Jackson County. A drive time analysis was completed as

additional support in the determination of which zip codes that constitute the subject's market, as displayed in the following map:



Physical and Psychological Barriers

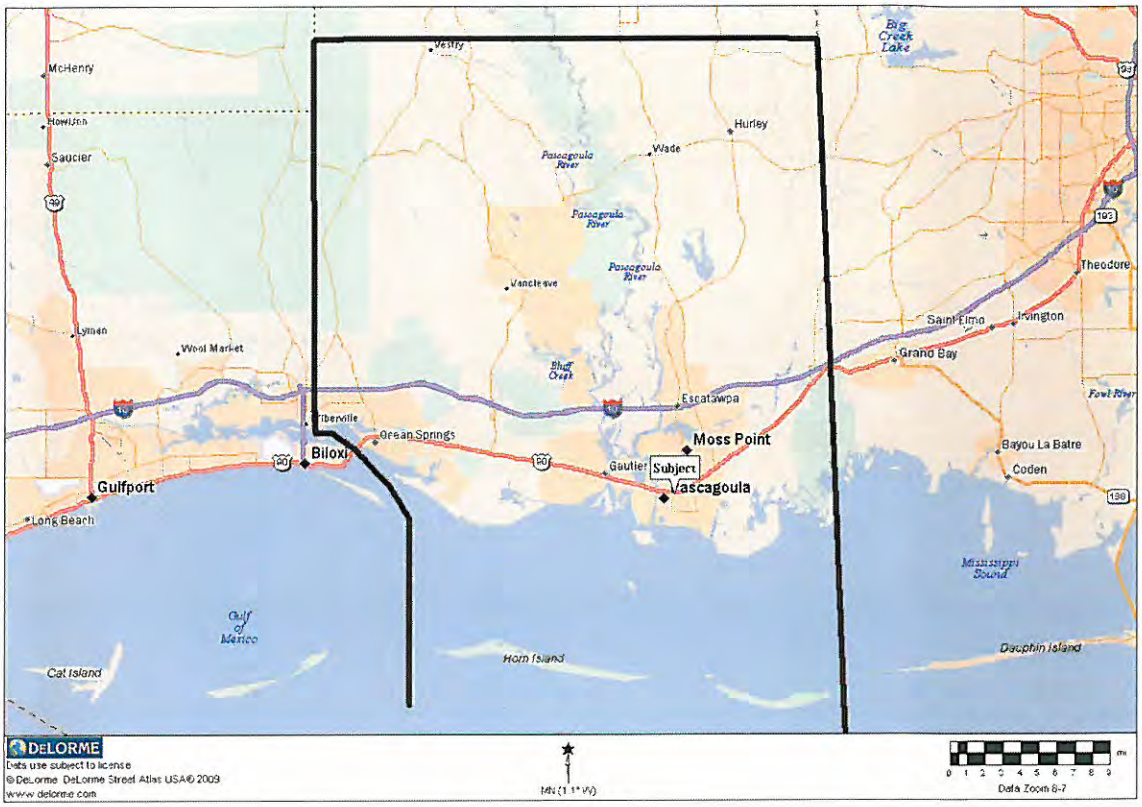
Within the subject market, there are physical/psychological barriers that tend to define the micro market. The main physical barrier is the Gulf of Mexico to the south. Psychological barriers consist of the Mississippi/Alabama state line to the east and the Jackson/Harrison county line to the west.

Facility representatives indicated that their tenant base consists of mostly age-in-place seniors with minimal secondary demand driven from adult children. The representatives also stated that within the market area (due to the physical and psychological boundaries) age-in-place residents are drawn from throughout the county because Pascagoula is the medical node for the region. Travel time from the most remote areas of the County is within 30 to 45 minutes. A discussion was held with operators of healthcare facilities in the greater Mobile area. The facilities closest to Mobile indicated that few residents come from Mississippi. As such, the facilities located within the primary market area were stated to compete for the same residents.

Using the drive time and distance analysis, the physical and psychological barriers, and conversations with the region's healthcare facilities, a defined market was established for the subject. While there may be some slight overlap on the fringes with neighboring cities, the defined market is self-sustaining. Residents on the fringe of this area are likely to travel northeast toward Mobile or west toward Biloxi and Gulfport As such, we have defined the micro market as Jackson County:

MICRO MARKET
Jackson County

A map of the micro market is shown below:



Future Growth Trends-Micro (Primary Market) Area

In general, the older population will continue to grow significantly in the future. In the subject's micro market, the populations aged 65+ and aged 75+ are projected to increase through 2015 as follows:

DEFINED MARKET AREA SENIOR POPULATION PROJECTIONS MICRO MARKET (PMA)				
Year	**Aged 65+**	**% Change**	**Aged 75+**	**% Change**
Defined Market Area				
2000 (Census)	13,547	-	5,468	-
2010 (Estimate)	16,469	21.57%	6,765	23.72%
2015 (Projection)	18,525	12.48%	7,252	7.20%
Source: ESRI, Inc., Age 55+ Profile - Population by Age.				

The 75+ age group was chosen to help quantify growth in future demand in the micro market area. The 75+ age group dominates the resident population of most facilities, and is therefore the most appropriate age group to examine in the demand analysis. As the chart illustrates, the elderly population in the micro market area (over 75 years of age) is expected to increase by 7.20% from 2010-2015.

Demographic Analysis - Micro (Primary Market) Area

The senior (75+) households in the micro market by income group are provided in the following:

INCOME DISTRIBUTION FOR SENIOR MARKET-PMA				
	MARKET - 2010 ESTIMATE		MARKET-2015 ESTIMATE	
INCOME GROUPS	Number	Percent	Number	Percent
Householder 75 years and over:	4,304	100%	4,628	100%
Less than $15,000	1,534	36%	1,565	34%
$15,000 to $24,999	670	16%	649	14%
$25,000 to $34,999	502	12%	432	9%
$35,000 to $49,999	409	10%	444	10%
$50,000 to $74,999	528	12%	894	19%
$75,000 to $99,999	266	6%	274	6%
$100,000 to $149,999	252	6%	252	5%
$150,000 to $199,999	76	2%	65	1%
$200,000 and over	67	2%	53	1%
Total $35,000+	**1,598**	**37%**	**1,982**	**43%**
Source: ESRI, Inc., Age by Income Profile - 2009 Households by Income and Age of Householder.				

As previously illustrated in the cost to income analysis, the $35,000+ income group was chosen to calculate demand in the market. This provides a conservative approach. Compound annual growth rates for the $35,000+ income group are provided below:

GROWTH RATES BY INCOME GROUP			
Income Group	2010 Total Population	2015 Total Population	Annual Growth Rate
$35,000+	1,598	1,982	4.40%

The households within the defined income brackets are further examined for the likelihood of moving into a healthcare facility. This includes focusing on single households and health constraints.

About 76% of the residents in health facilities are female and the majority of the residents are single primarily due to the death of a spouse. Considering the move from home is typically related to an event such as the loss of a spouse, we have only included single-householders in the analysis.

According to the 2010 U.S. Census Bureau estimates for the defined market, 37.8%, or 1,629 of the 75 and older households are single households in the defined market. This is shown in the table below:

MARKET HOUSEHOLD SIZE, AGE 75+-PMA		
Persons in Household	Number	% of Total
One-person household	**1,629**	**37.8%**
Households with Two or more People	2,675	62.2%
Total	4,304	100.0%
Source: P26, Household Type by Household Size. Data Set: Census 2010 Summary File 1 (SF1) 100 Percent Data.		

The age and income qualified households are reduced to only include single householders. The $35,000+ age, income and single households are calculated as follows:

POTENTIAL HOUSEHOLDS BY HOUSEHOLD SIZE- ASSISTED LIVING/ALZHEIMER CARE- MICRO		
	$35,000+	
Year	**2010**	**2015**
Age and Income Qualified Households	1,598	1,982
Percent One-Person Households	37.8%	37.8%
Likely Age and Income-Qualified One-Person Households	**605**	**750**

The figure shown previously represents all age and income qualified households (age-in-place) that contain one person.

Reconciliation of the Age-in-Place Demand Analysis- MICRO

The next step in the analysis is to reconcile the components presented in the demand methodology. This is provided in the following table:

ASSISTED LIVING AND ALZHEIMER CARE DEMAND ANALYSIS			
Assisted Living and Alzheimer's Care, Primary Market Area, Age 75+			
		$35,000+	
	Year	**2010**	**2015**
1	Potential Age and Income Qualified One-Person Households	605	750
2	with Severe Disabilities	47.4%	47.4%
3	Total AL/ALZ Demand Generated from Primary Market (LINE 1 * LINE 2)	287	356
4	**Alzheimer's Demand** (26% * LINE 3)	**75**	**93**
5	**Assisted Living Demand** (LINE 3 minus LINE 4)	**212**	**263**

At the $35,000+ income level, qualified demand is **212** for assisted living and **75** for Alzheimer/memory care in the micro market area for 2010.

Micro Market Supply

Facilities located in the micro market area providing assisted living and/or Alzheimer care were interviewed. Once the interviews were completed, a better understanding of the defined market area in which the subject will compete was obtained. The following tables summarize the performance levels at the facilities in the micro market area.

MICRO MARKET (PMA) ASSISTED LIVING MARKET			
Facility Name	AL Beds	Occupied Beds	Occupancy %
LeMoyne Place	20	18	90.0%
The Gardens	52	51	98.1%
Market Total	72	69	95.8%
ALZHEIMER'S CARE MARKET			
Facility Name	ALZ Beds	Occupied Beds	Occupancy %
LeMoyne Place	14	13	92.9%
Market Total	14	13	92.9%

Overall, area facilities are reporting stable occupancy levels and are performing well. Lemoyne Place was included in competitive supply for conservatism. However, discussions with the Administrator confirmed that the facility is licensed by the state's Medicaid Waiver Program, which is designed to provide qualified residents with personal care services at reduced rates. This program provides an alternative to low-income individuals who do not qualify for traditional Medicaid at skilled nursing facilities and will not be directly competitive to the subject. Since Lemoyne Place accommodates a different resident profile, the subject would be the only facility in Jackson County to offer memory care to its target market.

AL and ALZ under Construction or Proposed

A search was conducted for assisted living and Alzheimer/memory care facilities under construction or proposed. Planning and/or zoning officials from the cities of Pascagoula, Moss Point, Gautier, Ocean Springs and Jackson County were contacted. After contacting various officials, it was determined that there are no assisted living or Alzheimer/memory care facilities within the macro and primary market areas under construction or with financing in place.

The Department of Housing and Urban Development publishes a list of proposed properties that have submitted a request for eventual funding. This list only contains projects where an FHA number has been requested and is not necessarily indicative of impending new construction. Nevertheless, no proposed properties have submitted a request for eventual funding to the Department of Housing and Urban Development.

Demand vs. Supply-Micro Market

The final step in the analysis is to reconcile the components presented previously in the market supply and the demand methodology. This is done by combining market demand and market supply together to calculate excess demand. Total potential assisted living and Alzheimer care is calculated over the next 5 years by growing 2010 demand by the annual compounded growth rate of 4.40% ($35,000+). The growth rate was derived from the annual anticipated growth for the income qualified population from 2010-2015. A conservative approach was utilized that only considers the age in place market.

The following table displays the excess demand in the micro market for the next 5 years for assisted living:

ASSISTED LIVING SUPPLY AND DEMAND ANALYSIS OVER THE NEXT 5 YEARS PMA						
$35,000+ INCOME BRACKET						
Year	2010	2011	2012	**2013**	2014	2015
Qualified Households	212	222	231	**242**	252	263
Current Competitive Beds	72	72	72	**72**	72	72
Future Supply	0	0	0	**0**	0	0
Net Qualified Households	140	150	159	**170**	180	191
Subject Beds	60	60	60	**60**	60	60
Net Market Penetration	42.8%	40.1%	37.6%	**35.4%**	33.3%	31.4%

The following table displays the excess demand in the market for the next 5 years for Alzheimer care:

ALZHEIMER CARE SUPPLY AND DEMAND ANALYSIS OVER THE NEXT 5 YEARS PMA						
$35,000+ INCOME BRACKET						
Year	2010	2011	2012	**2013**	2014	2015
Qualified Households	75	78	81	**85**	89	93
Current Competitive Beds	14	14	14	**14**	14	14
Future Supply	0	0	0	**0**	0	0
Net Qualified Households	61	64	67	**71**	75	79
Subject Beds	18	18	18	**18**	18	18
Net Market Penetration	29.7%	28.2%	26.7%	**25.4%**	24.1%	22.9%

Excess demand clearly exists in the assisted living and Alzheimer care markets as shown previously in the demand charts. The subject would not enter the market until 2013. Over the next 5 years the senior market will be rapidly expanding, which will continually increase the demand for all care levels.

Market Penetration of Subject and Competitors

Discussions with various underwriters of senior housing loans suggest that the penetration rates they seek are generally under 25% to 30% if health is also quantified. The penetration rate is calculated on age, income, household size and health. In the micro market, the qualified households were based on household size and health.

Penetration rates are categorized into four different classifications. The lower the penetration rate within these bands, the less risk is considered to be in the market. The higher two bands are generally not acceptable. The following provides the acceptable penetration rates:

ANALYSIS OF PENETRATION RATES-ASSITED LIVING 2013		
	Age, Income, Single Household and Health Qualified	
	Percent of Market	**35.4%**
Significant Excess Demand	0%	33%
Excess Demand	33%	67%
Marginal	67%	99%
No Market Support	100% and Above	
ANALYSIS OF PENETRATION RATES-ALZHEIMER CARE 2013		
	Age, Income, Single Household and Health Qualified	
	Percent of Market	**25.4%**
Significant Excess Demand	0%	33%
Excess Demand	33%	67%
Marginal	67%	99%
No Market Support	100% and Above	

The subject falls within the excess demand category in 2013 for assisted living and the significant excess demand category for Alzheimer's care. The Pascagoula market has acute care and skilled care but is void of assisted living or dementia care. The subject will fill the void in the healthcare spectrum.

Based on our analysis we conclude that there is market support for the proposed project.

Occupancy Conclusion

The occupancy conclusion for the subject takes into consideration the performance of the comparables and the limited options available in the market. Those requiring personal assistance with more than 3 ADLs or IADLs currently have few options available in the primary market. Due to the limited options available and the costs associated with care, many seniors will reside in their homes until they are no longer able to care for themselves and/or their homes. By this time, an event will usually occur that requires hospitalization with subsequent health or personal care needs.

There are several skilled care facilities that service the primary market. Occupancy typically ranges between 75% and 90% with the majority of residents receiving public aid. Admissions representatives from several skilled care facilities indicated increased demand for therapy and rehabilitative services in the area. Current residents that receive these services are generally referred to a home health agency to monitor their recovery after leaving the facility. Further, admissions representatives estimated that approximately 50% of all referrals that come from the local hospitals do not meet the acuity requirements for skilled care admission. Any referrals that cannot be accommodated by the nursing homes are then forwarded to home health agencies. The majority of these referrals have health problems that require a wide-range of medical care. This care is then provided to the patient in the privacy of their own home.

The state of Mississippi offers a Medicaid Waiver Program, an at-cost health care program for low-income individuals, to those that qualify. Home health agencies reported that only about 10% of their payor mix is made up of those receiving benefits from the Medicaid Waiver Program, with the remainder coming from private insurance, Medicare, and private pay. It was indicated that the senior market is extremely cost sensitive and will typically choose the most inexpensive alternative when it comes to health care. Therefore an assisted living community would be most cost effective.

The occupancy of the facilities in the primary market is illustrated in the following for assisted living and Alzheimer care:

ASSISTED LIVING MARKET			
Facility Name	AL Beds	Occupied Beds	Occupancy %
LeMoyne Place	20	18	90.0%
The Gardens	52	51	98.1%
Market Total	72	69	95.8%

ALZHEIMER'S CARE MARKET			
Facility Name	ALZ Beds	Occupied Beds	Occupancy %
LeMoyne Place	14	13	92.9%
Market Total	14	13	92.9%

Overall, area facilities are reporting stable occupancy levels and are performing well. The following table indicates projected occupancy by care type:

SUBJECT'S OCCUPANCY STRUCTURE	
Pascagoula Proposed AL/ALZ Facility	
Unit Type	**Concluded Occupancy**
Assisted Living	93%
Alzheimer/ Memory Care	93%
Overall Occupancy	**93%**

With the good performance levels of facilities in the market coupled with the lack of care options a 93% overall occupancy rate appears reasonable. Our projection provides some conservatism to the analysis.

Absorption, Turnover, Concessions

Absorption of beds at assisted living and Alzheimer care facilities can vary depending on facility size, location, current supply and demand in a given market, marketing aggressiveness, and managerial experience. Generally, absorption levels can range from as low as two beds per months to as high as 10 depending on the circumstances involved. However, a general average of approximately 3 to 6 beds per month is more typical per type of care provided.

Assisted living and Alzheimer care residents will generally have an average length of stay of approximately three years. This translates to a resident turnover ratio of approximately 33% per year. With an operating bed capacity of 80 beds for assisted living and Alzheimer care, average monthly turnover would be about 2.22 residents per month (80 beds *33.3% / 12 months = 2.22 per month).

We have estimated an initial pre-lease of 7 beds and 3 beds per month thereafter for assisted living. For Alzheimer care, we have estimated an initial pre-lease of 3 beds and 2 beds per month thereafter. This is illustrated in the following:

SUBJECT LEASE UP SCHEDULE						
	A	B	C	D	E	F
Care Type	Beds	Occupancy	Stabilized Occupancy (A*B)	Pre-Lease Estimate	Net Lease-Up Rate per Month	Months to Stabilization ((C-D)/E)
Assisted Living	62	93%	58	7	3.0	17
Alzheimer's Care	18	93%	17	3	2.0	7
Total	80	93%	74	10	5.0-	-

This is shown in the following tables.

Pascagoula Assisted Living					
Total Beds to Fill					80
Stabilized Occupancy					93.0%
Stabilized Beds					74
YEAR 1					
Month	Move In ALF	Move In ALZ	Total Move Ins	Occ. Units	Occupancy
Total Beds to Fill	58	17	74	-	-
Existing Beds Occupied	0.0	0.0	0	0	0.0%
Feb-13	7.0	3.0	10.0	10.0	12.5%
Mar-13	3.0	2.0	5.0	15.0	18.8%
Apr-13	3.0	2.0	5.0	20.0	25.0%
May-13	3.0	2.0	5.0	25.0	31.3%
Jun-13	3.0	2.0	5.0	30.0	37.5%
Jul-13	3.0	2.0	5.0	35.0	43.8%
Aug-13	3.0	2.0	5.0	40.0	50.0%
Sep-13	3.0	2.0	5.0	45.0	56.3%
Oct-13	3.0	0.0	3.0	48.0	60.0%
Nov-13	3.0	0.0	3.0	51.0	63.8%
Dec-13	3.0	0.0	3.0	54.0	67.5%
Jan-14	3.0	0.0	3.0	57.0	71.3%
Total	40.0	17.0	57.0	57.0	71.3%
Average Monthly Absorption			4.8	35.8	44.8%

YEAR 2					
Month	Move In ALF	Move In ALZ	Total Move Ins	Occ. Units	Occupancy
Occupied from year 1	40.0	17.0	57	57.0	71.3%
Feb-14	3.0	0.0	3.0	60.0	75.0%
Mar-14	3.0	0.0	3.0	63.0	78.8%
Apr-14	3.0	0.0	3.0	66.0	82.5%
May-14	3.0	0.0	3.0	69.0	86.3%
Jun-14	3.0	0.0	3.0	72.0	90.0%
Jul-14	2.4	0.0	2.4	74.4	93.0%
Aug-14	0.0	0.0	0.0	74.4	93.0%
Sep-14	0.0	0.0	0.0	74.4	93.0%
Oct-14	0.0	0.0	0.0	74.4	93.0%
Nov-14	0.0	0.0	0.0	74.4	93.0%
Dec-14	0.0	0.0	0.0	74.4	93.0%
Jan-15	0.0	0.0	0.0	74.4	93.0%
Total	57	17	74	74.4	93.0%
Average Occupancy			1.5	70.9	88.6%

As the table above indicates, the facility is expected to achieve stabilized occupancy within 17 months of completion. The lease-up schedule separates the lease up by types of care to be offered by the subject.

No concessions were noted in the market and rents have increased over the last year.

Market Rent Analysis

The subject community will provide various levels of care for residents. The rental rate conclusions provide the following within the rents:

SERVICES IN BASE RENT		
	ASSISTED LIVING	**ALZHEIMER CARE**
ADL's/Services:	Moderate Care AL	All Inclusive
Meals	3 Meals per day	3 Meals per day
Care	Personal	All Inclusive
Medication Management	No	Yes
Transportation	Yes	Yes
Housekeeping	Yes	Yes
Laundry	Yes	Yes
Cable TV	Yes	Yes

Assisted Living

To estimate the subject's rate structure, we conducted a rental survey of all of the assisted living facilities in Jackson County. Each of these facilities was contacted regarding current rates, occupancies and market conditions. In addition to those surveyed in Jackson County, it was necessary to go outside the county to obtain additional comparables to complete the market rent analysis.

The following map provides the location of the rent comparables utilized to estimate the appropriate rent levels for the proposed project.

Emeritus of Biloxi is located in Biloxi, approximately twenty-five miles west of the subject site. The property was constructed in 1999 and offers studio, one and two bedroom units. The facility is in good overall condition and provides assisted living and Alzheimer care. Occupancy as of the survey date was 98%.

Atria Regency is located in Mobile, about thirty miles northeast of the subject site. This property was built in 1999 and has been maintained in good condition. This facility currently offers assisted living and Alzheimer care through studio, one and two bedroom units. Occupancy as of the survey date was 94%.

Somerby of West Mobile is located in Mobile and is approximately thirty miles to the northeast of the subject. The property was built in 2005 and is in good condition. The property offers studio, one and two bedroom units. In addition to assisted living and Alzheimer care they also provide independent living and for sale cottages for seniors. Occupancy as of the survey date was 92%.

Gordon Oaks is located in Mobile and is approximately twenty nine miles to the northeast of the subject. The property was built in 1985/1987/1993 and is in good condition. The property only offers studio units for assisted living and Alzheimer care. In addition to assisted living and Alzheimer care they also provide independent living and skilled nursing. Occupancy as of the survey date was 85%.

Hearthstone at Heritage Woods is located in Mobile, approximately twenty eight miles northeast of the subject property. The facility offers assisted living and Alzheimer care through studios, one and two-bedroom units. The complex is in good condition and was built in 2000. Occupancy as of the survey date was 95%.

An analysis was conducted of the current rates charged by market rent comparables. The following paragraphs provide a discussion of each of the line items that were considered as part of the analysis.

Effective Date of Rental

The market was surveyed in February of 2012. All of the rent comparables were surveyed during the same time period. As such, no adjustments were made for effective date.

Type of Project/Stories

The subject will be an assisted living and Alzheimer's care facility with modern features. This facility will be three stories high. The comparables are primarily one story but it was indicated that there was no pricing differential by floor. No adjustments were considered necessary.

Year Built/Age

The subject is a proposed facility. The properties in the market are generally in good condition. Facilities in the market have well maintained. Therefore, no adjustments have been made.

Cable TV

The subject will include cable within rent just as the comparables do. No adjustment was necessary.

Laundry Service

All of the comparable facilities offer the same level of laundry service at the assisted living level. Therefore no adjustments were made for laundry service category.

Housekeeping

All of the comparables have similar housekeeping; therefore no adjustments were made in the housekeeping category.

Meals/Day

All of the comparables have similar meals/day; therefore, no adjustments were made for the meals/day category.

Unit Type

The methodology for estimating a unit type adjustment is to calculate the difference between two unit types at the same facility. With all other variables constant, this allows the adjustment for unit type to be isolated and quantified. The subject as proposed will have a small and large one bedroom unit. The comparables generally have large one bedroom units and required a downward adjustment as illustrated below:

ONE BEDROOM SMALL/LARGE ADJUSTMENT		
Property	Unit Type	Rent
Gordon Oaks	Studio	$2,800
Gordon Oaks	Studio Large	$3,100
Difference		($300)
Conclusion (Rounded)		**($300)**

Gordon Oaks only provides studio units and required an adjustment on the one and two bedroom rent grids. This adjustment was calculated as follows:

STUDIO/ONE BEDROOM ADJUSTMENT		
Property	Unit Type	Rent
Atria Regency	Studio	$3,200
Atria Regency	One Bedroom	$3,675
Difference		$475
Conclusion (Rounded)		**$475**

STUDIO/TWO BEDROOM ADJUSTMENT		
Property	Unit Type	Rent
Atria Regency	Studio	$3,200
Atria Regency	Two Bedroom	$4,625
Difference		$1,425
Conclusion (Rounded)		**$1,425**

Project Occupancy

The methodology for estimating an occupancy adjustment is:

((Subject Rent Occupancy/Comparable Rent Occupancy))-1 * Comparable Rental Rate * -1

This methodology was applied to any rent comparable that reported a lower occupancy than the projected subject occupancy. No upward adjustments were made for comparables operating at higher occupancies.

Medication Management

Medication Management is not included in the base rate at the subject or most of the comparables. A downward adjustment was calculated and applied to those facilities that included medication management within their rent. The adjustment was calculated as follows:

MEDICATION MANAGEMENT ADJUSTMENT	
Facility	**Rate**
Emeritus of Biloxi	$125
Atria Regency	$195
Concluded Adjustment	**$175**

Levels of Care/Services

The level of care included in the base rents of the assisted living facilities is generally the same for all of the facilities. However, Somerby of Mobile provides an all-inclusive rate and required an adjustment. The level three and four rates at the other communities were used to calculate this adjustment as indicated below:

LEVEL OF CARE ADJUSTMENT	
Facility	**Rate**
Gordon Oaks	$1,200
Emeritus of Biloxi	$1,525
Atria Regency	$945
Concluded Adjustment	**$1,200**

Assisted Living Rent Conclusion

The rent conclusion is provided below:

SUBJECT'S RATE STRUCTURE					
Pascagoula Assisted Living					
Unit Type	**Number of Units**	**Number of Resident Beds**	**General SF**	**Concluded Rent**	**Central 60% Range**
Subject Units Assisted Living					
Studio	15	15	375	$3,100	$2944 to $3376
One Bedroom Small	30	30	425	$3,300	$3091 to $3304
One Bedroom Large	13	13	475	$3,500	$3382 to $3602
Two Bedroom	2	4	785	$4,100	$3603 to $4451

The subjects estimated rents are at the lower end of the central 60% range. A conservative approach to the rates was applied.

Alzheimer's Care

To estimate the subject's rate structure, we conducted a rental survey of all of the Alzheimer's Care facilities in the market and the surrounding area. Each of these facilities was contacted regarding current rates, occupancies and market conditions.

The following map provides the location of the rent comparables utilized to estimate the appropriate rent levels for the proposed project.

Emeritus of Biloxi is located in Biloxi, approximately twenty-five miles west of the subject site. The property was constructed in 1999 and offers studio, one and two bedroom units. The facility is in good overall condition and provides assisted living and Alzheimer care. Occupancy as of the survey date was 98%.

Atria Regency is located in Mobile, about thirty miles northeast of the subject site. This property was built in 1999 and has been maintained in good condition. This facility currently offers assisted living and Alzheimer care through studio, one and two bedroom units. Occupancy as of the survey date was 94%.

Somerby of West Mobile is located in Mobile and is approximately thirty miles to the northeast of the subject. The property was built in 2005 and is in good condition. The property offers studio, one and two bedroom units. In addition to assisted living and Alzheimer care they also provide independent living and for sale cottages for seniors. Occupancy as of the survey date was 92%.

Gordon Oaks is located in Mobile and is approximately twenty nine miles to the northeast of the subject. The property was built in 1985/1987/1993 and is in good condition. The property only offers studio units for assisted living and Alzheimer care. In addition to assisted living and Alzheimer care they also provide independent living and skilled nursing. Occupancy as of the survey date was 85%.

Hearthstone at Heritage Woods is located in Mobile, approximately twenty eight miles northeast of the subject property. The facility offers assisted living and Alzheimer care through studios, one and two-bedroom units. The complex is in good condition and was built in 2000. Occupancy as of the survey date was 95%.

An analysis was conducted of the current rates charged by market rent comparables. The following paragraphs provide a discussion of each of the line items that were considered as part of the analysis.

Effective Date of Rental

The market was surveyed in February of 2012. All of the rent comparables were surveyed during the same time period. As such, no adjustments were made for effective date.

Type of Project/Stories

The subject will be an assisted living and Alzheimer's care facility with modern features. The Alzheimer side will be one story high. The comparables are similar. No adjustments were considered necessary.

Year Built/Age

The subject is a proposed facility. The properties in the market are generally in good condition. Facilities in the market have been well maintained. Therefore, no adjustments have been made.

Cable TV

Cable TV is included in the rent at the subject property and the comparable properties. Therefore, no adjustment was made for Cable TV.

Laundry Service

The subject will include laundry service within the base rent. All of the facilities include laundry service in their base rent. Thus, no adjustment was necessary.

Housekeeping

All of the comparables have similar housekeeping; therefore no adjustments were made in the housekeeping category.

Meals/Day

All of the comparables have similar meals/day; therefore no adjustments were made for the meals/day category.

Unit Type

The methodology for estimating a unit type adjustment is to calculate the difference between two unit types at the same facility. With all other variables constant, this allows the adjustment for unit type to be isolated and quantified. However, all of the facilities had similar unit types for all the unit types offered at the proposed subject. Therefore, no adjustments were made.

Project Occupancy

The methodology for estimating an occupancy adjustment is:

((Subject Rent Occupancy/Comparable Rent Occupancy)-1) * Comparable Rental Rate * -1

This methodology was applied to any rent comparable that reported a lower occupancy than the projected subject occupancy. No upward adjustments were made for comparables operating at higher occupancies.

Level of Care/Services

The subject will provide all-inclusive care for their Alzheimer units like most of the comparables. Gordon Oaks and Emeritus of Biloxi charge levels of care and required an upward adjustment based on the following:

LEVEL OF CARE ADJUSTMENT	
Facility	**Rate**
Gordon Oaks	$1,200
Emeritus of Biloxi	$1,525
Atria Regency	$945
Concluded Adjustment	**$1,200**

Memory Care/Dementia Rental Rate Conclusion

The concluded rental rate for the subject is as follows:

SUBJECT'S RATE STRUCTURE					
Pascagoula Assisted Living					
Unit Type	**Number of Units**	**Number of Resident Beds**	**General SF**	**Concluded Rent**	**Central 60% Range**
Subject Units Alzheimer Care					
Alzheimer Studio	18	18	275	$4,600	$4486 to $5022

The subjects estimated rent is within the central 60% range and is considered reasonable.

Market Rental Rate Conclusions

After making adjustments to bring each comparable in line with the various services and amenities, condition and quality, and room sizes for each of the subject's unit types, pricing levels were concluded. The following chart outlines the concluded results for each unit type offered by the subject:

SUBJECT'S RATE STRUCTURE					
Pascagoula Assisted Living					
Unit Type	**Number of Units**	**Number of Resident Beds**	**General SF**	**Concluded Rent**	**Central 60% Range**
Subject Units Assisted Living					
Studio	15	15	375	$3,100	$2944 to $3376
One Bedroom Small	30	30	425	$3,300	$3091 to $3304
One Bedroom Large	13	13	475	$3,500	$3382 to $3602
Two Bedroom	2	4	785	$4,100	$3603 to $4451
Subject Units Alzheimer Care					
Alzheimer Studio	18	18	275	$4,600	$4486 to $5022
Total/Weighted Average	**78**	**80**	**398**	**$3,615**	

Conclusion

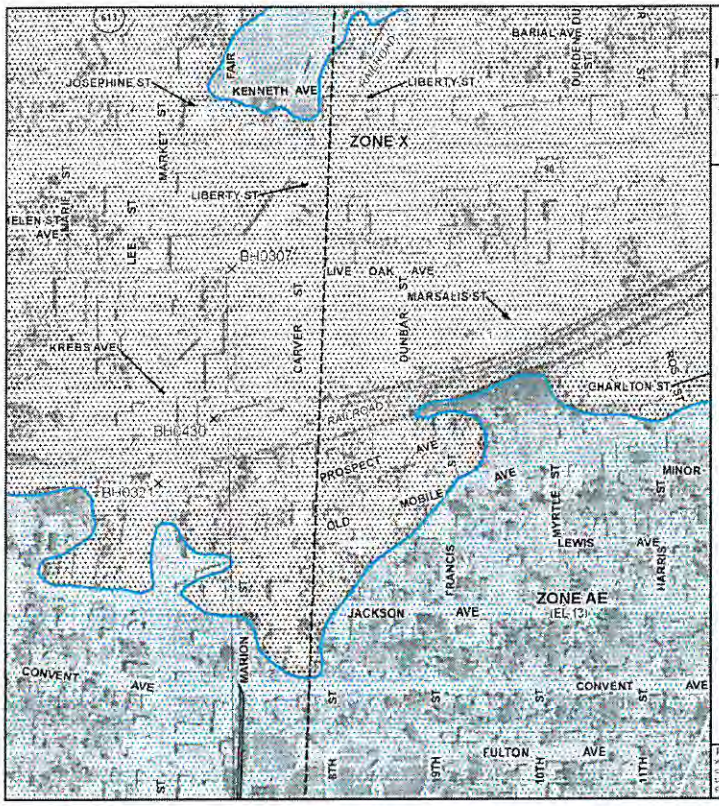
The subject is a proposed assisted living and Alzheimer care facility located in Pascagoula, Mississippi. The subject will have 78 (60 ALF, 18 ALZ) units and will be licensed for 80 assisted living/ memory care residents. The site is located along the south side of Live Oak Avenue. The subject site is generally irregular in shape and contains approximately 5.7294-acres of land. The subject property is located next to the newly constructed Pascagoula Senior Center with good access to the major traffic arterials servicing the community. Within the immediate area is the Singing River Hospital located less than a mile away. The subject will fill a void in the primary market area for assisted living and memory care and complete the full spectrum of care.

The senior population within the subject's market has experienced significant growth since 2000 which is expected to continue through 2015. The subject will be the only assisted living and Alzheimer care community located in eastern Jackson County and only one of three facilities for the entire county. Representatives in the market indicate that many residents who need assisted living or Alzheimer care are forced to reside in nursing homes or contract home health and indicate that an option such as the subject is greatly needed.

In addition to our interviews with facilities in the market and surrounding area we conducted a supply and demand analysis to determine if there is excess demand in the macro and micro markets. Our analyses indicate that there is sufficient excess demand to support additions to supply. The subject facility will target the 'age in place' resident within Jackson County. Based on our research and analysis, we recommend the construction of an assisted living and Alzheimer care facility for the proposed property. We anticipate the proposed subject property to enter the market in 2013.

ADDENDUM A

SUBJECT INFORMATION



MAP SCALE 1" = 500'

250 500 750 1,000 FEET

METERS

PANEL 0431G

FIRM

FLOOD INSURANCE RATE MAP

JACKSON COUNTY, MISSISSIPPI

AND INCORPORATED AREAS

PANEL 431 OF 575

(SEE MAP INDEX FOR FIRM PANEL LAYOUT)

CONTAINS

COMMUNITY	NUMBER	PANEL	SUFFIX
PASCAGOULA, CITY OF	280280	0431	G

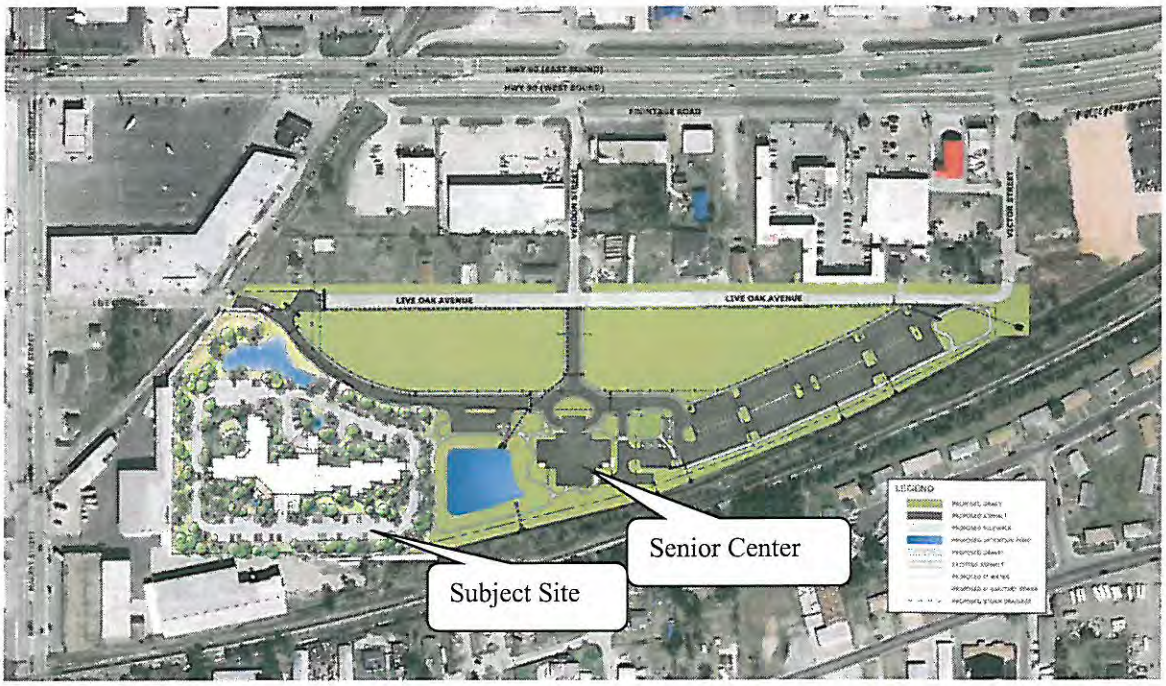
Notice to User: The Map Number shown below should be used when placing map orders; the Community Number shown above should be used on insurance applications for the subject community.

MAP NUMBER
28059C0431G

EFFECTIVE DATE
MARCH 16, 2009

Federal Emergency Management Agency

This is an official copy of a portion of the above referenced flood map. It was extracted using F-MIT On-Line. This map does not reflect changes or amendments which may have been made subsequent to the date on the title block. For the latest product information about National Flood Insurance Program flood maps check the FEMA Flood Map Store at www.msc.fema.gov


LIVE OAK AVENUE
LIVE OAK AVENUE
Senior Center
Subject Site
LEGEND

25' BUFFER
POND
PARKING
25' BUFFER
DROP-OFF
SPECIAL CARE
(1 Story)
ASSISTED LIVING
COMMONS
(1 Story)
ASSISTED LIVING
UNITS
(3 Stories)
PARKING
N

SITE PLAN

ADDENDUM B

COMPARABLES

RENT

RENT COMPARABLES

THE GARDENS

Name/Address		**Study Area:**	
The Gardens		Pascagoula	
1260 Ocean Springs Road		**County**	
Ocean Springs, MS 39564		Jackson	
Verification:	Brenna		
Phone:	228-818-0650	**Survey:**	
By:	Jose Pizarro	Feb-12	
Year Built:	1999		

Type	# Units	Physical Capacity	# of Residents	% Occupancy
Assisted Living	52	52	51	98%
Average Residents	52			
Type	AL			
Condition	Good			

ASSISTED LIVING UNITS

Type	Rent
Semi-Private	$1,900
Private	$2,800
Executive (One Bedroom)	$3,200
Total/Weighted Average	$2,633

Levels of Care:		**Other:**	
*All Inclusive Rate		Community Fee (Refundable)	$500
		Second Person	$300

Project Amenities:			
Activity Rooms	Yes	Three Meals plus Snacks	Yes
Beauty/Barber Shop	Yes	Weekly Housekeeping	Yes
Dining Rooms	Yes	Personal Laundry	No
Health Center	Yes		
Laundry Facilities	Yes		
Lounge Areas	Yes		

Unit Features:			
Central HVAC	Common Areas	Full Kitchen	No
Individual HVAC	Yes	Kitchenette	Yes
Emergency Pull-Cords	Yes	Private Bath	Yes
Fire/Smoke Detectors	Yes		
Window Covering	Yes		

Comments:

This facility provides assisted living and is all inclusive. The facility is at capacity occupancy levels and has been so for quite some time. The administrator indicated that the economy has not affected the property. The facility's major referral source are local physicians. They do receive some residents from the Pascagoula area. This is one of two facilities located in Jackson County.

LEMOYNE PLACE

Name/Address		**Study Area:**	
LeMoyne Place		Pascagoula	
14306 Lemoyne Boulevard		**County**	
Biloxi, MS 39532		Jackson	
Verification:	Melinda		
Phone:	228-396-1998	**Survey:**	
By:	Jon Hurt	Feb-12	
Year Built:	2007		

Type	# Units	Physical Capacity	# of Residents	% Occupancy
Assisted Living	20	20	18	90%
ALZ	14	14	13	93%
Total/Average	34	34	31	91%
Average Residents	32			
Type	AL/ALZ			
Condition	Good			

ASSISTED LIVING UNITS

Type	Unit Mix	Rent	% of mix
Private (w/ Bathroom)	5	$2,000	25%
Single (w/ Shared Bathroom)	15	$1,650	75%
Total/Weighted Average	20	$1,825	100%

ALZHEIMER'S CARE UNITS

Type	Unit Mix	Rent	% of mix
Private (w/ Bathroom)	5	$2,800	36%
Single (w/ Shared Bathroom)	9	$2,500	64%
Total/Weighted Average	14	$2,650	100.0%

Levels of Care:	**Other:**
*All Inclusive Rate	No Fees

Project Amenities:			
Activity Rooms	Yes	Three Meals plus Snacks	Yes
Beauty/Barber Shop	No	Weekly Housekeeping	Yes
Dining Rooms	Yes	Personal Laundry	No
Health Center	Yes		
Laundry Facilities	Yes		
Lounge Areas	Yes		

Unit Features:			
Central HVAC	Common Areas	Full Kitchen	No
Individual HVAC	Yes	Kitchenette	No
Emergency Pull-Cords	Yes	Private Bath	Yes
Fire/Smoke Detectors	Yes		
Window Covering	Yes		

Comments:

This facility is the only facility in the area that is licensed for the state Medicaid Waiver Program. Currently, 10 residents qualify for this program which is designed to keep those needing personal care services out of skilled nursing facilities. Lemoyne Place offers both assisted living and Alzheimer/dementia care services; however, the facility does not provide a secured/ locked environment. Major referral sources were noted to include local hospitals as well as State hospitals, with a specialization for accommodating those with mental illness. There is an adult daycare located in the front.

EMERITUS OF BILOXI

Name/Address		**Study Area:**	
Emeritus of Biloxi		Pascagoula	
2120 Enterprise Drive		**County**	
Biloxi, MS 39531		Harrison	
Verification:	Vicki Hensley		
Phone:	228-388-0946	**Survey:**	
By:	Jose Pizarro	Feb-12	
Year Built:	1999		

Type	Physical Capacity	# of Residents	% Occupancy
Assisted Living	80	79	98%
ALZ	22	21	95%
Total/Average	102	100	98%
Average Residents	94%		
Type	AL and ALZ		
Condition	Good		

ASSISTED LIVING UNITS

Type	Size(s.f.)	Rent	Rent/s.f.
Studio Small	312	$2,800	$8.97
Studio	334	$2,900	$8.68
Studio Large	380	$3,000	$7.89
One Bedroom	483	$3,500	$7.25
Two Bedroom	750	$3,800	$5.07
Total/Weighted Average	452	$3,200	$7.57

ALZHEIMER'S CARE UNITS

Type	Size(s.f.)	Rent	Rent/s.f.
Studio Companion	380	$3,000	$7.89
Studio Private	334	$4,000	$11.98
One-Bedroom Companion	483	$3,500	$7.25
Total/Weighted Average	399	$3,500	$9.04

Levels of Care:	AL	ALZ	Other:	
AL Level I	$325	$925	Resident Assessment I	$500
AL Level II	$625	$1,225	Second Person	$800
AL Level III	$925	$1,525	Respite	$125 per day
AL Level IV	$1,225			
AL Level V	$1,525			
10 or more medications	$125			

Project Amenities:			
Activity Rooms	Yes	Three Meals plus Snacks	Yes
Beauty/Barber Shop	Yes	Weekly Housekeeping	Yes
Dining Rooms	Yes	Personal Laundry	No
Health Center	Yes		
Laundry Facilities	Yes		
Lounge Areas	Yes		

Unit Features:			
Central HVAC	Common Areas	Full Kitchen	No
Individual HVAC	Yes	Kitchenette	Yes
Emergency Pull-Cords	Yes	Private Bath	Yes
Fire/Smoke Detectors	Yes		
Window Covering	Yes		

Comments:

This facility provides assisted living and Alzheimer care and is operated by Emeritus. They do receive some residents from the Pascagoula area. The property is performing well and has been able to increase rents over the last year

ATRIA REGENCY

Name/Address		**Study Area:**	
Atria Regency		Pascagoula	
4720 Morrison Dr		**County**	
Mobile, AL 36609		Mobile	
Verification:	Kathy		
Phone:	251-380-0053	**Survey:**	
By:	Jon Hurt	Feb-12	
Year Built:	1999		

Type	# Units	Physical Capacity	# of Residents	% Occupancy
Assisted Living	70	73	68	93%
ALZ	20	20	19	95%
Total/Average	90	93	87	94%
Average Residents	90%			
Type	AL/ALZ			
Condition	Good			

ASSISTED LIVING UNITS

Type	Units	Size(s.f.)	Rent	Rent/s.f.
Studio	42	367	$3,200	$8.72
One-Bedroom	25	510	$3,675	$7.21
Two-Bedroom	3	710	$4,625	$6.51
Total / Weighted Average	70	433	$3,431	$8.08

ALZHEIMER'S CARE UNITS

Type	Units	Size(s.f.)	Rent	Rent/s.f.
Life Guidance Private studio	20	310	$4,795	$15.47

Levels of Care:		**Other:**	
AL Level I	$345	Resident Assessment Fee	$1,500
AL Level II	$645	ALZ Respite	$200 per day
AL Level III	$945	AL Respite	$125 per day
Med Management (2 Meds)	$245	Laundry	$40
Med Management (3 Meds)	$345		
Med Management (3 Meds + Special Asst.)	$445		

Project Amenities:			
Activity Rooms	Yes	Three Meals plus Snacks	Yes
Beauty/Barber Shop	Yes	Weekly Housekeeping	Yes
Dining Rooms	Yes	Personal Laundry	No
Health Center	Yes		
Laundry Facilities	Yes		
Lounge Areas	Yes		

Unit Features:			
Central HVAC	Common Areas	Full Kitchen	Yes
Individual HVAC	Yes	Kitchenette	Yes
Emergency Pull-Cords	Yes	Private Bath	Yes
Fire/Smoke Detectors	Yes		
Window Covering	Yes		

Comments:

The facility provides assisted living and Alzheimer care. Occupancy is around typical levels and they indicated they have a few residents from the Jackson County Mississippi area. Administrator reports average length of stay for Assisted Living as 2.5 years. For Alzheimer care, average length of stay is about 2 years.

SOMERBY OF WEST MOBILE

Name/Address		**Study Area:**	
Somerby of West Mobile		Pascagoula	
901 Somerby Drive		**County**	
Mobile, AL 36695		Mobile	
Verification:	Eddie		
Phone:	(251) 776-1455	**Survey:**	
By:	Jose Pizarro	Feb-12	
Year Built:	2005		

Type	# Units	Physical Capacity	# of Residents	% Occupancy
Assisted Living	40	50	45	90%
ALZ	24	24	23	96%
Total/Average	64	74	68	92%
Average Residents	-			
Type	IL/AL/ALZ			
Condition	Good			

ASSISTED LIVING UNITS

Type	Unit Mix	Size(s.f.)	Rent	Rent/s.f.
Amaryllis (Studio)		360	$4,360	$12.11
Begonia (Studio)		390	$4,635	$11.88
The Willow (One Bedroom)		484	$4,890	$10.10
The Oak (Two Bedroom)		544	$6,175	$11.35
Total/Weighted Average	40	445	$5,015	$11.36

ALZHEIMER'S CARE UNITS

Type	Unit Mix	Size(s.f.)	Rent	Rent/s.f.
Aster (Studio)	12	319	$5,050	$15.83
Buttercup (Studio)	12	332	$5,135	$15.47
Total/Weighted Average	24	326	$5,093	$15.65

Levels of Care:		**Other:**	
All Inclusive Care		Community Fee	$2,500
Project Amenities:			
Activity Rooms	Yes	Three Meals plus Snacks	Yes
Beauty/Barber Shop	Yes	Weekly Housekeeping	Yes
Dining Rooms	Yes	Personal Laundry	No
Health Center	Yes		
Laundry Facilities	Yes		
Lounge Areas	Yes		
Unit Features:			
Central HVAC	Common Areas	Full Kitchen	No
Individual HVAC	Yes	Kitchenette	Yes
Emergency Pull-Cords	Yes	Private Bath	Yes
Fire/Smoke Detectors	Yes		
Window Covering	Yes		

Comments:

In addition to the ALF and ALZ units, Somerby offers 136 independent living units in a four-story building along with 16 independent living units in villa homes. The property also provides 56 for-sale homes on the property. The assisted living units were recently expanded by 20 and have absorbed rather quickly according to the representative. Prior to the addition of the units the assisted living portion was on a waiting list. Their independent living units feed their assisted living and Alzheimer care.

GORDON OAKS

Name/Address			**Study Area:**
Gordon Oaks			Pascagoula
3145 Knollwood Drive			**County**
Mobile, AL 36693			Mobile
Verification:	Marketing (Anna)		
Phone:	251-661-7600		**Survey:**
By:	Jose Pizarro		Feb-12
Year Built:	1985/1987/1993		

Type	Physical Capacity	# of Residents	% Occupancy
Assisted Living	60	48	80%
ALZ	61	55	90%
Total/Average	121	103	85%
Average Residents	90%		
Type	IL/AL/ALZ/SNF		
Condition	Good		

ASSISTED LIVING UNITS

Type	Size(s.f.)	Rent	Rent/s.f.
Studio	216	$2,800	$12.96
Studio Large	270	$3,100	$11.48
Total / Weighted Average	243	$2,950	$12.14

ALZHEIMER CARE UNITS

Type	Size(s.f.)	Rent	Rent/s.f.
Studio	216	$3,200	$14.81
Studio Large	270	$3,400	$12.59
Shared Studio	270	$2,200	$8.15
Total / Weighted Average	252	$2,933	$11.64

Levels of Care:		**Other:**	
AL Level I	$300	Resident Assessment Fee	$750
AL Level II	$600	Second Person	$500
AL Level III	$900		
AL Level IV	$1,200		
Memory Care	Individual Assessment		

Project Amenities:			
Activity Rooms	Yes	Three Meals plus Snacks	Yes
Beauty/Barber Shop	Yes	Weekly Housekeeping	Yes
Dining Rooms	Yes	Personal Laundry	No
Health Center	Yes		
Laundry Facilities	Yes		
Lounge Areas	Yes		

Unit Features:			
Central HVAC	Common Areas	Full Kitchen	No
Individual HVAC	Yes	Kitchenette	Yes
Emergency Pull-Cords	Yes	Private Bath	Yes
Fire/Smoke Detectors	Yes		
Window Covering	Yes		

Comments:

This community has the full continuum of care from independent living all the way to nursing care. The community has been in the area for awhile and has a good reputation. It was noted that very few residents come from the Jackson County Mississippi area.

HEARTHSTONE AT HERITAGE WOODS

Name/Address		**Study Area:**	
Hearthstone at Heritage Woods		Pascagoula	
3440 Hillcrest Road		**County**	
Mobile, AL 36695		Mobile	
Verification:	Melody		
Phone:	251-665-9063	**Survey:**	
By:	Jose Pizarro	Feb-12	
Year Built:	2000		

Type	Physical Capacity	# of Residents	% Occupancy
Assisted Living	89	84	94%
ALZ	23	22	96%
Total/Average	112	106	95%
Average Residents	95%		
Type	AL/ALZ		
Condition	Good		

ASSISTED LIVING UNITS

Type	Rent
Studio	$3,695
Suite - Shared	$1,995
One-Bedroom	$3,495
Two-Bedroom	$3,495
Total / Weighted Average	$3,170

ALZHEIMER'S CARE UNITS

Type	Rent
Studio	$3,695
Two Bedroom	$4,695
Suite - Shared	$3,295

Levels of Care:	**Other:**	
Individual Assessment	Resident Assessment Fee	Unknown
	Second Person	Unknown

Project Amenities:			
Activity Rooms	Yes	Three Meals plus Snacks	Yes
Beauty/Barber Shop	Yes	Weekly Housekeeping	Yes
Dining Rooms	Yes	Personal Laundry	No
Health Center	Yes		
Laundry Facilities	Yes		
Lounge Areas	Yes		

Unit Features:			
Central HVAC	Common Areas	Full Kitchen	No
Individual HVAC	Yes	Kitchenette	Yes
Emergency Pull-Cords	Yes	Private Bath	Yes
Fire/Smoke Detectors	Yes		
Window Covering	Yes		

Comments:

This facility provides assisted living and Alzheimer's care. They are currently 95% occupied and the representative indicated that the entire Mobile market was around 90%. They did not receive many residents from the Jackson County Mississippi area.

ADDENDUM C

RENT GRIDS

Bed & Accommodation Charges by Comparison (Private Room)

1. Unit Type Studio	Subject Property Pascagoula Assisted Living Pascagoula	A. Comparable Property No. 1 (Address) Emeritus of Biloxi Biloxi, MS		B. Comparable Property No. 2 (Address) Atria Regency Mobile, AL		C. Comparable Property No. 3 (Address) Somerby of West Mobile Mobile, AL		D. Comparable Property No. 4 (Address) Gordon Oaks Mobile, AL		E. Comparable Property No. 5 (Address) Hearthstone at Heritage Woods Mobile, AL	
Characteristics	Data	Data	Adjustments + -	Data	Adjustments + -	Data	Adjustments + -	Data	Adjustments + -	Data	Adjustments + -
3. Effective Date of Rental	February-12	February-12		February-12		February-12		February-12		February-12	
4. Type of Project Stories	ALF/ALZ	ALF/ALZ		ALF/ALZ		ALF/ALZ		ALF/ALZ		ALF/ALZ	
5. Year Built	2013	1999		1999		2005		1985/1987/1993		2000	
6. Number of Beds	80	78		73		50		54		84	
7. Carpet/Floors	Carpet, Vinyl, Tile	Carpet, Vinyl, Tile		Carpet, Vinyl, Tile		Carpet, Vinyl, Tile		Carpet, Vinyl, Tile		Carpet, Vinyl, Tile	
8. Smoke Detectors	Yes	Yes		Yes		Yes		Yes		Yes	
9. Cable TV	Yes	Yes		Yes		Yes		Yes		Yes	
10. Laundry Service	Yes	Yes		Yes		Yes		Yes		Yes	
11. Public Rooms	Yes	Yes		Yes		Yes		Yes		Yes	
12. Activities/Soc. Svcs	Yes	Yes		Yes		Yes		Yes		Yes	
13. Barber/Beauty	Yes	Yes		Yes		Yes		Yes		Yes	
14. Housekeeping	Yes	Yes		Yes		Yes		Yes		Yes	
15. Transportation	Yes	Yes		Yes		Yes		Yes		Yes	
16. Counseling	Yes	Yes		Yes		Yes		Yes		Yes	
17. Ambulance Service	Yes	Yes		Yes		Yes		Yes		Yes	
18. Daily Trash Removal	Yes	Yes		Yes		Yes		Yes		Yes	
19. Project Conditions	Good	Good		Good		Good		Good		Good	
20. Meals/Day	3	3		3		3		3		3	
21. Supervision of Med	No	No		No		Yes	($175.00)	No		Yes	($175.00)
22. Unit Type	Studio	Studio		Studio		Studio		Studio		Studio	
23. Occupancy	93%	98%		94%		92%	($46.88)	88%	($266.67)	95%	
24. Therapy Services	Good	Similar		Similar		Superior	($1,200.00)	Similar		Similar	
25. Location	Good	Similar		Similar		Similar		Similar		Similar	
Bed Rent Per Day		$2,800.00		$3,200.00		$4,360.00		$3,100.00		$3,695.00	
Net Adjustment w/o Trend and Spec. Adj			$0.00		$0.00		($1,421.88)		($266.67)		($175.00)
Indicated Rent w/o Trend and Spec Adj		$2,800.00		$3,200.00		$2,938.12		$2,833.33		$3,520.00	
Correlated Subject Rent Per Day	$3,100.00										

Note: In the adjustments column, dollar amounts are entered by which subject property varies from comparable properties. If subject is better, a positive amount is added and if subject is inferior to the comparable, a negative amount. Explanations for the adjustments are found in the body of the accompanying document.

(Signature of Appraiser) (Date) 2/6/2012

(Signature of Reviewer) (Date)

Bed & Accommodation Charges by Comparison (Private Room)

1. Unit Type: One Bedroom Small	Subject Property: Pascagoula Assisted Living, Pascagoula	A. Comparable Property No. 1 (Address): Emerald of Biloxi, Biloxi, MS		B. Comparable Property No. 2 (Address): Aria Regency, Mobile, AL		C. Comparable Property No. 3 (Address): Somerby of West Mobile, Mobile, AL		D. Comparable Property No. 4 (Address): Gordon Oaks, Mobile, AL		E. Comparable Property No. 5 (Address): Hearthstone at Heritage Woods, Mobile, AL	
Characteristics	Data	Data	Adjustments +	Data	Adjustments -	Data	Adjustments +	Data	Adjustments +	Data	Adjustments +
3. Effective Date of Rental	February-12	February-12		February-12		February-12		February-12		February-12	
4. Type of Project/Stories	ALF/ALZ	ALF/ALZ		ALF/ALZ		ALF/ALZ		ALF/ALZ		ALF/ALZ	
5. Year Built	2013	1999		1999		2005		1985/1987/1993		2000	
6. Number of Beds	80	78		73		50		54		84	
7. Carpet/Floors	Carpet, Vinyl, Tile	Carpet, Vinyl, Tile		Carpet, Vinyl, Tile		Carpet, Vinyl, Tile		Carpet, Vinyl, Tile		Carpet, Vinyl, Tile	
8. Smoke Detectors	Yes	Yes		Yes		Yes		Yes		Yes	
9. Cable TV	Yes	Yes		Yes		Yes		Yes		Yes	
10. Laundry Service	Yes	Yes		Yes		Yes		Yes		Yes	
11. Public Rooms	Yes	Yes		Yes		Yes		Yes		Yes	
12. Activities/Soc. Svcs.	Yes	Yes		Yes		Yes		Yes		Yes	
13. Barber/Beauty	Yes	Yes		Yes		Yes		Yes		Yes	
14. Housekeeping	Yes	Yes		Yes		Yes		Yes		Yes	
15. Transportation	Yes	Yes		Yes		Yes		Yes		Yes	
16. Counseling	Yes	Yes		Yes		Yes		Yes		Yes	
17. Ambulatory Service	Yes	Yes		Yes		Yes		Yes		Yes	
18. Daily Trash Removal	Yes	Yes		Yes		Yes		Yes		Yes	
19. Project Conditions	Good	Good		Good		Good		Good		Good	
20. Meals/Day	3	3		3		3		3		3	
21. Supervision of Med.	No	No		No		Yes	($175.00)	No		Yes	($175.00)
22. Unit Type	One Bedroom Small	One Bedroom Large	($100.00)	One Bedroom Large	($100.00)	One Bedroom Large	($100.00)	Studio	$475.00	One Bedroom Large	($100.00)
23. Occupancy	93%	98%		94%		92%	($52.58)	85%	($266.67)	95%	
24. Therapy/Services	Good	Similar		Similar		Superior	($1,200.00)	Similar		Similar	
25. Location	Good	Similar		Similar		Similar		Similar		Similar	
Bed Rent Per Day		$3,500.00		$3,675.00		$4,890.00		$3,100.00		$3,495.00	
Net Adjustment w/o Trend and Spec. Adj.			($300.00)		($300.00)		($1,727.58)		$208.33		($475.00)
Indicated Rent w/o Trend and Spec Adj		$3,200.00		$3,375.00		$3,162.42		$3,308.33		$3,020.00	
Correlated Subject Rent Per Day	$3,300.00										

Note: In the adjustments column, dollar amounts are entered by which subject property varies from comparable properties. If subject is better, a positive amount is added and if subject is inferior to the comparable a negative amount. Explanations for the adjustments are found in the body of the accompanying document.

(Signature of Appraiser) 2/6/2012 (Date) (Signature of Reviewer) (Date)

Bed & Accommodation Charges by Comparison (Private Room)

1. Unit Type: One Bedroom Large	Subject Property: Pascagoula Assisted Living, Pascagoula	A. Comparable Property No. 1 (Address): Emeritus of Biloxi, Biloxi, MS			B. Comparable Property No. 2 (Address): Aria Regency, Mobile, AL			C. Comparable Property No. 3 (Address): Somerby of West Mobile, Mobile, AL			D. Comparable Property No. 4 (Address): Gordon Oaks, Mobile, AL			E. Comparable Property No. 5 (Address): Hearthstone at Heritage Woods, Mobile, AL		
Characteristics	Data	Data	Adjustments +	-	Data	Adjustments +	-	Data	Adjustments +	-	Data	Adjustments +	-	Data	Adjustments +	-
3. Effective Date of Rental	February-12	February-12			February-12			February-12			February-12			February-12		
4. Type of Project/Stories	ALF/ALZ	ALF/ALZ			ALF/ALZ			ALF/ALZ			ALF/ALZ			ALF/ALZ		
5. Year Built	2013	1999			1999			2005			1983/1987/1993			2000		
6. Number of Beds	80	78			71			40			54			84		
7. Carpet/Floors	Carpet, Vinyl, Tile	Carpet, Vinyl, Tile			Carpet, Vinyl, Tile			Carpet, Vinyl, Tile			Carpet, Vinyl, Tile			Carpet, Vinyl, Tile		
8. Smoke Detectors	Yes	Yes			Yes			Yes			Yes			Yes		
9. Cable TV	Yes	Yes			Yes			Yes			Yes			Yes		
10. Laundry Service	Yes	Yes			Yes			Yes			Yes			Yes		
11. Public Rooms	Yes	Yes			Yes			Yes			Yes			Yes		
12. Activities/Soc. Svcs	Yes	Yes			Yes			Yes			Yes			Yes		
13. Barber/Beauty	Yes	Yes			Yes			Yes			Yes			Yes		
14. Housekeeping	Yes	Yes			Yes			Yes			Yes			Yes		
15. Transportation	Yes	Yes			Yes			Yes			Yes			Yes		
16. Counseling	Yes	Yes			Yes			Yes			Yes			Yes		
17. Ambulance Service	Yes	Yes			Yes			Yes			Yes			Yes		
18. Daily Trash Removal	Yes	Yes			Yes			Yes			Yes			Yes		
19. Project Conditions	Good	Good			Good			Good			Good			Good		
20. Meals/Day	3	3			3			3			3			3		
21. Supervision of Med.	No	No			No			Yes	($175.00)		No			Yes	($175.00)	
22. Unit Type	One Bedroom Large	One Bedroom Large			One Bedroom Large			One Bedroom Large			Studio		$475.00	One Bedroom Large		
23. Occupancy	93%	98%			94%			92%	($52.58)		85%	($266.67)		95%		
24. Therapy Services	Good	Similar			Similar			Superior	($1,200.00)		Similar			Similar		
25. Location	Good	Similar			Similar			Similar			Similar			Similar		
Bed Rem Per Day		$3,500.00			$3,675.00			$4,890.00			$3,100.00			$3,495.00		
Net Adjustment w/o Trend and Spec. Adj.			$0.00			$0.00			($1,427.58)			$208.33			($175.00)	
Indicated Rent w/o Trend and Spec Adj.		$3,500.00			$3,675.00			$3,462.42			$3,308.33			$3,320.00		
Correlated Subject Rent Per Day	$3,500.00															

Note: In the adjustments column, dollar amounts are entered by which subject property varies from comparable properties. If subject is better, a positive amount is added and if subject is inferior to the comparable a negative amount. Explanations for the adjustments are found in the body of the accompanying documents.

(Signature of Appraiser) (Date) 2/6/2012

(Signature of Reviewer) (Date)

Bed & Accommodation Charges by Comparison (Private Room)

1. Unit Type Two Bedroom	Subject Property Pascagoula Assisted Living Pascagoula	A. Comparable Property No. 1 (Address) Emeritus of Biloxi Biloxi, MS			B. Comparable Property No. 2 (Address) Atria Regency Mobile, AL			C. Comparable Property No. 3 (Address) Somerby of West Mobile Mobile, AL			D. Comparable Property No. 4 (Address) Gordon Oaks Mobile, AL			E. Comparable Property No. 5 (Address) Hearthstone at Heritage Woods Mobile, AL		
Characteristics	Data	Data	Adjustments	+	Data	Adjustments	+	Data	Adjustments	+	Data	Adjustments	+	Data	Adjustments	+
3. Effective Date of Rental	February-12	February-12			February-12			February-12			February-12			February-12		
4. Type of Project/Stories	ALF/ALZ	ALF/ALZ			ALF/ALZ			ALF/ALZ			ALF/ALZ			ALF/ALZ		
5. Year Built	2013	1999			1999			2005			1985/1987/1993			2000		
6. Number of Beds	80	78			73			50			54			84		
7. Carpet/Floors	Carpet, Vinyl, Tile	Carpet, Vinyl, Tile			Carpet, Vinyl, Tile			Carpet, Vinyl, Tile			Carpet, Vinyl, Tile			Carpet, Vinyl, Tile		
8. Smoke Detectors	Yes	Yes			Yes			Yes			Yes			Yes		
9. Cable TV	Yes	Yes			Yes			Yes			Yes			Yes		
10. Laundry Service	Yes	Yes			Yes			Yes			Yes			Yes		
11. Public Rooms	Yes	Yes			Yes			Yes			Yes			Yes		
12. Activities/Soc. Svcs.	Yes	Yes			Yes			Yes			Yes			Yes		
13. Barber/Beauty	Yes	Yes			Yes			Yes			Yes			Yes		
14. Housekeeping	Yes	Yes			Yes			Yes			Yes			Yes		
15. Transportation	Yes	Yes			Yes			Yes			Yes			Yes		
16. Counseling	Yes	Yes			Yes			Yes			Yes			Yes		
17. Ambulance Service	Yes	Yes			Yes			Yes			Yes			Yes		
18. Daily Trash Removal	Yes	Yes			Yes			Yes			Yes			Yes		
19. Project Conditions	Good	Good			Good			Good			Good			Good		
20. Meals/Day	3	3			3			3			3			3		
21. Supervision of Med.	No	No			No			Yes	($175.00)		No			Yes	($175.00)	
22. Unit Type	Two Bedroom	Two Bedroom			Two Bedroom			Two Bedroom			Studio		$1,425.00	Two Bedroom		
23. Occupancy	93%	98%			94%			97%	($66.40)		85%	($266.67)		95%		
24. Therapy Services	Good	Similar			Similar			Superior	($1,200.00)		Similar			Similar		
25. Location	Good	Similar			Similar			Similar			Similar			Similar		
Bed Rent Per Day		$3,800.00			$4,625.00			$6,175.00			$3,100.00			$3,495.00		
Net Adjustment w/o Trend and Spec. Adj.			$0.00			$0.00			($1,441.40)			$1,158.33			($175.00)	
Indicated Rent w/o Trend and Spec. Adj.		$3,800.00			$4,625.00			$4,733.60			$4,258.33			$3,320.00		
Correlated Subject Rent Per Day	$4,100.00															

Note: In the adjustments column, dollar amounts are entered by which subject property varies from comparable properties. If subject is better, a positive amount is added and if subject is inferior to the comparable, a negative amount. Explanations for the adjustments are found in the body of the accompanying document.

(Signature of Appraiser)	(Date)	(Signature of Reviewer)	(Date)
	2-6-2013		

Bed & Accommodation Charges by Comparison (Private Room)

1. Unit Type Alzheimer Studio	Subject Property Pascagoula Assisted Living Pascagoula	A. Comparable Property No. 1 (Address) Emeritus of Biloxi Biloxi, MS			B. Comparable Property No. 2 (Address) Atria Regency Mobile, AL			C. Comparable Property No. 3 (Address) Somerby of West Mobile Mobile, AL			D. Comparable Property No. 4 (Address) Gordon Oaks Mobile, AL			E. Comparable Property No. 5 (Address) Hearthstone at Heritage Woods Mobile, AL		
Characteristics	Data	Data	Adjustments	+	Data	Adjustments	+	Data	Adjustments	+	Data	Adjustments	+	Data	Adjustments	+
3. Effective Date of Rental	February-12	February-12			February-12			February-12			February-12			February-12		
4. Type of Project Stories	ALF/ALZ	ALF/ALZ			ALF/ALZ			ALF/ALZ			ALF/ALZ			ALF/ALZ		
5. Year Built	2013	1999			1999			2005			1985/1987/1993			2006		
6. Number of Beds	80	20			20			74			120			72		
7. Carpet/Floors	Carpet, Vinyl, Tile	Carpet, Vinyl, Tile			Carpet, Vinyl, Tile			Carpet, Vinyl, Tile			Carpet, Vinyl, Tile			Carpet, Vinyl, Tile		
8. Smoke Detectors	Yes	Yes			Yes			Yes			Yes			Yes		
9. Cable TV	Yes	Yes			Yes			Yes			Yes			Yes		
10. Laundry Service	Yes	Yes			Yes			Yes			Yes			Yes		
11. Public Rooms	Yes	Yes			Yes			Yes			Yes			Yes		
12. Activities/Soc. Svcs	Yes	Yes			Yes			Yes			Yes			Yes		
13. Barber/Beauty	Yes	Yes			Yes			Yes			Yes			Yes		
14. Housekeeping	Yes	Yes			Yes			Yes			Yes			Yes		
15. Transportation	Yes	Yes			Yes			Yes			Yes			Yes		
16. Counseling	Yes	Yes			Yes			Yes			Yes			Yes		
17. Ambulance Service	Yes	Yes			Yes			Yes			Yes			Yes		
18. Daily Trash Removal	Yes	Yes			Yes			Yes			Yes			Yes		
19. Project Conditions	Good	Good			Good			Good			Good			Good		
20. Meals/Day	3	3			3			3			3			3		
21. Supervision of Med.	Yes	Yes			Yes			Yes			Yes			Yes		
22. Unit Type	Alzheimer Studio	Alzheimer Studio			Alzheimer Studio			Alzheimer Studio			Alzheimer Studio			Alzheimer Studio		
23. Occupancy	93%	98%			94%			92%	($54.30)		85%	($292.47)		95%		
24. Therapy Services	Good	Inferior		$1,200.00	Similar			Similar			Inferior		$1,200.00	Inferior		$1,200.00
25. Location	Good	Similar			Similar			Similar			Similar			Similar		
Bed Rent Per Day		$4,000.00			$4,795.00			$5,050.00			$3,400.00			$3,695.00		
Net Adjustment w/o Trend and Spec. Adj.			$1,200.00			$0.00			($54.30)			$907.53			$1,200.00	
Indicated Rent w/o Trend and Spec. Adj.		$4,200.00			$4,795.00			$4,995.70			$4,307.53			$4,895.00		
Correlated Subject Rent Per Day	$4,600.00															

Note: In the adjustments column, dollar amounts are entered by which subject property varies from comparable properties. If subject is better, a positive amount is added and if subject is inferior to the comparable, a negative amount. Explanations for the adjustments are found in the body of the accompanying document.

(Signature of Appraiser)	(Date) 2/6/2012	(Signature of Reviewer)	(Date)

ADDENDUM D

QUALIFICATION/LICENSE

PROFESSIONAL QUALIFICATIONS OF KAY KAUCHICK, MAI

EXPERIENCE:	**Value Tech Realty Services, Inc.- President** Ms. Kauchick is co-founder of Value Tech Realty Services, Inc. She is a real estate consultant and Member of the Appraisal Institute. Her consulting services cover a broad spectrum of industries including market analytics, economic evaluations and financial valuations with deliverables that include a variety of real estate related services such as appraisals, market studies, economic impact reports and investment consulting. Reports have been prepared for a variety of private and governmental entities including Housing and Urban Development (HUD) including MAP applications, Fannie Mae, Freddie Mac, LIHTC and various Bond programs. Ms. Kauchick has been actively engaged in real estate valuation and consulting since 1979 on a national and international basis. Her background includes nearly 30-years of experience creating economic development programs for third world countries utilizing tourism and real estate development as a stimulus for growth and detail market studies for private and public entities. She assisted world banks, international investment funds, and various profit and non-profit entities, evaluate investment opportunities. Her specialization has been within the housing, Healthcare, Multi-family, retail, office and hospitality industries. Clients served include accountants, investment firms, law firms, lenders, private and public agencies. Valuations and market studies have been done on proposed, partially completed, renovated and existing structures. Military-related work has been completed for the Navy, Air Force, Army, Army Core of Engineers, AAFES and developers providing services to each of the divisions. Economic and market program models have been created for the ability to evaluate various development scenarios. Demand studies were developed to interface with financial modeling programs in order to judge the highest and/or best use for military projects.
HUD/FANNIE MAE AND FREDDIE MAC:	Numerous projects have been completed for the military, HUD, Fannie Mae and Freddie Mac underwriters for assignments nationwide. The market studies and appraisals performed have been prepared in conformance with their individual agency requirements and with adherence to USPAP. Ms. Kauchick completed the HUD sponsored MAP training session in October 2000.
PROFESSIONAL ACTIVITIES:	Member: Appraisal Institute (MAI No. 10510) Licensed: Florida State-Certified General Appraiser- 0002066 Alabama – State-Certified General Real Property Appraiser G00706 Georgia – State-Certified General Real Property Appraiser – 251355 Mississippi – State-Certified General Real Estate Appraiser – GA-813 Kentucky - - State-Certified General Real Property Appraiser – 003868 Ohio – State-Certified General Real Estate Appraiser – 2006006410 New Jersey – State-Certified General Real Estate Appraiser – 42RG00194800 Texas – State-Certified Real Estate Appraiser – TX-1336610-G Indiana – State-Certified Real Estate Appraiser – CG40700410 North Carolina – State-Certified Real Estate Appraiser – A6711
EDUCATION:	Bachelor of Arts-Michigan State University with specializations in Tourism and Travel Management, Economics and Marketing. Successfully completed numerous real estate related courses and seminars sponsored by the Appraisal Institute, accredited universities and others. Currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.

STATE OF MISSISSIPPI

Mississippi Real Estate
Appraiser Licensing and
Certification Board

P.O. BOX 12685
JACKSON, MS 39236-2685
(601) 932-9191

KAY KAUCHICK
240 CRYSTAL GROVE BLVD
LUTZ FL 33548

STATE OF MISSISSIPPI
MISSISSIPPI REAL ESTATE APPRAISER
LICENSE AND CERTIFICATION BOARD

THIS IS TO CERTIFY THAT

LICENSE NO
GA-813

Kay Kauchick N.R.

HAS BEEN GRANTED A LICENSE AS A
STATE CERTIFIED GENERAL
REAL ESTATE APPRAISER
FOR THE PERIOD
9/30/2010 - 9/30/2012

VOID UNLESS SIGNED BY LICENSEE

PROFESSIONAL QUALIFICATIONS OF JONATHAN HURT

EXPERIENCE:	**Value Tech Realty Services, Inc.- Associate** Mr. Hurt currently serves as an Associate with Value Tech Realty Services, Inc. and has been actively engaged in market analysis since 2007. His background includes experience providing valuations and market studies relating to a variety of real estate property types, with a specialization in multifamily and healthcare properties. Mr. Hurt has performed applied real estate economic analytics in numerous states throughout the country including: Alabama, Arizona, California, Connecticut, Florida, Georgia, Mississippi, Missouri, New Jersey, New York, North Carolina, South Carolina, Tennessee, Texas and Virginia. He has worked with various clients in both the public and private sectors, providing deliverables ranging from absorption, economic impact, feasibility, highest and best use, land use optimization, market and marketability, and valuation studies to appraisal reports for federally-related transactions.
HUD/ OTHER:	Mr. Hurt is actively involved with state and federal agencies by providing real estate appraisals and valuation-related consulting services, as well as detailed market assessments and market study reports in conformance with their individual agency requirements and adherence to the Uniform Standards of Professional Appraisal Practice (USPAP). In addition, he has received certification from the U.S. Department of Housing and Urban Development (HUD) as an approved market analyst and appraiser for their MAP program, as well as completed Office of Healthcare Programs (OHP) sponsored LEAN training.
EDUCATION:	Lafayette College, Easton, PA 2003 to 2007 Bachelor of Arts in Economics & Business
LICENSURE:	Florida-Certified General Appraiser- RZ3494

ADDENDUM E

SCOPE OF WORK/ENGAGEMENT LETTER

Healthcare Market Study Guidelines
for HUD/FHA Section 232 Lean Program
January 21, 2010 (supersedes previous versions)
with highlights marking changes from prior versions

I. Market Analyst Qualifications

HUD requires that each designated Market Analyst must:

- Have the knowledge and experience to complete the assignment competently.
- Be currently active in the market analyses of healthcare properties.
- Be experienced in the market area in which the subject property is located, or establish expertise by a thorough investigation of the market.

The Market Analyst is the individual who personally inspected the Property being reviewed; performed the analysis; and, prepared and signed the Market Study Report as the analyst. This definition does not preclude a Market Analyst from relying on individuals such as a market analyst trainee or an employee of the market analyst to do market data research or data verification in the development of the Market Study. The Market Analyst who signs the Market Study Report must acknowledge in the certification of the report the extent of the professional assistance provided by others.

II. General Guidelines for the Market Study Report

All HUD/FHA market studies must be prepared for, addressed to, and be directly engaged by the Lender. The Lender will supply the Market Analyst with a copy of this Standard of Work. The market study report must be a self-contained and complete report. The contract between the Lender and Appraiser will contain no language prohibiting contact between HUD and the Appraiser, and HUD will be named as an intended user of the report.

The primary Market Analyst designated by the Lender must perform the property inspection AND sign the market study report AND meet the minimum qualifications in Section I, above.

A. Deliverables

1. Self-contained market study that clearly and accurately communicates each analysis and opinion in a manner that is not misleading and at a minimum includes:
    - sufficient information to enable the intended users to understand the report properly;
    - adequate information to identify the real estate involved, including the physical and economic characteristics;
    - photographs of the subject site;
    - data sheets with photographs of the "comparables" (defined as those properties used to determine payor rates);
    - datasheets of the "competitors" (defined as those properties used to determine competitive supply with the PMA), photographs are encouraged;
    - exhibits such as floor plans, site plans, and elevations sufficient to give the reader a clear idea of what is proposed;
    - definition of terms e.g. capture rate, penetration rate, utilization rate, saturation rate;
    - a disclosure of all assumptions;
    - identification of who the client and intended users are;
    - identification of the intended use of the report;
    - the effective date of the report's conclusions;

- a description of the techniques employed and the information analyzed to arrive at the conclusion; and
- disclosure of prior assignments completed on the subject property.

2. Resume for each Market Analyst providing professional assistance.

3. HUD Certification and Warning, below, signed by each signatory of the report.

Market Analyst's Certification

I understand that my market study will be used by _____ (name of Lender) to document to the U.S. Department of Housing and Urban Development that the Lender's application for FHA mortgage insurance was prepared and reviewed in accordance with HUD requirements for the Section 232 Lean Pilot Program, and certify that to the best of my knowledge and belief:

1. I have no financial interest or family relationship with the officers, directors, stockholders, or partners of the borrower, the general contractor, any subcontractors, the buyer or seller of the proposed property or engage in any business that might present a conflict of interest.
2. I am under contract for this specific assignment and I have no other side deals, agreements, or financial considerations with the Lender or others in connection with this transaction.
3. I have not succumbed to any pressure by the underwriter, Lender, borrower or other person, to alter the market study outcome to their advantage. The analyses, opinions, and conclusions are impartial, unbiased, and my own.
4. The statements contained in this report are true and correct.
5. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions.
6. I have no interest (or specify interest) in the property that is the subject of this report.
7. My engagement and compensation in this assignment was not contingent upon developing or reporting predetermined results.
8. I did personally inspect the subject property of the work under review.
9. The following person(s) provided significant technical expertise, research, analysis, review, or consulting assistance to the person signing this certification: _____

Market Analyst's Signature _____ Date_____

Warning: Title 18 U.S.C. 1001, provides in part that whoever knowingly and willfully makes or uses a document containing any false, fictitious, or fraudulent statement or entry, in any manner in the jurisdiction of any department or agency of the United States, shall be fined not more than $10,000 or imprisoned for not more than five years or both.

B. Effective Date and Date of Market Study

The effective date of the market study must be the date which the Market Analyst inspected the subject property. The report must have an effective date within 120 days before the date the application is delivered to HUD.

C. Independence

The Market Analyst will act as an independent contractor, and not as an employee or agent of

the Lender.

III. Specific Reporting Requirements

A. Purpose and focus of the analysis.

1. Description of the proposed project: The market study must include a thorough description of the proposed project, including:

    a. The total number of beds and/or units by size or type of accommodation (i.e. private or semi-private) and targeted resident group (e.g. long term care, assisted living, transitional care, etc.).

    b. The analyst's estimated private pay rates for each type of occupancy or accommodation and the estimated ancillary rates for optional services or care provided on an as needed per resident basis.

    c. The proportions of the project to be occupied by private pay residents, and by public pay residents, (e.g., SSI, Medicaid-waiver, Optional State Supplement, etc.).

    d. The amenities, services, and care to be provided by the proposed facility and how they relate to the needs of the prospective tenants.

2. Project location: The market study must include an analysis of the proposed project's location in terms of proximity to facilities and services essential to the targeted residents, such as hospitals, medical/health care facilities, social and community services, public transportation, and any other location considerations relevant to the market or marketability of the proposed project. A map showing the site and important facilities and services must be included. The analysis should include comments regarding the suitability of land uses adjacent to subject site.

3. Use Restrictions: The market study must address any income, rent, or use restrictions that are or will be imposed on the project. The overall market study must address how these restrictions affect demand for the project.

B. Licensing and Certificate of Need. For intermediate and skilled nursing facilities, provide a narrative discussion and description of the licensing and Certificate of Need requirements and processes imposed by the State in which the facility is to be located. The discussion should focus on any required or recommended demand or need models and any other specific licensing requirements that would impact demand for the proposed facility.

C. Definition of the primary market area. "The area that a majority of the project's demand will be drawn from considering physical barriers, psychological barriers, density of population, linkages, and the location of competing facilities. Market area analysis for long term care and seniors housing should focus not only upon seniors but also upon adult children who may be caregivers for an elderly person residing outside the market area." When defining the boundary of a market area, the analyst must consider and include:

1. a description and map of the geographic boundaries of the subject's market area and a discussion of any physical or psychological barriers of the primary market area;

2. the locations and map of comparable and competitive facilities (existing, under construction and planned) within the area;
3. a general description of the localities from which the occupants in competing projects originate from, if available. If the subject is an existing project with a proposed addition or a replacement facility, a resident origin analysis should be performed;
4. location and access to relevant services and amenities; and
5. any concentrations of targeted population groups.

D. Definition of the target resident: The report must include a qualitative description of the target residents and the type of housing and care proposed, including the economic and demographic characteristics of the target market (projected residents): income levels, wealth and assets, household size, age, physical and/or mental limitations, and other similar factors.

E. Description of the Current Inventory and Supply count: The following information should be provided for each facility competing with the subject:

1. The level of competitiveness of each of the "competitors" must be discussed.
2. Total PMA number of beds/units (of the types housed within the subject), by type of care, and type of units (private, semiprivate, ward, studio, etc.). Discuss expansion plans of existing facilities.
3. Private pay rates of the "comparables" by unit type, and level of services. Provide information on the base rate and any added costs for optional services, as applicable.
4. Typical census mix of the "comparables" by payor source (i.e. private pay, Medicare, Medicaid, HMO, VA, etc.).
5. Typical types of services and amenities offered by the "comparables", whether these are mandatory or optional fee for services, and whether services are provided by the facility (directly or by contract) or through a third-party arrangement (tenant-resident and care-provider). A discussion of the type of ownership, financing, and targeted residents is required.
6. Condition of "comparables" with consideration of the proportion that may be substandard or obsolete in terms of physical plant, services, amenities, etc.
7. Absorption experience of recently completed projects on a bed per month basis, discussing the level and extent of pre-sale or pre-marketing efforts.
8. Evidence of turnover rates within the PMA.
9. A current occupancy survey of "competitors" in the primary market area for the type(s) of product, including an explanation of any vacancy or absorption problems in the market. The survey should include information on the existence of and sizes of any waiting lists in existing facilities.
10. Existence or extent of concessions or similar incentives or those in initial rent-up among the "competitors" in the PMA.

11. A description of off-line product.

12. Contact information for the data source(s) of the above information.

F. Rate Determination: The market study will determine the appropriate rates for the subject. Differences in pricing strategies should be accounted for. For example, some facilities may charge lower base shelter fees with higher care fees, while others will quote higher shelter fees with lower care fees. The rate conclusions for the subject must show a consistent pricing strategy between shelter and care charges.

The report should also include, as applicable, a discussion of the current levels of public payments by the State for the types of care proposed relative to the typical "private pay" rate for the same level of shelter, care and services.

G. Alternative Care and Service Systems: The demand analysis should discuss the impact of other care and housing options that cater to the same target populations as the subject. These may include: home health care, continuing care retirement communities (CCRCs), assisted living facilities (ALFs), board and care facilities, congregate care facilities, retirement service centers, independent living facilities, nursing facilities, etc.

H. Characteristics of Pipeline Activity: The following information should be provided in the report individually for each facility in the construction pipeline and each facility currently in the planning process:

1. Total number of beds currently under construction, by unit size or type of accommodation. Private pay rates by unit type and level of services. Provide information on the base rate and any added costs for optional services.
   Typical types of services and amenities offered, whether these are mandatory or optional fee for services, and whether services are provided by the facility (directly or by contract) or through a third-party arrangement (tenant and care provider). Provide contact information for data source.

2. Total number of beds in planning stages likely to be developed, including but not limited to those with building permits or firm financial commitments. The Pipeline report must also include a description of development timing. It is essential to have the most current and comprehensive information possible on the pipeline. Provide details on the number of beds by unit type, rate, location and stage of development, as well as any information on targeted resident group and care needs. Provide contact information for data source.

I. Demand Estimate and Analysis. The market study report must:

1. Quantify the estimate of unmet demand of the subject's unit types. Rather than only comparing the subject's saturation rate to the rates of other markets, the market study must quantify the unmet demand in numbers. The unmet demand must be determined for the current market and include a forecasted demand for five years in the future. The demand estimate should show the number of beds by payor source (private pay, Medicare, Medicaid, etc.). The demand estimate should be based on the number of prospective residents meeting the relevant economic and demographic criteria (sufficient incomes, age, household size, and need for the type of shelter and care) that reasonably could be expected to require the level of care provided at the subject. The demand analysis and forecast report must include:

a. Current and forecast population of the target group(s) by age cohort and the proportion of the market each group comprises.

b. Current and forecast estimates of the primary group to be served by social, physiological, psychological characteristics, i.e., the extent and type of limitations requiring intermediate or skilled care.

c. Current income level/band of income of prospective residents comprising demand, including cost/rent to income ratio(s) estimated in the analysis.

d. Discuss the impact of anticipated population changes on the demand for this facility. Indicate the proportion of demand expected to come from outside of the primary market area. Discuss changes in the population (including migration patterns) of adult children of the frail elderly, if applicable.

e. Include demographic data sheets in the addendum.

2. Include an estimate of the absorption period needed for the project to reach sustaining occupancy. The absorption estimate should be tied to analysis of demand, not just the historical experience of comparable buildings.

3. Include an assessment of whether the development of the proposed project would adversely affect similar existing facilities insured by HUD.

4. When the supply is compared to demand it is acceptable to account for enough vacancy for the market to operate fluidly. Since the point of a supply analysis is to quantify the capacity of the existing supply; it is not appropriate to discount the supply count for vacancies beyond 5%.

5. Because the focus of the supply count should be on capacity, the market study will discuss the existence and impact of any off-line product in the PMA. An off-line unit is one that is not being operated because of the lack of market demand for the unit. Facilities that are licensed for more beds than they operate may or may not count as off-line units.

J. Data, Estimates, and Forecasts. The analysis must document the methods and techniques used to develop all estimates and forecasts; and provide adequate citations on the sources of all data, estimates and forecasts. The data and estimates provided should be relevant and current. All conclusions in the analysis must be consistent with the facts presented. Any findings and recommendations should be based on a reasonable forecast of market supply/demand conditions and sound assumptions regarding capture rates, absorption, income affordability and similar factors. The use of case studies to derive utilization rates is encouraged. If instead published rates (utilization/saturation/penetration) are used to infer demand, explain in detail how the rate was derived and follow the same methodology, when applying the factor to the subject market.

K. Basic Assumptions of the Analysis for Intermediate and Skilled Nursing Facilities. The technical and analytical methods used by the Market Analyst and all subsequent findings and conclusions should be analytically and logically consistent with the following assumptions:

1. The demand for intermediate or skilled care is a function of a person's support service and care requirements, the person's income and assets, and the presence, influence, and affluence of adult children, and health insurance or long-term care insurance coverage.

2. Different age-cohorts of elderly have different propensities to consume (likelihood of need) a particular type of housing product.

3. The demand within each age-cohort for a particular type of product will depend on the housing and services offered and how well these meet the physical, mental and social conditions and service or care needs of persons within each age-cohort.

4. In addition to their normal source of income (pensions, social security, and retirement funds) the elderly demanding long-term nursing care will use some portion of their assets (net worth) to defray the cost of shelter and care. Elderly homeowners will sell their homes and use part of the investment income from the net equity toward the monthly housing expenses. Also, many elders demanding shelter and care receive financial assistance from adult children or other relatives.

5. Estimates of demand should be consistent with actual market experience and occupancy in existing competitive product. It is imperative that the demand analysis accurately reflect the assumptions of any outside studies, models, or other reference materials utilized by the analyst to derive their conclusion about the market demand.

6. Higher acuity care (typically Medicare and private insurance) levels projected in excess of the average market conditions must be clearly supported by pertinent data sources, such as hospital discharge rates, the actual experience of similar, competing, properties, etc.

L. Basic Assumptions of the Analysis for Assisted Living and Board & Care Facilities. The technical and analytical methods used by the Market Analyst and all subsequent findings and conclusions should be analytically and logically consistent with the following assumptions:

1. The demand from the elderly for any type of housing (age-restricted rental apartments, congregate housing, or residential assisted care settings) is a function of the physical, mental, and social conditions of the person, the person's support service and care requirements, the person's income and assets, and the presence, affluence and influence of adult children.

2. There is a direct relationship between the housing and care needs or requirements of an elderly person and the limitations in activities of daily living imposed by the physiological, psychological, and social changes of the elderly. Therefore different age-cohorts of elderly have different propensities to consume (likelihood of need) a particular type of housing product.

3. The demand within each age-cohort for a particular type of product will depend on the housing and services offered and how well these meet the physical, mental and social conditions and service or care needs of persons within each age-cohort.

4. In addition to their normal source of income (pensions, social security, retirement funds) the elderly demanding shelter and care will use some portion of their assets (net worth) to defray the cost of shelter and care. Elderly homeowners will sell their homes and use part of the investment income from the net equity toward the monthly housing expenses. Also, many elders demanding shelter and care receive financial assistance from adult children or other relatives.

5. The proportion of income an elderly household is willing to pay for a particular housing product (cost-to-income ratio) will depend on the type and extent of services included in the total monthly cost. The more extensive the level of shelter and services the higher the ratio. In estimating minimum incomes considered reasonable for a proposed project, the analysis should reflect what is reasonable and customary for the particular type of housing in the subject market area, taking into consideration recent market experience of comparable and competitive product.

6. One-person households comprise the major segment of the demand for housing and supportive services for the elderly. Estimates of demand based on data for the total elderly

population or for all elderly households, should be adjusted to be consistent with actual market experience and occupancy by household size in existing competitive product.

7. Estimates of demand adjusted for age, income and assets, and limitations in activities of daily living should be adjusted by a market supported and derived prevalence factors in order to determine the portion of the estimated demand that will choose the type of housing being proposed over other alternative health/medical care and social service systems.

GREYSTONE FUNDING CORPORATION
[illegible]
[illegible]
PHONE [illegible]
FAX [illegible]

January 25, 2012

VIA EMAIL

Kay Kauchick
Value Tech Realty Services, Inc
240 Crystal Grove Blvd.
Lutz, FL 33548

RE: LEAN Market Study Update Engagement Letter
Pascagoula ALF; Pascagoula, MS (the "Project")
Section of the Act: 232

Dear Ms. Kauchick:

Please accept this letter as confirmation of the material terms of the engagement of Value Tech Realty Services, Inc. (the "Analyst") by Greystone Funding Corporation ("Greystone") to provide an updated market study for the Project (the "Study").

Scope of Services. Greystone requires compliance with the LEAN MARKET STUDY STATEMENT OF WORK, which is attached hereto and made a part hereof, as it may be amended from time to time, as posted on the Lean website, www.FHA.gov/232LenderProcessing.

Completion & Delivery. A draft of the Study must be received by Greystone via email on or before February 20, 2012 (the "Draft Delivery Date"). Greystone will provide any comments it may have within seven business days of its receipt of the draft Study. Within five business days of the Analyst's receipt of Greystone's comments (the "Final Report Delivery Date"), an electronic version of final Study must be emailed to Greystone, with blue signatures embedded. Responding to any deficiency letters or emails from HUD is part of the scope of this engagement, you must respond within four business days of notification of any such communication from HUD. All draft and final reports must be either in Word, Excel or non-scanned PDF form, so that word searches are possible.

Time of the Essence. It is understood and agreed by the Analyst that for each day of unexcused delay in delivery of either the draft or final Study commencing with either the Draft Delivery Date or the Final Report Delivery Date, as applicable, Greystone reserves the right to deduct 5% of the Fee specified below (the "Fee Reduction"). This Fee Reduction represents liquidated damages to cover the estimated losses incurred by Greystone by reason of delay in delivery of the final Study, such losses being difficult to determine, not a penalty. Additionally,

unexcused delays may require the Analyst, at no additional fee or cost to Greystone, to revisit the Project or undertake other measures as required by Greystone to ensure the information contained in the Study is within the timeframe permitted by HUD. The Analyst understands and agrees that time is of the essence with respect to the performance of its obligations.

Please advise Greystone immediately of any unanticipated delays, concerns, problems or unusual findings. HUD's processing timelines do not allow room for unpleasant surprises.

Request for Information. Please IMMEDIATELY furnish Greystone by fax or email a list of what you need to (1) begin your work and (2) complete the report. The report's effective date is the site visit date, and the report has a limited shelf life. If you make the site visit with some critical piece of information missing, then we are at risk of having your report go stale if receipt of that information is delayed. We prefer that you not make the site visit until all critical information has been delivered to you, but in all cases we must work with you to insure that you receive the information you need in time so that your report, when delivered to us, has sufficient remaining shelf life to be useful to us, considering HUD's processing timeframes.

Please furnish Greystone with a list of comps (rent, expense and sales) at least five business days before the Draft Delivery Date so that we may complete our site visit.

Coordination with Other Reports. The Cost Analyst's cost determinations control. You may not finalize your draft or final reports until you have received this information from the Analyst. If you disagree with any items, you must reconcile the discrepancy with the Analyst. Your report must recite that you have read the Cost Report and Phase I and do not know of anything that contradicts the reports' findings and conclusions.

[redacted]

Distribution of Study. It is understood and agreed by the Analyst that a copy of the Study may be provided by Greystone to any member of the Team (a copy of the Team members is attached hereto and made a part hereof), along with any representative and/or employee of Greystone (and/or any affiliate of Greystone), the owner and/or sponsor of the Project (and their respective representatives and employees), HUD and all third party report contractors.

Identity-of-Interest. The Analyst must include within the Study the required HUD Certification as to identity-of-interest. The Analyst represents and warrants to Greystone that neither the Analyst nor the individual conducting the Study is affiliated with any individual or entity involved in the Project nor involved in any way with respect to the proposed HUD loan for the Project, other than the engagement by Greystone hereunder to conduct and prepare the Study.

Requested Amendments. It is agreed that the final Study provided to Greystone hereunder will not be amended or otherwise revised without the written consent and approval of Greystone, as evidenced by a writing signed by an officer of Greystone.

Applicable Law. By signing this engagement letter, the parties agree that it was negotiated and made in the Commonwealth of Virginia, that any action with respect to this engagement letter shall only be brought in a court of competent jurisdiction in the Commonwealth of Virginia, and that the rights and obligations of the parties with respect to this engagement letter shall be interpreted, construed and determined in accordance with the laws of the Commonwealth of Virginia, including any applicable federal law, without giving effect to any conflict of laws provisions.

Please acknowledge your acceptance of the terms of this engagement letter by executing below and returning via fax to 770-392-9789 or email (scanned PDF is OK here) with an originally executed copy by mail or overnight delivery. Also, please promptly complete and return the HUD Certification. Failure to complete and deliver any one or more of the foregoing items shall entitle Greystone, at its option, to terminate this engagement letter upon written notice to the Analyst, all without any fee or liability to the Analyst.

We look forward to working with you. If you have any questions *relating to this engagement letter only*, please contact me at 770-392-9525 or via email at SPollock@GreystoneFund.com. For any questions after execution of this engagement letter please contact either the loan processor Ginger Elliot at 540-428-7201 (fax 540-341-7359, email GElliot@GreystoneFund.com); or the loan underwriter, Chaim Steinberg, at 540-428-7233 (fax 540-341-7359, email CSteinberg@GreystoneFund.com).

All reports, draft or final, should be sent to the loan processor or underwriter, not to me. Contact either of them for instructions on posting files to our FTP site for any files larger than 6Mb, our email system will block such large files. Please send *all* regular mail or overnight deliveries – relating to the engagement letter or otherwise – to 419 Belle Air Lane, Warrenton, VA 20186.

Sincerely yours,
GREYSTONE FUNDING CORPORATION

Sharon R. Pollock

Sharon R. Pollock
Vice President

AGREED AND ACCEPTED

VALUE TECH REALTY SERVICES, INC.

By: Kay Kaucnick

Name: Kay Kaucnick

Title: President

Date: 1-26-2012

Enclosures:
1. Lender Analyst Statement of Work
2. HUD Certification
3. Team Member Listing