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SELF-CONTAINED APPRAISAL 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

VALUATION DATE:
February 6, 2012

DATE OF REPORT:
February 20, 2012

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

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February 20, 2012

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

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

Dear Ms. Pollock:

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

This Appraisal is supportive and consistent with the attached forms; Estimates of Market Rents by Comparison and Operating Income and Expense Analysis Worksheets. Further, this appraisal has been prepared in conformance with the Housing and Urban Development's Section 232 program under the LEAN program for healthcare properties.

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.

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.

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.

Expenses were reviewed at similar comparable properties in the general region of the subject. The subject is expected to be a well-managed and effectively operated property. Greatest reliance was placed on comparable properties and the subject's budget when making projections. Consideration was also given to data obtained from national statistics concerning typical operating expenses.

The following appraisal provides detailed support regarding our conclusions of market support and going-concern value. We appreciate this opportunity to provide appraisal services to Greystone Funding Corporation

Respectfully submitted,

VALUE TECH REALTY SERVICES, INC.

Kay Kauchick, MAI
President
State-Certified General Real Estate Appraiser MS (GA-813)

Jonathan Hurt
Associate

KK:ggw
2012-012

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COMPARABLES ..... ADDENDUM C
HUD FORMS ..... ADDENDUM D
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Certificate of Appraisal

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and is our personal, unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- This appraisal conforms to the Standards required by 12 U.S.C. Part 34.4 etc. issued pursuant to Title XI of the Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA).
- Kay Kauchick, MAI and Jonathan Hurt conducted a physical inspection of the market and the comparables indicated. No other persons provided significant professional assistance in the preparation of this report.
- 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.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Kay Kauchick, MAI has completed the continuing education program of the Appraisal Institute.
- I (we) have performed a market study of the subject property within the 3 year period immediately preceding acceptance of this appraisal assignment.

As a result of our investigation into those matters affecting market value, and by virtue of our experience and training, we estimated that the **"As Complete and Stable"** market value of the fee simple interest in the subject, effective February 6, 2012 was:

AS COMPLETE AND STABLE-GOING CONCERN
TWELVE MILLION SIX HUNDRED THOUSAND DOLLARS
($12,600,000)

This appraisal is not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

VALUE TECH REALTY SERVICES, INC.

Kay Kauchick, MAI
President
State-Certified General Real Property Appraiser TX-1336610-G

APPRAISER CERTIFICATION FOR HUD

I understand that my Appraisal 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 appraisal 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

Appraiser 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 the "as complete and stable" market value of the going concern
Assets and Property Rights Appraised -	
Assets Appraised:	Realty and Major moveable equipment
Property Rights Appraised:	Fee Simple Interest
Pertinent Dates -	
As Is:	February 6, 2012
Report Date:	February 20, 2012
Certification -	
Certified Appraiser:	Kay Kauchick, MAI
Certification Number:	GA-813
Certification Type:	State-Certified General Real Estate Appraiser (MS)
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 Operating Beds:	80
Number of Licensed Beds:	80
Number of Parking Spaces	50 (5 Handicap)

Operation Summary -

Residents at inspection	Proposed
Forecasted Occupancy:	93.0%
Forecasted EGI:	$3,461,032
Forecasted Expenses:	$2,245,123
Forecasted NOI:	$1,136,515
Forecasted Profit Margin:	32.8%

High & Best Use Summary -

As Vacant:	Development with a health care facility
As Improved:	Developed as an assisted living facility

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	2.4%	1,570
Subject Units Alzheimer Care				
Alzheimer Studio	275	18	7.5%	4,950
Totals	**398**	**78**	**47.0%**	**31,070**
Plus Common Areas			**53.0%**	**35,035**
Total Gross Building Area				**66,105**

Market Support Yes

Value Conclusions:

Value Indications	
The Cost Approach	$14,300,000
The Sales Comparison Approach	$12,600,000
The Income Capitalization Approach	$12,600,000
Reconciliation Market Value	**$12,600,000**
The Cost Approach	$14,300,000

Land Value Conclusion: $750,000

Conditions: This appraisal study is subject to the General Assumptions, General Limiting Conditions, Special Conditions, and Certificate of Appraisal 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 2008-2009 Edition (USPAP);

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

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

Accrued Depreciation

The difference between the reproduction or replacement cost of the improvements on the effective date of the appraisal and the market value of the improvements on the same date. (*Dictionary*)

Appraisal

The act or process of developing an opinion of value. (*USPAP*)

Business Value

A value enhancement that results from items of intangible personal property such as marketing and management skill, an assembled work force, working capital, trade names, franchises, patents, trademarks, contracts, leases, and operating agreements (*Dictionary*).

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)

Deferred Maintenance

Curable, physical deterioration that should be corrected immediately, although work has not commenced; denotes the need for immediate expenditures, but does not necessarily suggest inadequate maintenance in the past. (*Dictionary*)

Effective Date of the Appraisal

The date at which the value opinion of an appraisal applies; the date of the market conditions that provide the context for the value opinion. For appraisals conforming to HUD LEAN standards, the effective date of the appraisal is the date of inspection. Current appraisals occur when the effective date of the appraisal is contemporaneous with the date of the report. Prospective value opinions (effective date of the appraisal subsequent to the date of the report) are intended to reflect the current expectations and perceptions along with available factual data. Retrospective value 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)*

Entrepreneurial Profit

Entrepreneurial profit is a "market-derived figure that represents the amount an entrepreneur **expects** to receive for his or her contribution to a project"; may be measured by the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. The term "entrepreneurial incentive" has the same definition as profit, but the perspective of the use of the word "incentive" is forward-looking (expected reward), whereas the use of the word "profit" indicates a retrospective perspective of a quantifiable amount earned. Unless otherwise noted, as used in this report, the terms are synonymous. (*Dictionary and Thirteenth Edition*)

Exposure Time

Exposure time is the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Exposure time differs from the marketing period in that exposure time is assumed to precede the effective date of the appraisal. (*USPAP and Dictionary*)

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*)

Going-concern Value

The value created by a proven property operation; considered as a separate entity to be valued with a specific business establishment. (*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*)

Highest and Best Use

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability. (*Dictionary*)

Insurable Value

The Appraisal Institute defines insurable value as the value of an asset or asset group that is covered by an insurance policy; can be estimated by deducting costs of noninsurable items (e.g. land value) from market value. (*Dictionary*)

Investment Value

The specific value of an investment to a particular investor or class of investors based on individual investment requirements; distinguished from market value, which is impersonal and detached. (*Dictionary*)

Leased Fee Estate

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease. (*Dictionary*)

Leasehold Estate

The interest held by the lessee (the tenant or renter) through a lease conveying the rights of use and occupancy for a stated term under certain conditions. (*Dictionary*)

Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (*USPAP, according to the Federal Register, CFR 34.43(F)*)

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 appraisal. A marketing period is a function of price, time, use, and anticipated market conditions. (*Dictionary*)

Replacement Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, a building with utility equivalent to the building being appraised, using modern materials and current standards, design and layout. (*Dictionary and USPAP*)

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building. (*Dictionary*)

Use Value

The value a specific property has for a specific use. (*Dictionary*)

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 Appraisal

The intended use of the appraisal is to estimate monthly rates and expenses and provide an estimate of an "As Complete and Stable" going concern market value for use in underwriting a mortgage loan to be secured by the subject.

Intended User of the Appraisal

This appraisal is to be used by Greystone Funding Corporation and the Department of Housing and Urban Development in underwriting a mortgage loan to be secured by the subject.

Pertinent Dates

The appraisal 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 Appraisal Procedures

Standards Rule 2-2(a;viii)of the Uniform Standards of Professional Appraisal Practice requires that all appraisals "describe the information analyzed, the appraisal and/or market analysis techniques employed, and the reasoning that supports the analyses, opinions, and conclusions". Effective July 1, 2006, the new Scope of Work rule was added that emphasizes that each appraisal "must include the research and analyses that are necessary to develop credible assignment results." The Healthcare Appraisal Guidelines for the HUD/FHA Section 232 Lean Program was also followed to develop a market value for the subject.

The detailed scope of work for HUD/FHA Section 232 Lean Program is provided in the addenda. The USPAP scope of work is as follows:

SCOPE OF WORK						
Identification of real estate	Identification of property rights to Be valued	Use of Appraisal	Definition of value	Date of value estimate	Description of scope of Appraisal	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 Cost and depreciation Income/expense and capitalization rate History of ownership and use of property	Inventory of competitive properties Sales and listings Vacancies and offerings Absorption rates Demand studies

I

Highest and Best Use Analysis
Land as though vacant; Property as improved
Specified in terms of use, time and market participants

I

Land Value Estimate

I

Application of the Three Approaches		
Cost	Sales comparison	Income capitalization

I

Reconciliation of Value Indications and Final Value Estimate

I

Report of Defined Value

Inspection

Kay Kauchick, MAI and Jonathan Hurt conducted a detailed physical inspection of the subject, comparables and market area. The last date of securing market data was February 6, 2012.

Data Collection

Three types of data are normally gathered while completing an appraisal: general, specific, and competitive supply and demand.

General Data—General data concerns the social, economic, governmental, and environmental forces that impact property values. General data presented in this appraisal 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/or appraised, 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. under a separate report.

Compliance

We developed this report in compliance with the requirements of the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute, the *Uniform Standards of Professional Appraisal Practice* promulgated by the Appraisal Foundation.

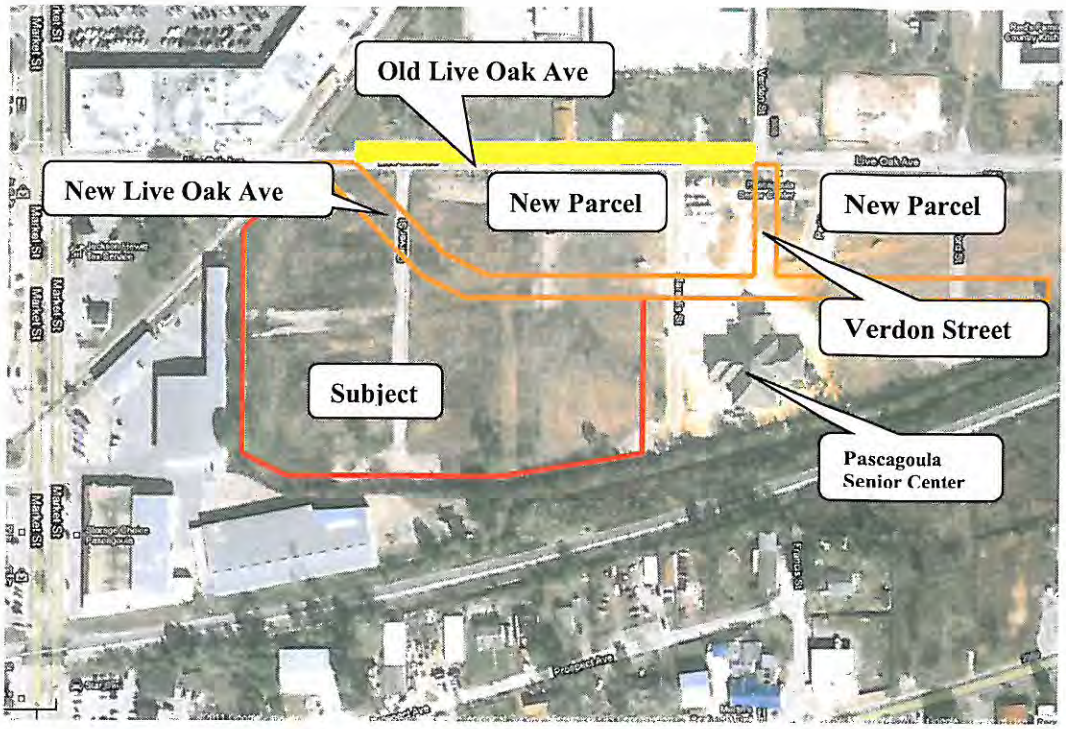
USPAP contains a "Jurisdictional Exception" which permits appraisers to deviate from the standards created by *USPAP* where those standards are contrary to law or public policy. These provisions illustrate that *USPAP* contemplates that the appraiser may be subject to certain statutory requirements (such as LIHPRHA) that supersede *USPAP*. Wherever the final guidelines differ from otherwise applicable provisions in *USPAP*, the difference has been noted.

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. The recorded lease document is among related parties and not considered in the valuation.
- 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 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 valuable. 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 value estimate 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 appraiser has not made an environmental inspection of the subject and is not qualified to detect the existence of hazardous materials. The appraiser 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, and/or marketability of the property. The appraiser 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 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 appraiser 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.

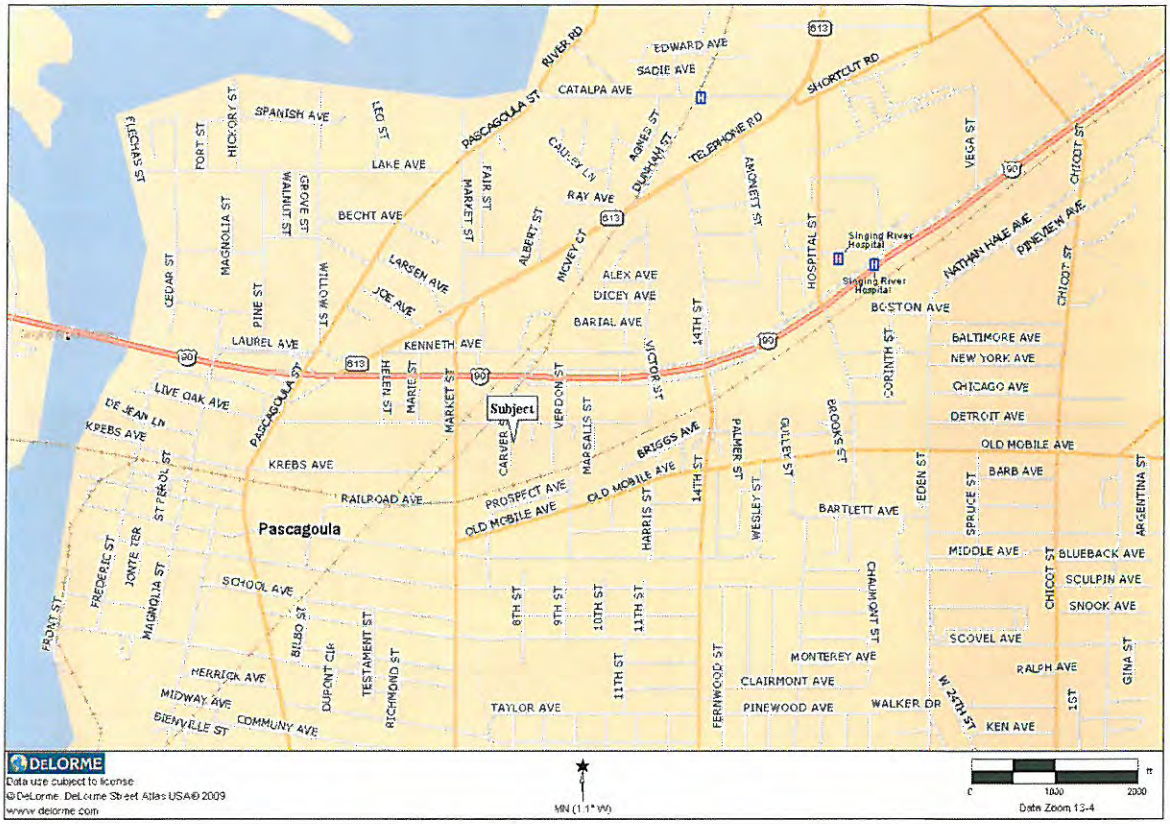
- Neither all nor any part of the contents of this report (especially any conclusions as to market support and/or value estimates, the identity of the appraiser or that with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other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

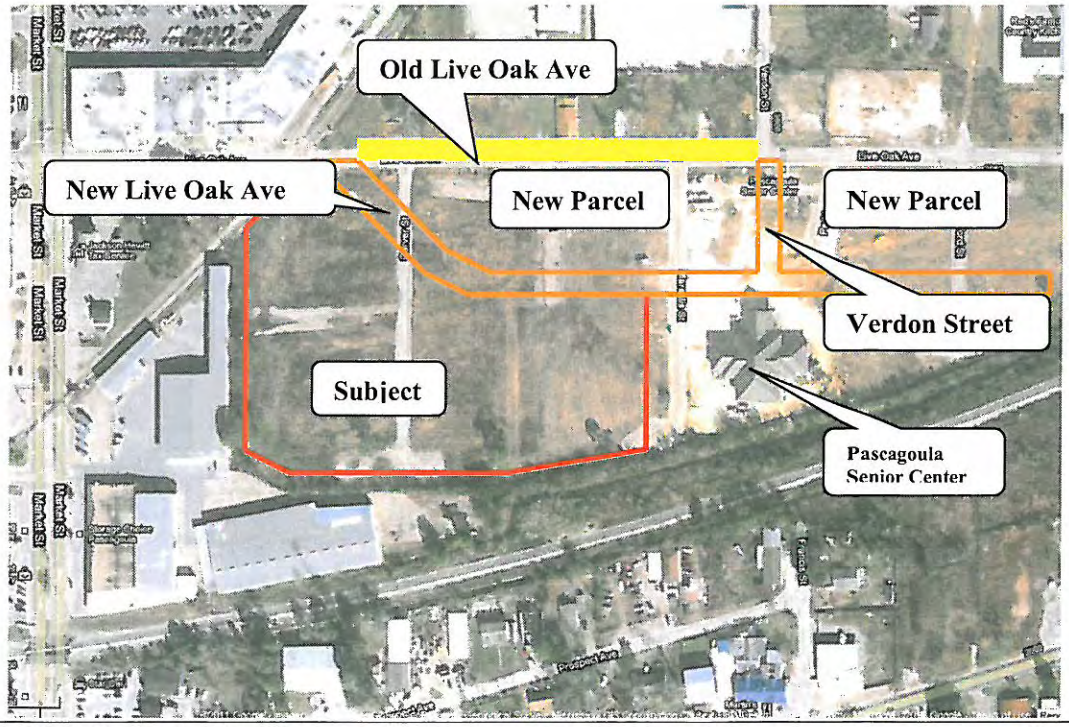
Specific Assumptions and Limiting Conditions

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 subject will be aggressively marketed and professionally managed;
- We assume that the project will be maintained in a good condition.
- 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:	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. Flood Zone X is located outside the 500 year flood plain.

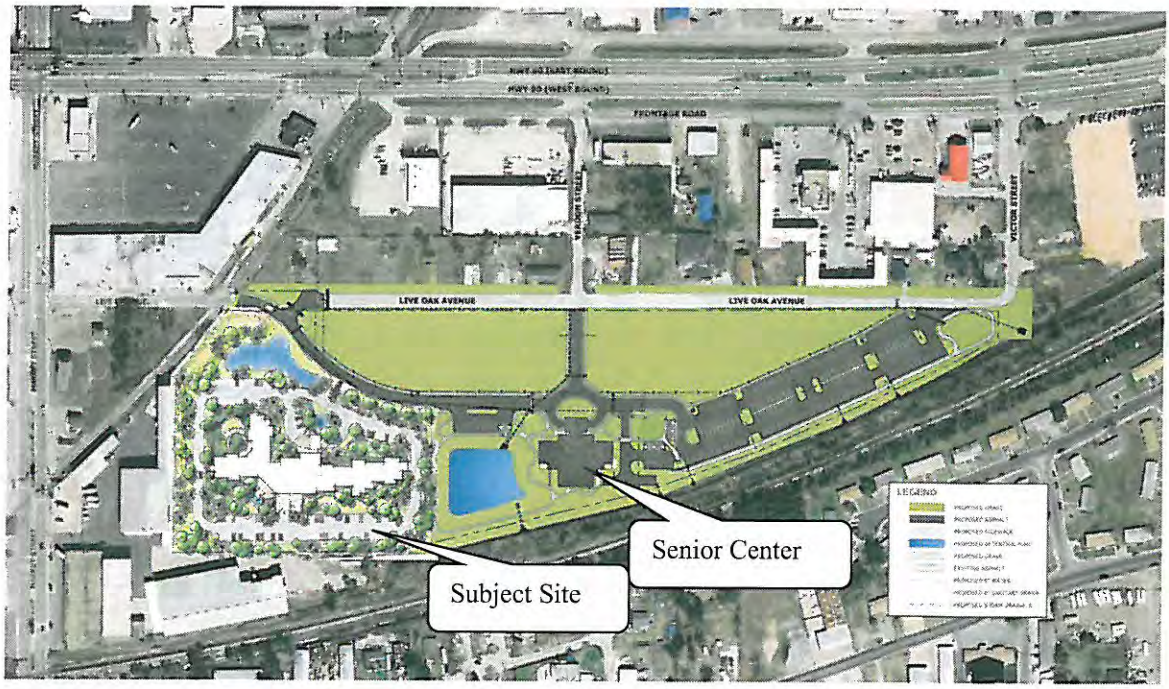
The subject is currently vacant land. The land is in a ready to go state and has utilities at the site.

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	Fire	Pascagoula Fire Department
Sewer:	City of Pascagoula	Police	Pascagoula Police Department
Electricity:	Mississippi Power Company	Telephone:	BellSouth
Gas:	City of Pascagoula		

Land Uses

The land uses within the immediate area are as follows:

SURROUNDING LAND USES	
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 appraisal 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 appraisers (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

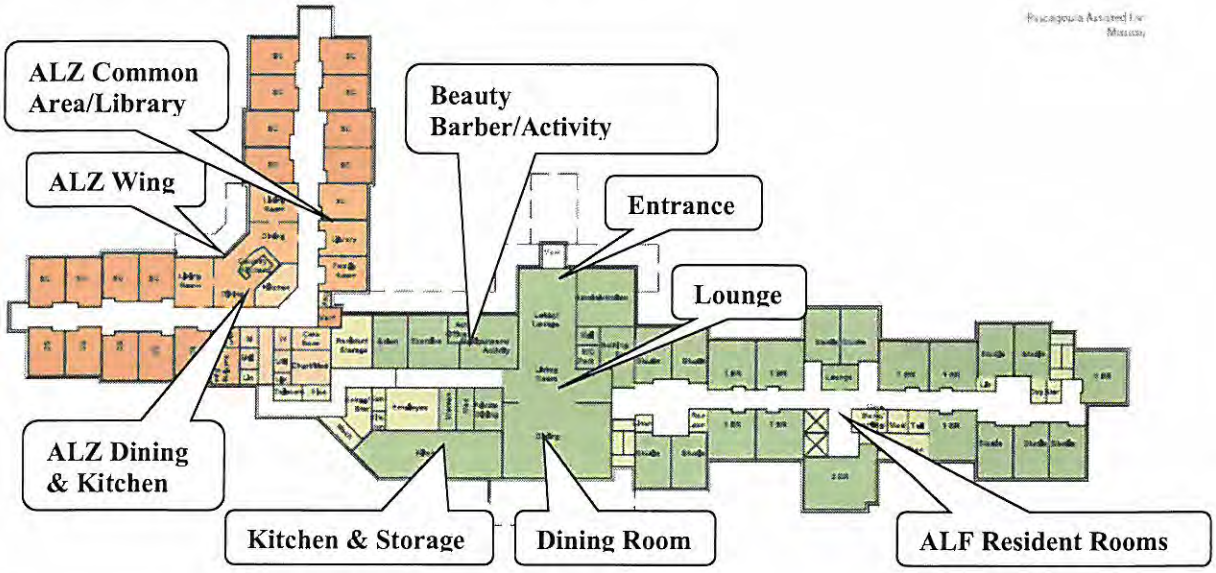
The subject will consist of one building with single-story and three-story sections containing the residential units and common areas. There are a total of 78-units and 80 licensed beds. This allows couples or shared occupancy in the two bedroom units.

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.				

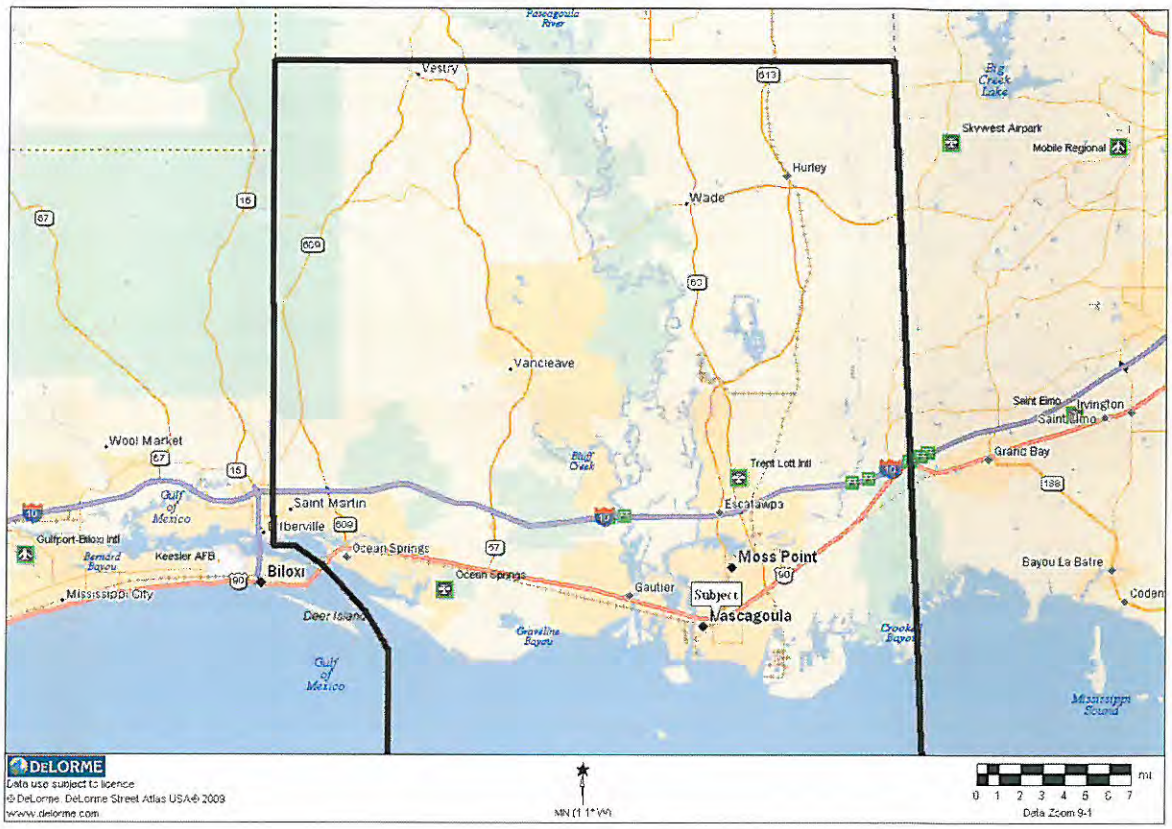
Americans with Disabilities Act of 1990

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 appraisal expertise and, therefore, has not been attempted by the appraiser. For purposes of this appraisal, 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 appraisal 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:

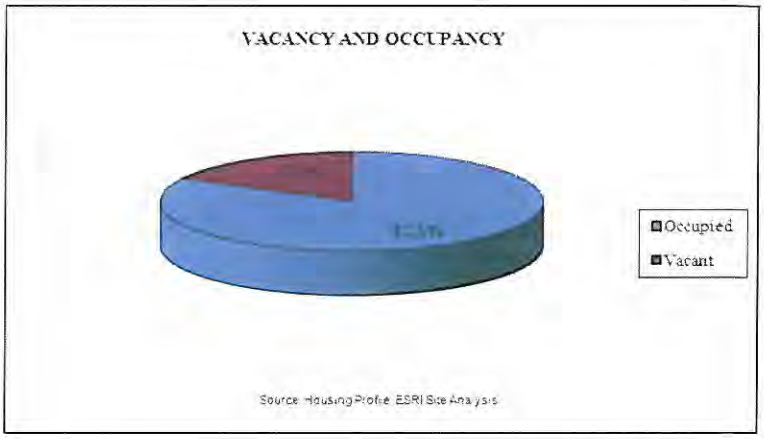
HOUSEHOLD PROJECTION FOR 2010 to 2015					
JACKSON COUNTY					
				% Household Change	
Year	2000	2010	2015	2000-2010	2010-2015
Total	47,676	52,205	52,158	9.5%	-0.1%
Compounded annual growth rate				**0.9%**	**0.0%**
Average Size	2.72	2.65	2.63	-2.6%	-0.8%
Source: Census 2010					

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:

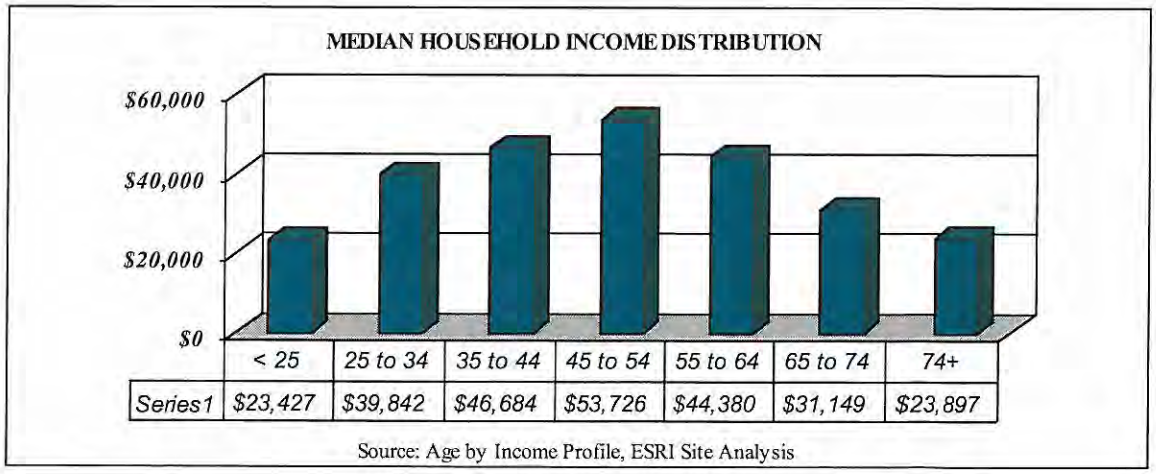
MARKET VACANCIES	
	Jackson County
Total:	10,529
For rent	4,490
For sale only	1,536
Rented or sold, not occupied	451
For seasonal, recreational, or occasional use	1,345
For migrant workers	2,707
Other vacant	10,529
Source: Census 2010	

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.		

Ingalls Shipbuilding
A Division of Huntington Ingalls Industries

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
OCEAN SPRINGS HOSPITAL | SINGING RIVER HOSPITAL

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.

Chevron
Chevron Pascagoula Refinery

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.

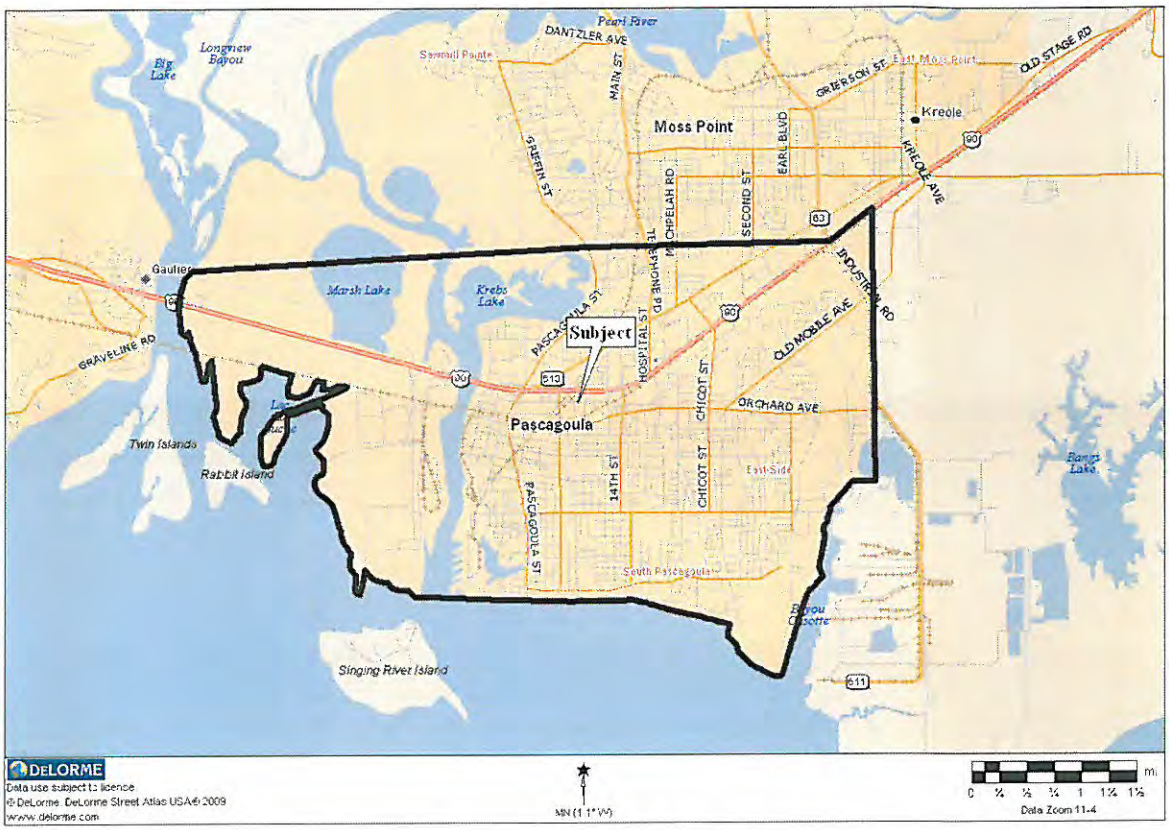
Government:

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.

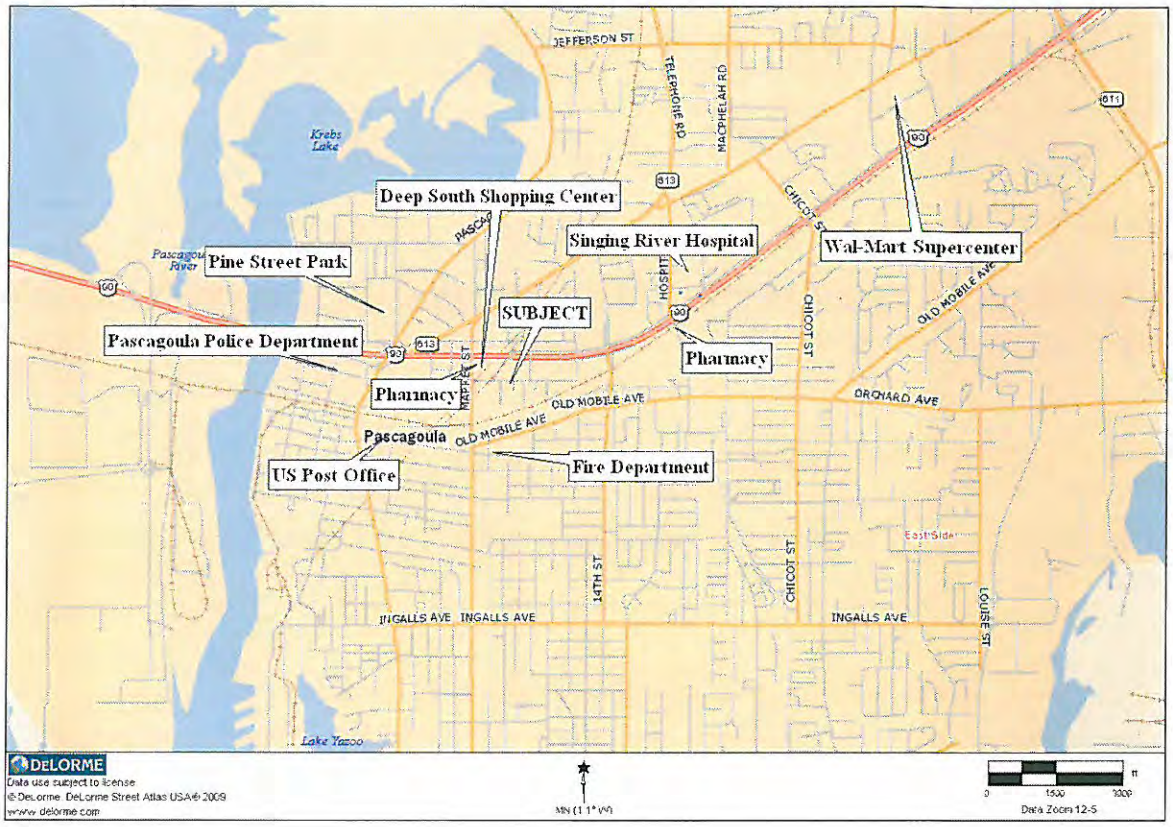
The defined neighborhood is located in the southeastern region of Jackson County. This neighborhood is formally defined as the city of Pascagoula and the incorporated areas associated under this name. Pascagoula is a city within the Pascagoula-Moss Point metropolitan area of Jackson. The city was originally 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					

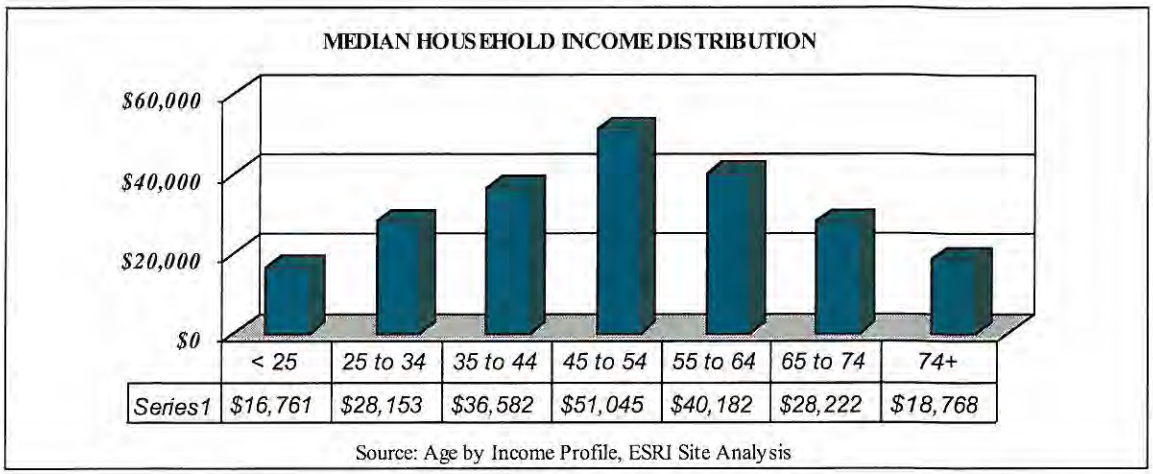
As indicated above, the overall senior population in the defined neighborhood is projected to increase by 17.2% over the next five years which correlates to an annual growth of 3.2%. These data are encouraging for the health care sector. The following chart illustrates the distribution of the household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

Highest and Best Use

Introduction

According to *The Appraisal of Real Estate*, the highest and best use of a property is defined as follows:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

Fundamental in the above definition are separate estimates of the highest and best use of the subject property as if vacant and as improved. If the highest and best use of the site may be determined to be different from the existing improvements, the improvements will continue as the highest and best use until land value exceeds the properties total value plus demolition costs. The subject is proposed, thus this circumstance does not apply.

As-If Vacant

Legal permissibility test

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 under the current zoning would require approval as an assisted living facility. The approvals have been put in place and the subject would be a legally permissible special use. Other uses under the zoning would be residential or residential support.

Physical possibility test

The subject site is 5.7294-acres and is irregular in shape. Access and exposure along Live Oak Avenue is good. Located next to the subject is the Pascagoula Senior Center and less than a mile away is the Singing River Hospital. Based on the site size and surrounding land uses a residential or residential support use would be physically possible. This could include single family or multifamily residential, health service-related, daycare, religious facility etc.

Financial feasibility test

Occupancy levels among comparable assisted living and Alzheimer care facilities around the market average 96% and 93%, respectively. Anticipated increases in the targeted senior population in the area will combine to create an environment that is favorable for new facilities. The long-term outlook for the market is positive. The market study under a separate report and income approach section of this appraisal indicate that the subject site as a healthcare facility that can provide flexibility in design allowing residents to age-in-place as well as to serve a variety of healthcare needs is financially feasible. Based on income projections for the subject, other residential or residential support would reasonably be much less profitable than a healthcare use as proposed.

Maximum productivity test / Conclusion

The regional targeted population's continuous growth and development in recent years has caused demand for senior accommodations to grow in conjunction. There is only one use that creates value and passes the first three tests of legal permissibility, physical possibility and financial feasibility. This is development of the site with a healthcare facility that can accommodate a variety of healthcare needs including levels of personal care and memory support. Therefore, the highest and best as through vacant is development of the land with a healthcare facility as proposed.

Highest and Best Use as though Improved (Proposed)

The subject is a proposed project. Therefore, the highest and best use "as though improved" is the proposed use as a healthcare facility.

Marketing Time and Financing

Typical Buyers

Typical buyers for assisted living and Alzheimer care facilities similar to the subject include limited partnerships, REIT's, insurance companies and pension funds.

Marketing Time

The typical marketing time for assisted living and Alzheimer care facilities is 6 to 12 months depending on the time necessary to secure the approvals for a transfer of ownership.

Based on the actual marketing periods for several of the sales as well as industry information, we estimated a typical marketing time for the subject of 6 to 12 months.

Exposure Time

Exposure time may be defined as follows:

The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events, assuming a competitive and open market. (source: "USPAP 1994 Edition," Statement on Appraisal Standards No. 6 {SMT-6})

The market value estimates derived herein assume an exposure time for the subject of 6 to 12 months.

Financing

Financing for the subject property would most likely be obtained from a real estate investment trust or a government source such as Housing and Urban Development. Permanent lenders are presently underwriting loans based on a 1.25x to 1.45x Debt Service Coverage Ratio, with 25 to 35-year amortization period, and a rate based on a spread of 175 to 250 basis points over the 10-year U.S. Treasury rate or LIBOR.

Appraisal Process

Three traditional approaches are normally used by appraisers in the estimation of market value of a property, providing data from three market perspectives. These three techniques are the cost approach, the income approach, and the sales comparison approach (market approach).

The **cost approach** is the sum of the land value and the cost new of the improvements less accrued depreciation plus the business value. The cost approach is based on the premise that an informed, rational investor/purchaser would pay no more for an existing property than it would cost him to reproduce a substitute property with the same utility without undue delay. The Cost Approach provides an excellent valuation method for recently constructed or proposed improvements as well as unique or special purpose property types in which improved sales or comparable leases are not readily available.

The **income approach** is based on the premise that a prudent investor would pay no more for the subject property than they would for another investment with similar risk and return characteristics. Since the value of an investment can be considered equal to the present worth of anticipated future benefits in the form of dollar income or amenities, this approach estimates the present value of the net income that the property is capable of producing. This amount is capitalized at a rate that should reflect risk to the investor and the amount of income necessary to support debt service or the mortgage requirement.

The **sales comparison approach** (market approach) is the process of comparing prices paid for properties having a satisfactory degree of similarity to the subject property adjusted for differences in time, location, and physical characteristics. This approach is based upon the principle of substitution, which implies that a prudent purchaser will not pay more to buy a property than it would cost him to buy a comparable substitute property in a similar location.

Each technique or approach to value has its strengths and weaknesses, depending to a large extent on the type of property being appraised and the quality of available data. In most instances, one or more of these approaches will produce a more reliable value indication than the other approach or approaches.

The final step in the appraisal process is the reconciliation and correlation of all of the value indications into a final value estimate. This step usually begins with a discussion of the merits and demerits of each approach and an analysis of the reliability of the data used in each approach. It concludes with the statement of final value estimate. In this instance, all three approaches were utilized in forming reliable market value indications for the subject property.

Cost Approach

The cost approach is based on the principle of substitution, which states that a prudent purchaser would not pay more for a property than the amount required to purchase a similar site and construct similar improvements, without undue delay, to produce a property of equal desirability and utility. The procedure begins by estimating the value of the subject site at its highest and best use, based upon a market analysis of recent comparable sales of vacant land similar to the subject site. The next step involves estimating the current reproduction cost of the improvements including entrepreneurial profit, less accrued depreciation, if any. The final step involves adding the land value to the contributory value of the improvements to result in a value indication. According to HUD directive, in HUD/FHA programs, land is valued at "highest and best use".

Land Valuation

In estimating the value of the vacant subject site, we utilized the sales comparison approach, which involves direct market comparison of the subject site with recent sales of vacant land with similar utility and physical characteristics. Of the sales reviewed, those considered most comparable to the subject site have been included in the following Land Sales Analysis table. The land sales were analyzed and compared to the subject considering property rights conveyed, financing, conditions of sale, market conditions, location, and physical characteristics. No adjustments were required for cash equivalency, as all of the sales were for cash via third-party acquisitions.

Considering the subject's use along with its highest and best use, healthcare land sales would be the most appropriate. However, our search did not uncover any healthcare land sales in the Pascagoula area. Further, there has been limited transaction activity occurring in the Pascagoula area according to John Jones of Coldwell Banker Alfonso Realty. He supplied us with the most current sales within the area and the most appropriate sales were utilized for our analysis. Two supplemental sales from the Biloxi and D'Iberville areas were also used that are larger tracts of land with similar density to the subject.

A per square foot methodology was considered a viable way to gauge the value of land for comparison purposes. This provides a means to evaluate the cost of the subject land "as if vacant".

A summary of our adjustments and conclusions regarding the land sales can be found in the Land Sales Analysis table. The locations of the land sales are referenced in the Land Sales Map, and detailed descriptions of the comparable land sales are in the addenda. These complete discussions may facilitate further understanding of the adjustment discussion that follows the Land Sales Analysis table.

Land Sales Map

Land Sales Analysis

As shown in the table at the end of this section entitled Land Sale Analysis, we made adjustments to the comparable sales as necessary to offset differences for various factors affecting value such as date of sale, location/access, zoning/density, physical characteristics, and condition/other. Explanations of the adjustment categories utilized to reflect the similarities between these sales and the subject property are discussed below.

Adjustments

Adjustments to the sales are as follows.

Property rights conveyed—A transaction price is always predicated on the real property interest conveyed. All land transactions reviewed herein were transfers of fee simple title. No adjustments were deemed necessary for real property rights conveyed.

Financing terms—The transaction price of one property may differ from that of an identical property due to different financing arrangements. Each of the sales was a cash transaction or financed through a third party at a market rate or term. As a result, all of the sales were considered cash equivalent and no adjustments were necessary.

Conditions of sale—Adjustments for conditions of sale usually reflect the motivation of buyer and seller. Although conditions of sale are often perceived as applying only to sales that were not arm's-length transactions, an arm's-length sale may reflect atypical motivations or sale conditions due to seller motivation, unusual tax considerations, sale at legal auction, lack of exposure to the open market, or eminent domain proceedings. No conditions of sale adjustment were necessary.

Market conditions (time)—Adjustments for time or changes in market conditions are measured from the date of sale of each comparable or from the listing date to the date of the appraisal. Market conditions requiring adjustments include change in price levels due to inflation, tax law changes, population and demographic changes, changing supply and demand factors for similar property, changes in land uses and changes in the general economic outlook in the subject's locale. The first two sales are relatively recent while the other three sales have varying sale dates. Land and property values have remained relatively stable during the economic downturn in the subject's region. Market conditions were considered in the reconciliation process.

Exposure—Adjustments for exposure are consistent with the theory that buyers will pay more per unit for parcels with greater exposure. All of the comparables were deemed to be similar with respect to exposure; therefore no adjustments were made for this category.

Location—Adjustments for location are based upon site visibility from roadways, proximity to shopping, employment, ease of access to the property, existence of complementary land uses, scarcity of land, and any impact of surrounding properties. Land Sale 2 was adjusted for location since it is located along the waterfront in Pascagoula. Land Sale 3 is located near the water but does not have frontage along it and was not adjusted.

Density/Zoning—This adjustment category considers the allowable density provided by zoning. Adjustments are made with regard to how density reflects prices per unit. Prices paid for land with a relatively high density usually tend to sell at a lower per unit price than the lower density property. No adjustment was made.

Utilities/ Development—All of the comparable sales had utilities available at the site at the time of sale. Therefore, no adjustments for utilities were necessary.

Other— No other adjustments were made to the sales.

Conclusion/Land Value Estimate

After analyzing all available land sales data and making the necessary adjustments, the indicated range of values for the subject was as follows:

ADJUSTED LAND SALES PER Sq. Ft.	
MINIMUM:	$2.30
MAXIMUM:	$3.19
AVERAGE:	$2.71
STD. DEVIATION:	$0.45
Reconciled Value	$3.00

Reliance was placed on the upper end of the range of the sales. The subject property is superior to the other sales in Pascagoula in terms of size and usability and similar to the supplemental sales from Biloxi and D'Iberville. The land value estimate is as follows:

SUMMARY OF LAND COMPARABLES

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Project Name	Pascagoula Assisted Living	-	-	-	Landmark at Biloxi	Gorenflo Apartments
Location	1806 Live Oak Avenue Pascagoula	Live Oak Avenue Pascagoula, MS 39567	1501 Beach Boulevard Pascagoula, MS 39567	602 Grand Oaks Pascagoula, MS 39581	831 Cedar Lake Road Biloxi, MS	11361 Gorenflo Road D'Iberville, MS
Sales Price		$30,000	$219,000	$44,900	$1,710,000	$2,128,000
Property Rights Conveyed		Fee Simple	Fee Simple Interest	Fee Simple Interest	Fee Simple Interest	Fee Simple Interest
Financing Terms		Cash to seller	Cash to Buyer	Cash to Buyer	Cash to Buyer	Cash to Buyer
Conditions of Sale		Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length
Date of Sale		June-11	March-11	November-09	October-06	September-07
Site Size (Square Feet)	249,572	13,068	35,400	16,988	807,167	703,058
Site Size (Acres)	5.729	0.30	0.81	0.39	18.53	16.14
Density/Acre	13.61	-	-	-	14.25	18.84
Zoning	MR-3 (Mixed Residential) (Formerly R-3)	MR-3 (Mixed Residential)	SFR10 (Single Family)	WMU (Waterfront Mixed Use)	RM-25 (Multifamily)	R-4 (Multifamily)
Utilities	All available	All available	All Available	All Available	All Available	All Available
Proposed Use	ALF/ALZ	-			Multifamily	Multifamily
Planned Units	78	-	-	-	264	304
Sale Price Per Unit		-	-	-	$6,477	$7,000
Sale Price/SF		$2.30	$6.19	$2.64	$2.12	$3.03
Sale Price/Acre		$100,000	$269,482	$115,128	$92,283	$131,846
Primary Adjustments						
Property Rights Conveyed		$0.00	$0.00	$0.00	$0.00	$0.00
Financing Terms		$0.00	$0.00	$0.00	$0.00	$0.00
Conditions of Sale		$0.00	$0.00	$0.00	$0.00	$0.00
Market Conditions		$0.00	$0.00	$0.00	$0.00	$0.00
Net Primary Adjustments		$0.00	$0.00	$0.00	$0.00	$0.00
Adjusted Sale Price/Sq. Ft		$2.30	$6.19	$2.64	$2.12	$3.03
Secondary Adjustments						
Size/Exposure		$0.00	$0.00	$0.00	$0.00	$0.00
Location		$0.00	-$3.00	$0.00	$0.00	$0.00
Zoning		$0.00	$0.00	$0.00	$0.00	$0.00
Utilities		$0.00	$0.00	$0.00	$0.00	$0.00
Net Secondary Adjustments		$0.00	-$3.00	$0.00	$0.00	$0.00
Total Adjustment Factor		$0.00	-$3.00	$0.00	$0.00	$0.00
Adjusted Price/Sq. Ft.		$2.30	$3.19	$2.64	$2.12	$3.03
Indicated Value by Comparison		$572,938	$795,251	$659,614	$528,724	$755,398
MINIMUM:	$2.30					
MAXIMUM:	$3.19					
AVERAGE:	$2.71					
STD. DEVIATION:	$0.45					
Reconciled Value	$3.00			249,572		
ESTIMATED VALUE OF SUBJECT:				Square Feet @	$3.00	$748,716
					ROUNDED TO	**$750,000**
Value Per Unit						$9,615
Value Per Acre						$130,904

Improvement Valuation

The steps in developing the cost approach:

- Estimate the value of the land as though vacant and available for development to its highest and best use.
- Estimate the reproduction or replacement cost of all improvements on the effective date of the appraisal. This includes direct (hard) costs such as building materials and labor and indirect (soft) costs such as financing costs, interest paid on construction loans, and taxes.
- Estimate other costs (indirect costs) incurred after construction to bring the new, vacant building up to market conditions and occupancy levels.
- Estimate entrepreneurial profit, when appropriate, from an analysis of the market.
- Add estimated replacement or reproduction cost, indirect costs, and entrepreneurial profit, often expressed as a percentage of total direct and indirect costs and sometimes land value, to arrive at the total replacement or reproduction cost of the primary structure(s).
- Estimate the amount of accrued depreciation in the structure, which is divided into three major categories: physical deterioration, functional obsolescence and external obsolescence.
- Deduct the estimated depreciation from the total reproduction or replacement costs of the structure to derive an estimate of the structure's depreciated reproduction or replacement costs.
- Estimate reproduction or replacement costs and depreciation for any accessory buildings and site improvements and then deduct estimated depreciation from the reproduction or replacement costs of these improvements. Site improvements and minor buildings are often appraised at their net value, i.e., directly on a depreciated basis.
- Add the depreciated reproduction or replacement costs of the structure, the accessory buildings and the site improvements to obtain the estimated total depreciated reproduction or replacement cost of all improvements.
- Estimate the Intangible Business Value of the subject.
- Add the land value to the total depreciated reproduction or replacement cost of all improvements plus the intangible business value to arrive at the indicated value of the fee simple interest in the property.
- Adjust the indicated fee simple value to reflect the property interest being appraised, if necessary, to produce an indicated value for the interest in the subject property.

Replacement Cost New

Reproduction cost and replacement cost are the two types of cost. Replacement cost is the cost to construct a building having functional utility the same as the building being appraised. Reproduction cost is the cost to construct an exact replica of the subject. Both consist of the three basic components of direct costs, indirect costs and entrepreneurial profit.

Reproduction cost is commonly used for structures that suffer from super-adequacies so that the impact of the super-adequacy can be measured. Because the subject will be newly constructed it does not suffer from any super-adequacies. The replacement cost is used in this analysis.

As part of this report, an estimated replacement cost for the structure was based on our cost estimates utilizing Marshall & Swift cost estimates. The cost estimates provided were considered reasonable and have been incorporated into the cost analysis. In addition to the cost estimates, we also included carrying charges and financing based on similar market properties and information provided by underwriters involved in healthcare and multifamily assignments. Developers in the region that are engaged in the construction of healthcare related projects similar to nursing care or assisted and independent living have indicated that they expect anywhere between 6% to as high as 15% depending on the type of project. Therefore, entrepreneurial incentive of 10% of direct and indirect costs is considered reasonable.

The pre-marketing/opening allowance estimates for the subject property include any and all of the absorption, staffing costs and other intangible start-up operating costs.

Total Structure Costs

Total replacement cost new was estimated based on Marshall & Swift cost estimates with secondary consideration given to cost estimates for similar market properties. Total replacement cost new was estimated at $10,349,006. These costs were relied on when developing the replacement cost analysis.

Analysis of Depreciation

Depreciation is any loss in value from reproduction or replacement cost new as of the effective date of appraisal. Physical deterioration, functional obsolescence and external obsolescence are the three types of depreciation. Both physical deterioration and functional obsolescence can be segregated as either curable or incurable. External obsolescence is always said to be incurable, since only changes in circumstances outside of the property can reverse external obsolescence.

We measure incurable physical deterioration using the modified economic age-life method. This method presumes that the utility of improvements is reduced on a straight-line basis. It utilizes the estimated effective age and economic life of the improvements considered after correction of curable items of physical deterioration and functional obsolescence (if any). The subject is proposed and will be newly constructed; therefore, there will be no physical deterioration.

Functional Obsolescence is a curable or incurable flaw in the structure, materials, or design of a building that lessens its value. Curable items are those that, when rectified will cause a greater increase in value than the cost to cure. Incurable items are those that do not cause a greater increase in value. A physical inspection of the plant revealed there to be no inefficiencies in the floor plan, mechanical inadequacies or over-improvements relative to market norms. There are no specialized materials or labor used during construction. An analysis of the highest and best use of the site indicated that the subject improvements are considered suitable for the market. Likewise, there are no super-adequacies that exceed market requirements. As such, there is no functional obsolescence evident in the subject property design, either curable or incurable.

External Obsolescence is a temporary or permanent impairment of the function of a property due to negative influences outside the property. Commonly, this includes the influence of negative market conditions. The subject is located in a market with stable occupancy levels among comparable properties. Senior population trends are positive and are expected to remain so in coming years, especially as the baby boom generation retires. No discernible outside forces are dampening the proposed operation of the facility in a way that would negatively impact its financial performance. Therefore, market indications reveal that there is no external obsolescence.

The subject will be brand new and built in excellent condition. We have estimated the effective age at zero (0) years with a total economic life of 60 years. Depreciation is 0% with 60 years remaining in the life of the improvements.

Intangible/Business Value

As an operating enterprise, an assisted living facility has the capability of supporting a separate value for intangibles over and above the valuation of the physical assets. Business value in this instance is defined as the ability to produce excess profits by the assemblage of all of the components of production in one location. The value is derived from the services performed and the assembled workforce plus other intangible factors.

Intangible value is based on the comparison of the results of the net operating income of a similar real estate property where services are not provided versus one where services are provided. In this instance, a senior apartment community was utilized to make the comparison. Bay Tower Senior Apartments is a senior apartment community located in Pascagoula and does not provide any services in rent. The complex has interior corridors, elevator service and common social areas. With a senior-restriction, this provides an excellent comparison to the subject as follows:

INTANGIBLE VALUE CALCULATION	
Net Operating Income Subject/Bed	$14,206
Net Operating Income (Based on 50% expense ratio at market rents)	$4,067
Difference in Excess Profits	$10,139
Overall Rate (Business)	25%
Additional Intangible Profit (Business)	$40,556
Number of Beds Subject	80
Total Intangible Value	$3,244,476
Intangible Value, Rounded	**$3,200,000**

The following table summarizes the cost approach and concludes at a value indication. The indicated realty/ major moveable value of the project via the cost approach are provided in the following table:

COST APPROACH

PASCAGOULA ASSISTED LIVING

Estimated Replacement Cost New

A. Base Cost of Structures:						
Building(s)	$122.43	x	66,105	sq. ft.	$8,093,235	
Elevator(s) (Included above)	$0.00				$0	
Sprinklers	$2.00	x	66,105	sq. ft.	$132,210	
Underground Parking		x		sq. ft.	$0	
Subtotal	$124.43	x	66,105	sq. ft.	$8,225,445	
B. Building Height Multiplier					1.00	
C. Total Base Structure Costs (A * B)						$8,225,445
D. Multipliers:						
Story Height				1.00		
Area				0.99		
Current Cost				1.05		
Local Area				0.90		
Product of Multipliers				0.93		
E. Adjusted Base Structure Cost (C * D)						$7,671,996
F. Site Improvements	8.0%	x	Base Structure Cost (E)			$613,760
G. Major Movable Equipment (FF&E)	$3,500	x	80	beds		$280,000
H. Total Structures (E + F + G)						**$8,565,756**
I. Carrying Charges and Financing (including FHA fees, legal, organizational, cost certification, taxes on land, and interest on non-direct costs)	7.50%	x	Total Structures (H)			$642,432
J. Pre-Marketing Allowance	$2,500	x	80	beds		$200,000
K. Total Development Cost (H + I + J)						**$9,408,187**
L. Entrepreneurial Profit	10.0%	x	Total Development Cost (K)			$940,819
M. Total Replacement Cost New (RCN) (K + L)						**$10,349,006**
N. Depreciation						
Economic Life:			years	%		
Total Expected Economic Life			60	100.0%		
Effective Age		-	0	0.0%		
Remaining Economic Life			60	100.0%		
Physical Deterioration (0% of RCN)				0.0%	$0	
Functional Obsolescence				0%	$0	
External Obsolescence				0%	$0	
Total Depreciation				0.0%	$0	
O. Depreciated Value of the Improvements (M - N)						**$10,349,006**
P. Land Value	$3.00	x	249,572	sq. ft.		**$750,000**
Q. Intangible Value (Business)						**$3,200,000**
R. Indicated Value (O + P +Q)						**$14,299,006**
					Rounded	**$14,300,000**
					Per bed	$178,750
					Per sq. ft.	$216.32
					Estimated Construction Time	13 months

Source: Marshall Valuation Service, Section 12, Page 20; Value Tech Realty Services, Inc.

Income Approach

Introduction

The Income Approach is based on the premise that a prudent investor would not pay more for a property than he would for an alternative investment that offers similar financial return characteristics. This method is usually the most appropriate technique for valuation of large income producing properties similar to the subject.

The Income Approach is an appraisal technique that translates anticipated or future benefits from a property into an indication of value. The basic steps involved in the Income Approach include the following:

1. Research the subject market area for rental and expense information on similar properties to the subject.

2. Estimate potential gross income for the subject through analyzing appropriate market derived data and the subject's actual income.

3. Estimate appropriate vacancy and operating expenses for the subject to arrive at a net operating income.

4. Capitalize or discount net income to arrive at a present value indication that reflects typical market reactions and parameters. Utilizing a discounted cash flow method to value the property is not an acceptable technique for HUD lending.

We estimated the subject property value via the Income Approach using the direct capitalization method. The direct capitalization method converts a single year's net income into a value estimate.

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**	**Monthly Potential Rental Revenue**
Subject Units Assisted Living						
Studio	15	15	375	$3,100	$2944 to $3376	$46,500
One Bedroom Small	30	30	425	$3,300	$3091 to $3304	$99,000
One Bedroom Large	13	13	475	$3,500	$3382 to $3602	$45,500
Two Bedroom	2	4	785	$4,100	$3603 to $4451	$8,200
Subject Units Alzheimer Care						
Alzheimer Studio	18	18	275	$4,600	$4486 to $5022	$82,800
Total/Weighted Average	**78**	**80**	**398**	**$3,615**		**$282,000**
Gross Potential Annual Rental Income						**$3,384,000**

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.

Other Income

Assisted living facilities also generate other income from additional care, second person fees, and miscellaneous income, etc. The subject's rental rates for assisted living were estimated at a base level of care therefore allowing for revenue from additional care. The Alzheimer Care rate was estimated at an all-inclusive level and no additional care was estimated. Another source of revenue would result from new residents entering the facility. The other income revenues were estimated based on the following:

Additional Care Income-

Market information was gathered and used to determine reasonable rates for each level of care. The calculation of the subject's projected rates for each level of care is displayed in the following table.

LEVEL OF CARE COMPARISON					
Level of Care	Gordon Oaks	Atria Regency	Emeritus of Biloxi	Average	Subject's Projected Rates
Level 1	$300	$345	$325	$323	$300
Level 2	$600	$645	$625	$623	$600
Level 3	$900	$945	$925	$923	$900

Level of care income primarily includes revenues derived from additional care provided to residents with higher healthcare needs. These are commonly referred to as 'level of care' fees and are normally charged to residents based on their physical needs. The calculation of the subject's projected distribution of residents in addition to two supplemental comparable assisted living facilities is shown in the following table:

RESIDENT DISTRIBUTION BY LEVEL OF CARE ASSISTED LIVING				
Level of Care	% of Residents Receiving Care for Supplemental 1	% of Residents Receiving Care for Supplemental 2	Average Percent Distribution at Comps	Subject's Projected Distribution
Level 1	44%	27%	36%	35%
Level 2	21%	27%	24%	25%
Level 3	7%	10%	9%	10%
Level 4	2%	4%	3%	0%
Total	74%	68%	71%	70%

For the subject, the overall acuity of residents is expected to be similar to these comparables. The subject's assisted living rates were estimated at a base level and most residents will receive additional care. Our projection is within the range of the comparables and considered reasonable.

The following table outlines the calculation of both the monthly and annual income generated by additional care income by combining the level of care rate analysis as well as the resident distribution analysis.

LEVEL OF CARE CHARGES- ALF			
Levels Of Care/Other	Fee/Level	# Residents	Monthly $
Level 1	$300	22.0	$6,600
Level 2	$600	16.0	$9,600
Level 3	$900	6.0	$5,400
Level 4	$0	0.0	$0
Total Additional Care Monthly		44.0	$21,600

Resident Assessment

Healthcare facilities must document the performance of a physical and cognitive assessment of potential residents in order to be compliant with their license. In addition to the assessment, the facility must coordinate and arrange prescriptions for obtaining necessary medicines, scheduling of physician visits, transfer and/or establishment of diagnostic care, coordination of moving into the facility and set up of individual rooms, transfer and coordination of the insurance program, and establishing bank accounts and related instrumental activities as necessary. The costs associated with these activities are incurred prior to and/or shortly after the resident is admitted into the facility.

Assisted living 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, average monthly turnover would be about 2.0 persons per month (80 units *33.3% / 12 months = 2.0 (rounded) per month).

RESIDENT ASSESSMENT FEE COMPARISON	
Facility	Resident Assessment
The Gardens	$500
Emeritus of Biloxi	$500
Atria Regency	$1,500
Somerby of West Mobile	$2,500
Gordon Oaks	$750
Average	$1,150

Market rates indicate that a reasonable resident assessment fee that the subject should charge is $1,000. Total resident assessment income for the subject is provided in the following:

RESIDENT ASSESSMENT AND SECOND PERSON INCOME			
Revenue Category	Rate	Number of	Monthly $
Resident Assessment	$1,000	2.0	$2,000
Total Annual			$24,000

Second Persons

The subject has 2 two bedroom units that will accommodate second persons. Second person fees charged at similar properties are illustrated in the following:

SECOND PERSON FEE COMPARISON	
Facility	Resident Assessment
The Gardens	$300
Emeritus of Biloxi	$800
Gordon Oaks	$500
Subject's Projections	**$500**

Market rates indicate that a reasonable second person fee that the subject should charge is $500. Total second person income for the subject is provided in the following:

SECOND PERSON INCOME			
Revenue Category	Rate	Number of	Monthly $
Second Person Income	$500	2.0	$1,000
Total Annual			$12,000

Miscellaneous Revenue

Miscellaneous income such as guest meals, medical supplies, incontinence supplies, community room rental and beauty shop rental is also collected. Income and expense comparables were obtained to gauge the appropriateness of our projections. These comparables are illustrated at the beginning of the expense section. The total miscellaneous revenue for the subject and the comparables are provided in the following:

TOTAL MISCELLANEOUS REVENUE				
	Comparable 1	Comparable 2	Comparable 3	Subject Projection
Total Misc./Res. Day	$0.60	$1.52	$2.10	$1.45 (After Vacancy)

The comparables illustrate a wide range for other revenue. The subject's projection is toward the middle of the range and appears reasonable.

Total Other Income Summary

Income and expense comparables were obtained to gauge the appropriateness of our projections for level of care, resident assessment, second person fees and miscellaneous income. These comparables are illustrated at the beginning of the expense section. The total other income for the subject and the supplemental comparables are provided in the following:

TOTAL OTHER INCOME*				
	Supplemental 1	Supplemental 2	Supplemental 3	Subject Projection
Total Misc./Res. Day	$11.50	$3.74	$17.23	$11.56 (After Vacancy)

The projection is within the range of the comparables and most similar to Comparable One. Based on the services provided at the subject property, the projection appears reasonable.

Total Revenue Summary

The total revenue for the subject and the comparables are provided in the following:

TOTAL REVENUE COMPARISON - PER RESIDENT DAY				
	Comparable 1	Comparable 2	Comparable 3	Subject Projection
EGI Brought to Current Date	$114.53	$88.06	$126.82	$127.45

The income provided on the comparables represents their effective gross income. The subject's effective gross income per resident day ***is slightly above the range*** of the comparables. The comparables all offer assisted living and memory care. The revenue models vary however with some including all inclusive rates while some charge for additional care. The subject is a mix with additional care for assisted living and all inclusive rates for memory care. This is most similar to Comparable Three which has a lower occupancy level thus lower revenues per resident day. Thus, the total indicated above is considered reasonable.

Projection of Gross Potential Revenue

Using the concluded census and rates, potential gross bed rental revenue is as follows:

Pascagoula Assisted Living Revenue Projections - As If Stabilized									
	Number of Units or Beds				Estimated Monthly Rate				Est. Monthly Income
Type of Room or Unit	SNF	ICF	B&CF	ALF	SNF	ICF	B&CF	ALF	at 100% Occupancy
Subject Units Assisted Living									
Studio				15				$3,100	$46,500
One Bedroom Small				30				$3,300	$99,000
One Bedroom Large				13				$3,500	$45,500
Two Bedroom				2				$4,100	$8,200
Subject Units Alzheimer Care									
Alzheimer Studio				18				$4,600	$82,800
Total Monthly Income from Beds and Units				**78**				**$3,615**	**$282,000**
Level of Care Fees									$21,600
Resident Assessment									$2,000
Second Person Income									$1,000
Other Revenue									$3,528
Total Other Income									$28,128
Total Monthly Income - All Sources									$310,128
Total Estimated Annual Gross Project Income at 100% Occupancy									$3,721,540
Number of Non-Revenue Producing Units for Employees (not shown above)									$0
Potential Gross Income									$3,721,540
Less: Vacancy and Collection Loss					7.0%				($260,508)
Effective Gross Income									$3,461,032
EGI Per Resident Day									$127.45
EGI Per Unit/Bed									$43,263

Operating Expenses

In forecasting income and expenses, we relied upon expense data derived from Income and Expense Comparables as well as information obtained from the subject's budget. A very detailed budget was provided and deemed reliable.

A summary chart is provided which summarizes general line items for the subject and the expense comparables. They also provided guidance with general operational expenditures. Local information was obtained for insurance, real estate taxes, wage levels, and utilities. The expenses utilized are provided in the addenda.

The closest available facilities in Mississippi with detailed financial data were used as the income/expense comparables. The comparables were selected because they are all oriented to the assisted living market and are operated in a similar fashion.

A brief summary of the income and expense comparables utilized in the analysis are presented in the following:

SUMMARY OF EXPENSE COMPARABLES				
	Subject	Comparable 1	Comparable 2	Comparable 3
Property Name	Pascagoula Assisted Living	Belvedere Commons of Fort Walton Beach	River Bend Assisted Living	Confidential
Proximity to subject	Pascagoula, Mississippi	Fort Walton Beach, FL	Valley, AL	Atlanta, GA
Level of Care:	ALF/ALZ	ALF/ ALZ	ALF/ALZ	ALF/ALZ
Year Built (Original)	2013	2000	2001	1999
Quality of Location	Good	Similar	Similar	Similar
Overall Physical Quality & Condition	Good	Similar	Similar	Similar
Quality of Management	Good	Similar	Similar	Similar
Availability & Quality of Service	Good	Similar	Similar	Similar
Pricing	Good	Similar	Similar	Similar
# of Beds	80	72	61	88

Lastly, we compared the total expenses projected for the subject relative to the expense comparables in general in order to test the overall reasonableness of the conclusions. Within the addenda are income and expense worksheets that illustrate the revenues and expenses in detail in comparison to the subject's projected revenues and expenses.

Adjustment of Expenses

A comparison is made between the expense comparables and the subject's concluded estimate. An updating percentage is defined as the application of a time adjustment to the comparables in order to bring them forward to the same date as the appraisal. The subject is then compared to the most trended expenses.

Each expense comparable is trended from its beginning month to the date of the appraisal. All expenses have been trended as necessary to February 2012.

Projected Expenses

With consideration given to the preceding figures, pro forma expenses are now estimated for the subject. The expense comparable data we obtained is not always detailed enough to provide reliable projections of many individual expense items. Expense estimates shown in the per resident day comparison tables below are as of the effective date of the appraisal for the comparables.

Expenses were analyzed on either a 'per resident day' and/or 'per bed' basis based on the typical classification in the market. Although there may be some overlay, general assumptions were made. Typically, expense items which are more variable in nature would generally yield a per resident day comparison while fixed items would measure on a per bed basis. The following chart shows the 'per resident day' and/or 'per bed' for each line item as shown in the following chart:

PER RESIDENT DAY/PER BED BREAKDOWN		
	Per Bed	**Per Resident Day**
Payroll	X	X
Payroll (Taxes & Benefits Only)	X	X
Real Estate Taxes	X	
Liability Insurance	X	
General & Administrative	X	
Utilities	X	X
Insurance	X	
Plant Operations	X	
Activities	X	
Food Service		X
Housekeeping/Laundry	X	
Nursing		X
Management Fee	Based on % of EGI	
Replacement Reserves	X	

The following charts illustrate the subject's salary projections by department in comparison to the expense comparables. National statistics obtained from the American Seniors Housing Association in their report titled "*Seniors Housing statistical Handbook Edition V*" were used to supplement the data on major expense line items.

Administrative Salaries

This category includes salaries for the administrator, administrative assistants, marketing personnel, finance personnel and related. The per resident day analysis provides the following:

TOTAL ADMINISTRATIVE SALARIES PER RESIDENT DAY - COMPARABLES			
Comparable 1	Comparable 2	Comparable 3	Subject Projection
$12.38	$6.33	$9.72	$6.36

Data obtained from the American Seniors Housing Association exhibits the following levels of administrative salaries:

TOTAL ADMINISTRATIVE SALARIES PER BED - NATIONAL STATISTICS				
Lower Decile	Lower Quartile	Median	Upper Quartile	Upper Decile
$1,514	$2,259	$3,052	$3,658	$4,580
Subject Projection				$2,158

The subject projection falls within the low end of the range of the comparables and near the lower quartile of facilities ranked nationally. Primary reliance was placed on the subject's budget ($2,117/bed) as well as reliance on the comparables.

Administrative Salaries **$172,640**

Building and Ground Salaries

This category includes salaries for the maintenance supervisor, assistants, and contract labor associated with the upkeep of the building and grounds. The comparables are illustrated below:

TOTAL BUILDING & GROUNDS SALARIES PER RESIDENT DAY - COMPARABLES			
Comparable 1	Comparable 2	Comparable 3	Subject Projection
$0.76	$0.81	$1.43	$1.19

Data obtained from the American Seniors Housing Association exhibits the following levels of building and grounds salaries:

TOTAL BUILDING & GROUND SALARIES PER BED - NATIONAL STATISTICS				
Lower Decile	Lower Quartile	Median	Upper Quartile	Upper Decile
$367	$494	$628	$835	$1,507
Subject Projection				$403

The projection is within the upper end of the range of the comparables and lower decile based on the national statistics. Primary reliance was placed on the subject's budget ($430/bed) as well as reliance on the comparables.

Total Building and Grounds Salaries **$32,240**

Dietary Salaries

This category includes salaries for the dietary director, cooks, staff, and contract labor associated with the nutritional requirements of residents. The comparables are illustrated below:

TOTAL DIETARY SALARIES PER RESIDENT DAY - COMPARABLES			
Comparable 1	Comparable 2	Comparable 3	Subject Projection
$2.62	$3.40	$5.14	$4.52

Data obtained from the American Seniors Housing Association exhibits the following levels of dietary salaries:

TOTAL DIETARY SALARIES PER BED - NATIONAL STATISTICS				
Lower Decile	Lower Quartile	Median	Upper Quartile	Upper Decile
$1,346	$1,787	$2,259	$2,965	$4,223
Subject Projection				$1,534

The subject projection is towards the upper range of the comparables and similar to the lower quartile of facilities nationally. Primary reliance was placed on the subject's budget ($1,536/bed) as well as reliance on the comparables.

Total Dietary Salaries **$122,720**

Housekeeping and Laundry Salaries

This category includes salaries for maids, laundry workers, and contract labor associated with the cleanliness of the facility and resident clothing and bedding. The comparables and the subject's results are illustrated below:

TOTAL HOUSEKEEPING & LAUNDRY SALARIES PER RESIDENT DAY - COMPARABLES			
Comparable 1	Comparable 2	Comparable 3	Subject Projection
$0.52	$0.00	$3.10	$1.53

Data obtained from the American Seniors Housing Association exhibits the following levels of housekeeping and laundry salaries:

TOTAL HOUSEKEEPING AND LAUNDRY SALARIES PER BED - NATIONAL STATISTICS				
Lower Decile	Lower Quartile	Median	Upper Quartile	Upper Decile
$479	$608	$784	$1,027	$1,408
Subject Projection				$520

The subject projection is within the range of the comparables and near the lower decile of facilities nationally. Primary reliance was placed on the subject's budget ($507/bed) as well as reliance on the comparables.

Total Housekeeping and Laundry Salaries **$41,600**

Nursing Salaries

This category includes salaries for the director of nursing, LPNs, Nursing Assistants/ CNAs and other labor associated with resident health and well-being. The comparables are illustrated below:

TOTAL NURSING SALARIES PER RESIDENT DAY - COMPARABLES			
Comparable 1	Comparable 2	Comparable 3	Subject Projection
$12.02	$18.80	$27.08	$22.90

Data obtained from the American Seniors Housing Association exhibits the following levels of nursing salaries:

TOTAL NURSING SALARIES PER BED - NATIONAL STATISTICS				
Lower Decile	Lower Quartile	Median	Upper Quartile	Upper Decile
$5,636	$8,682	$13,499	$20,433	$27,614
Subject Projection				$7,774

The subject will cater to a similar resident relative to Comparable Two and Three with a similar mix of Alzheimer residents. The subject is slightly below the lower quartile of the national statistics. Based on the above, the subject's projection is considered reasonable.

Total Nursing Salaries **$621,920**

Other Salaries

This category includes salaries for admissions, social services, medical records, and activities personnel as well as related contract labor. The comparables are illustrated below:

TOTAL OTHER SALARIES PER RESIDENT DAY - COMPARABLES			
Comparable 1	Comparable 2	Comparable 3	Subject Projection
$0.90	$1.42	$2.78	$2.08

Data obtained from the American Seniors Housing Association exhibits the following levels of other salaries:

TOTAL OTHER SALARIES PER BED - NATIONAL STATISTICS				
Lower Decile	Lower Quartile	Median	Upper Quartile	Upper Decile
$447	$596	$1,270	$3,850	$5,473
Subject Projection				$705

The subject projection is within the upper end of the range of the comparables and above the lower quartile of the national statistics. Primary reliance was placed on the subject's budget ($703/bed) as well as reliance on the comparables.

Total Other Salaries **$56,420**

Payroll Taxes and Benefits

This category includes payroll taxes, unemployment taxes, health insurance, benefits, worker's compensation and other related employee benefits. The comparables are illustrated below:

TOTAL PAYROLL TAXES & BENEFITS PER RESIDENT DAY - COMPARABLES			
Comparable 1	Comparable 2	Comparable 3	Subject Projection
$6.29	$5.08	$10.78	$8.49

Data obtained from the American Seniors Housing Association exhibits the following levels of payroll taxes and benefits:

TOTAL PAYROLL TAXES AND BENEFITS PER BED - NATIONAL STATISTICS				
Lower Decile	Lower Quartile	Median	Upper Quartile	Upper Decile
$2,074	$2,868	$4,222	$7,351	$9,521
Subject Projection				$2,881

The subject projection is within the middle of the range of the comparables. It is similar to the lower quartile in the national statistics. The subject's benefits could be projected at a slightly lower amount; however, it is difficult to know if the comparables or national statistics include commissions as part of payroll or part of benefits. Therefore, total payroll including benefits for the subject is within the range of the various financial sources.

Total Payroll Taxes and Benefits **$230,459**

Total Salaries and Benefits

This category includes all salaries for the staff of the facility. Salary obligation is the highest cost within an assisted living facility. Comparables were utilized to provide a range of salaries within departments as well as the number of employees required to operate an assisted living facility.

Each facility operates differently depending on their level of acuity and their orientation to various services (Alzheimer, personal care, etc.) Further, staff is often utilized across a number of departments. For example, certified nursing assistants will assist residents in both a nursing capacity and within the dining, housekeeping and/or activity departments. Thus, comparison of staffing levels within a specific department is difficult.

Our staffing levels are based on typical staffing required to operate a facility relative to comparables with consideration to the budget. As a test of reasonableness, we have compared full time equivalents and total of salaries expended on a per resident day and per operating bed with our projections and the comparables. The table below provides staffing levels and expenditures in total for the expense comparables with a comparison to the subject's projection.

STAFFING ANALYSIS						
	FTE Ratio	$/Res. Day	$/Bed	Trend to Subject	Trended $/Res. Day	Trended $/Bed
Comparable 1	0.40	$31.94	$10,724	11.17%	$35.50	$11,922
Comparable 2	0.41	$30.84	$11,040	16.21%	$35.84	$12,830
Comparable 3	0.66	$57.60	$18,297	4.21%	$60.03	$19,068
Subject Projection	0.55				$47.06	$15,975

The subject's estimated salary expenses per bed and per resident day are within the range provided by the comparables. The full time equivalent ratio is also within the range. **The reader is referred to the Schedule D provided in the addenda** for a breakdown of this expense for the subject as well as for the comparables relative to the subject's projection.

Total Salaries (including benefits) **$1,277,999**

Real Estate Taxes

This category includes real estate and personal property taxes. The comparables provide the following:

TAX COMPARABLE ANALYSIS Pascagoula Assisted Living				
	Subject	**Comparable 1**	**Comparable 2**	**Comparable 3**
	Pascagoula Assisted Living 1806 Live Oak Avenue Pascagoula, Jackson County	The Gardens 1260 Ocean Springs Road Ocean Springs, Jackson County	LeMoyne Place 14306 Lemoyne Boulevard Biloxi, Jackson County	Morrison Village 2503 Old Mobile Highway Pascagoula, Jackson County
Parcel Number	41700537.000	60122096.030	03612240.0000	41700537.030
Project Type	ALF/ALZ	ALF	ALF/ALZ	Senior Apartments
Year Built	2013	1999	2007	2010
Site Size (Acres)	5.73	3.72	1.06	5.10
# Beds/Units	80	52	34	120
Tax Year		**2011**	**2011**	**2011**
Total Market Value		$2,316,722	$1,284,461	$4,782,360
Total Assessed Value		$347,509	$192,669	$717,355
Per Bed		$6,683	$5,667	$5,978
Gross Taxes		**$48,601**	**$22,064**	**$99,934**
Per Bed		$935	$649	$833
Unpaid/ Overdue? Y/N				
		139,857	114,520	139,309

The subject is currently vacant land. The subject's assessment and taxes were based on the assessment and taxes of the most comparable market properties. The millage rate for the subject in 2012 is illustrated below:

MILLAGE RATES FY 2012-DISTRICT 2440	
Taxing Authority	Rate per $1,000 of Assessed Value
Jackson County	51.369
City of Pascagoula	39.550
Pascagoula School District	48.390
Total	**139.309**

Since the subject will be new, the estimated assessment and taxes per bed were based above the comparables. The per bed assessment and tax amount was estimated as follows:

TAX ANALYSIS	
Estimated Per Bed Assessment	$7,000
Number of Subject Beds	80
Estimated Total Assessment	$560,000
2012 Millage Rate	139.309
Estimated Taxes	$78,013
Estimated Taxes, 2012	**$80,000**

The comparables and subject's projection include personal property.

Total Real Estate Taxes **$80,000**

Advertising

This category includes expenses associated with any form of non-employment related advertising. The comparables are illustrated below:

ADVERTISING EXPENSES PER BED - COMPARABLES			
Comparable 1	Comparable 2	Comparable 3	Subject Projection
$147	$347	$534	$815

Data obtained from the American Seniors Housing Association exhibits the following levels of advertising expenses:

ADVERTISING EXPENSES PER BED - NATIONAL STATISTICS				
Lower Decile	Lower Quartile	Median	Upper Quartile	Upper Decile
$333	$489	$703	$997	$1,474
Subject Projection				$815

The subject projection is above the comparables and median of the national statistics. The comparable properties are stabilized and established in their markets. The subject will need to establish and inform the market about the facility. Reliance was placed on the budgeted amount and is therefore considered reasonable.

Advertising **$65,174**

Liability Insurance

This category includes insurance related to liability coverage. The comparable expenses are illustrated below:

LIABILITY INSURANCE EXPENSES PER BED - COMPARABLES			
Comparable 1	Comparable 2	Comparable 3	Subject Projection
$147	$347	$534	$815

Data obtained from the American Seniors Housing Association exhibits the following levels for the liability insurance expense:

LIABILITY INSURANCE EXPENSES PER BED - NATIONAL STATISTICS				
Lower Decile	Lower Quartile	Median	Upper Quartile	Upper Decile
$232	$301	$508	$901	$1,667
Subject Projection				$815

The projection is above the range of the comparables and near the upper quartile of the national statistics. Primary reliance was placed on an insurance quote provided by the developer.

Liability Insurance **$31,000**

Other Administrative

This category includes advertising and other administrative costs other than those related to salaries and contract labor. These include expenses for telephone, cable TV, travel, education, office supplies, postage, freight, data processing, legal, accounting, dues and subscriptions, and related. The comparables are illustrated below:

ADMINISTRATIVE-OTHER EXPENSES PER BED - COMPARABLES			
Comparable 1	Comparable 2	Comparable 3	Subject Projection
$809	$1,165	$2,171	$1,188

The subject's projection is within the range of the comparables and most similar to Comparable Two. Our projection appears reasonable.

Administrative -Other **$95,046**

Utilities

This category includes all of the costs related to the property owner's utilities. Utility costs were examined for heat, water/sewer, gas, electric, and garbage removal/medical waste. The comparables provide the following:

UTILITIES				
Gas				
	Comparable 1	Comparable 2	Comparable 3	Subject Projection
Total gas per resident day	$0.50	$0.33	$0.40	$0.45
Electric				
	Comparable 1	Comparable 2	Comparable 3	Subject Projection
Total electric per resident day	$2.51	$2.81	$3.44	$3.45
Water				
	Comparable 1	Comparable 2	Comparable 3	Subject Projection
Total water per resident day	$1.42	$0.80	$0.99	$1.25
Total Utilities				
	Comparable 1	Comparable 2	Comparable 3	Subject Projection
Total Utilities per resident day	$4.43	$3.94	$4.83	$5.15
Projection-Total Utilities-per bed	$1,486	$1,411	$1,536	$1,748
Total Utilities				**$139,853**

Total utilities were analyzed on a per resident day and per bed basis. The subject is above the range of the comparables based on a per bed analysis and on a per resident day basis. A conservative approach was utilized that incorporated projections near the upper end of the range for each line item. Based on the above, the subject's projection is considered reasonable.

Utilities **$139,853**

Property Insurance

This category includes insurance costs other than those related to liability insurance, which normally includes property and car insurance. The comparables are illustrated below:

PROPERTY INSURANCE EXPENSES PER BED - COMPARABLES			
Comparable 1	Comparable 2	Comparable 3	Subject Projection
$0	$293	$374	$765

Data obtained from the American Seniors Housing Association exhibits the following levels of property insurance expenses:

PROPERTY INSURANCE EXPENSES PER BED - NATIONAL STATISTICS				
Lower Decile	Lower Quartile	Median	Upper Quartile	Upper Decile
$183	$248	$352	$705	$1,268
Subject Projection				$765

The subject is located along the Gulf Coast which has been impacted by hurricanes recently. Thus, the subject's projection is above the comparables and near the high end of the national statistics. Primary reliance was placed on an insurance quote provided by the developer.

Total Property Insurance **$61,200**

Maintenance and Repairs

This category includes costs related to the maintenance and repair of the facility including supplies, decorating, and ground expenses. The comparables are illustrated below:

TOTAL MAINT. & REPAIRS EXPENSES PER BED - COMPARABLES			
Comparable 1	Comparable 2	Comparable 3	Subject Projection
$605	$502	$1,349	$679

The subject is within the range of the comparables. Reliance was placed on Comparables 1 and 2 when estimating this expense category.

Total Maintenance and Repairs **$54,312**

Miscellaneous Expense

This category includes expenses relating to resident activities along with miscellaneous supplies.

TOTAL MISCELLANEOUS EXPENSES PER BED - COMPARABLES			
Comparable 1	Comparable 2	Comparable 3	Subject Projection
$133	$145	$0	$136

The subject's projection is within the comparables and appears reasonable.

Total Miscellaneous expense **$10,862**

Dietary

This category includes raw food and kitchen supplies. The comparables provide the following for the total dietary expenses:

TOTAL DIETARY EXPENSES PER RESIDENT DAY - COMPARABLES			
Comparable 1	Comparable 2	Comparable 3	Subject Projection
$5.31	$5.42	$8.36	$8.35

Primary reliance was placed toward the upper end of the comparables when estimating this expense category. A high quality dietary service provides a competitive advantage.

Dietary **$226,753**

Housekeeping

This category includes housekeeping supplies and expenses. The comparables provide the following for the total housekeeping expenses:

TOTAL HOUSEKEEPING EXPENSES PER RESIDENT DAY - COMPARABLES			
Comparable 1	Comparable 2	Comparable 3	Subject Projection
$0.15	$0.40	$0.23	$0.25

Primary reliance was placed on the middle of the range when estimating this expense category.

Housekeeping **$6,789**

Laundry

This category includes laundry supplies and expenses. The comparables provide the following for the total laundry expenses:

TOTAL LAUNDRY EXPENSES PER RESIDENT DAY - COMPARABLES			
Comparable 1	Comparable 2	Comparable 3	Subject Projection
$0.15	$0.40	$0.23	$0.25

Primary reliance was placed on the middle of the range when estimating this expense category.

Laundry **$12,220**

Nursing Services

This category includes medical supplies, drugs, and various consulting and professional fees. Primary reliance was placed on all of the comparables when estimating this expense category. The comparables provide the following for the total nursing expenses:

TOTAL NURSING EXPENSES PER RESIDENT DAY - COMPARABLES			
Comparable 1	Comparable 2	Comparable 3	Subject Projection
$0.37	$0.40	$0.31	$0.40

Reliance was placed on the upper end of the range of the comparables when estimating this expense category. Our projection appears reasonable.

Nursing Services **$10,862**

Management

Management expense is estimated as five (5) percent of the effective gross income of the subject based on the comparables and similar properties in the subject's market.

Total Management **$173,052**

Replacement Reserve (Realty)

Our estimate is estimated based on the replacement reserves of 0.60% of structure costs.

Replacement Reserve (Realty) **$51,395**

Replacement Reserve (Non-Realty)

Our estimate is forecasted based on the annual deposit equivalent to 10.00% of the major movables value.

Replacement Reserve (Non Realty) **$28,000**

Total Expenses for the subject *prior to replacement reserves and including management* is provided in the following summary:

TOTAL EXPENSE COMPARISON				
	Comparable 1	Comparable 2	Comparable 3	Subject Projection
Expenses per resident day (Trended)	$61.55	$59.35	$98.97	$82.68
Expenses as a % of EGI	53.7%	67.4%	78.0%	64.9%
Expenses per bed	$20,668	$21,246	$31,436	$28,064

The subject's expenses per resident day are ***within the range*** provided by the comparables on a per resident day and per bed basis. The expense ratio is also within the range and most similar to Comparable Two.

The income and expense estimates for the subject are provided below:

REVENUES AND EXPENSES			
Occupancy %		93.0%	
Average Rental Rate Per Day		$124.61	
Total Resident Days		27,156	
Revenues	$/Res Day	Amount	
Total Base Revenue	$124.61	$3,384,000	
Level of Care Fees	$9.54	$259,200	
Resident Assessment	$0.88	$24,000	
Second Person Income	$0.44	$12,000	
Other Revenue	$1.56	$42,340	
Total Other Income	$12.43	$337,540	
Potential Gross Income	$137.04	$3,721,540	
Less Contractual Adjustments	$0.00	$0	
Less Vacancy	($9.59)	($260,508)	
Effective Gross Income	$127.45		$3,461,032
Operating Expenses			
Total Salaries	$47.06	$1,277,999	
Total Taxes	$2.95	$80,000	
Total Admin. Expenses	$7.04	$191,220	
Total Building Expense	$9.40	$255,366	
Miscellaneous Expense	$0.40	$10,862	
Total Dietary	$8.35	$226,753	
Laundry	$0.25	$6,789	
Housekeeping	$0.45	$12,220	
Total Nursing	$0.40	$10,862	
Management	$6.37	$173,052	
Total Expenses	$82.68		$2,245,123
Net Operating Income Before Reserves	$44.77		$1,215,909
Res/Replacement(Realty)	$1.89		$51,395
Res/Replacement(Non-Realty)	$1.03		$28,000
Total Project Expense	$85.60		$2,324,517
Net Operating Income	$41.85		$1,136,515

Capitalization Rate

Extraction From Comparable Sales

Sales of facilities included in the sales comparison approach revealed the following overall rates.

OAR RATES PER BED				
Property	Heritage House of Castlewoods	Alliance Florida Panhandle Portfolio	McAuley Place	Malbis Assisted Living
Sale Date	October-10	January-11	February-10	October-09
Sales Price Per Bed	$96,364	$96,591	$45,000	$59,091
EGIM	2.72	3.34	1.07	2.49
Overall Cap. Rate	8.96%	10.12%	12.81%	11.16%

The range in capitalization rates is from a low of 8.96 % to a high of 12.81%. Reliance is placed on Heritage and the Alliance Portfolio due to their transaction dates. The portfolio sale does have an underperforming asset included, thus the above average rate.

Acquisition Survey

The National Investment Center for the Seniors Housing & Care Industries compiles statistics for seniors housing sale transactions on a quarterly basis. The data is gathered from senior housing operators, financiers and appraisers. Key metrics data provided by NIC for 2Q 2011 indicates average capitalization rates of 9.3%. This compares favorably to the previous four quarters dating back to 1Q 2010, in which average capitalization rates have ranged from 9.0% to 10.0%.

The subject will be in good condition and produce strong operating profits. There will be minimal risk associated with the cash flow. Therefore, the subject would be considered to have risk potential in the low to mid-range of facilities. The investor information above suggests that overall capitalization rates average 9.3%. Considering the condition of the subject (good/new), the anticipated operating performance of the subject and with the market in which it operates, a low capitalization rate is indicated.

Band of investment (overall rate) - This method of analyzing an overall rate is based on the basic market-derived components plus investor perceptions that formulate capitalization rates. These are the return of and on the investment (payback of financing) as well as the return "of" and "on" the equity (equity dividend rate). The formula for deriving an overall rate by this method is shown below:

$$R_o = (M*R_m) + ((1-M)*R_c)$$

R_o = Overall rate
M = Mortgage rate
1-M = Equity rate
R_c = Equity dividend rate

Where:

R_o = Overall rate
DCR = Debt coverage ratio
R_m = Mortgage constant (annualized)
M = Mortgage ratio

Debt coverage formula (overall rate) - Mortgage lending parameters and practices have a significant influence on real estate investment structuring and corresponding rate requirements. The debt coverage ratio (DCR) has increased in importance as an indication of the appropriate return to the various financial components. The debt coverage ratio is the ratio of net operating income to annual debt service. Institutional lenders are increasingly sensitive to the safety of their loan portfolio investments. With income-based property loans, lenders attempt to provide a margin of error that will enable the underlying collateral to continue to meet its debt service obligations in the event there is a moderate retraction in the income capabilities of the loan collateral. In summary, this is a more conservative rate, which is used by the institutional lenders in an effort to provide a cushion so that a borrower will be able to meet the debt service obligations on the loan even if the building income declines. Most lenders require a minimum DCR of 1.15 to 1.45, though senior housing and long-term care DCRs are typically 1.20 to 1.30. Under LEAN a minimum DCR of 1.25 is required to calculate a cap rate for assisted living. The formula for calculating an overall rate through the use of a DCR is as follows:

$$Ro = DCR * Rm * M$$

HUD Methodology – HUD LEAN guidelines suggest that reasonable guidance for a "minimum" capitalization rate be calculated using the following formula:

Debt Service Constant + FHA MIP x Debt Coverage Ratio

It is recognized that market realities of each project would dictate the capitalization rate to be used, which may be higher than the minimum formula.

The rates calculated for the subject for the methods outlined above are provided in the following:

Pascagoula Assisted Living Overall Rate Calculations						
Mortgage Interest Rate						5.50%
Amortization Term						40
Loan to Value Ratio						75.00%
Debt Service Constant						6.19%
Debt Coverage Ratio						1.45
Equity Divided Rate						15.00%
BAND OF INVESTMENT						
Debt Portion	75%	x	0.0619		=	0.0464
Equity Portion	25%	x	0.1500		=	0.0375
						8.39%
DEBT COVERAGE	75%	x	1.45	x	0.0619	**6.73%**
HUD METHODOLOGY						
	(6.19%	+	0.5%)	x	1.25	**8.36%**

The various methods produce results of approximately 6.73%-8.39% for the going-concern.

Capitalization Rate Conclusion

The actual sales data indicates a range of capitalization rates from approximately 8.96% to 12.81%. Other data was also considered such as the capitalization rates from the NIC investor survey, the band of investment method and the debt coverage ratio method. These approaches generally confirmed the data found from the sales data found in the subject's market. Considering the subject's age and condition (proposed/good), location, size, and level of care to be offered, a relatively low to average capitalization rate is indicated. It is our opinion that a capitalization rate (going-concern) of 9.0% is appropriate for the subject as a going concern.

The net operating income is divided by the overall capitalization rate to derive the going concern value via the income approach. The resulting values for the subject are presented in the tables below:

INDICATED VALUES OF DIRECT CAPITALIZATION METHOD	
	Total Value
NOI	**$1,136,515**
OAR	9.00%
Indicated Values	$12,627,942
Rounded	**$12,600,000**
Per Operating Bed	**$157,500**
Per operating unit	**$161,538**

Sales Comparison Approach

The sales comparison approach is a method of estimating the market value of a property by the comparison of actual sales or offerings of properties considered similar to the subject. This approach reflects the market value of a property, based on actions of typical buyers and sellers in the marketplace, and simplifies the principles of substitution. The principle of substitution affirms that the maximum value of a property tends to be set by the cost of acquiring an equally desirable and valuable substitute property, assuming that no costly delays are encountered in making the substitution.

In preparing this approach, we researched the market to find sales of facilities similar to the subject. Our research discovered a number of transactions that included properties in towns similar to the subject. However, there were no truly comparable sales to the subject.

The subject is a proposed facility that will be of the best quality in the market and should produce strong profit levels. The subject will be professionally managed and be highly competitive in the market.

The sales selected for the analysis were generally good quality properties in their respective markets and were operating at average to above profit levels. As required by LEAN, two approaches were taken to estimate the Sales Comparison value. One approach only adjusts the sales using a Net Operating Income (NOI) adjustment and nothing else. The other approach adjusts the sales to reflect all other differences in factors affecting value except for NOI, as compared to the proposed subject property. These adjustments could include location/access, age/condition, quality/amenities, property size, occupancy, and unit mix/average unit size.

One of the primary units of comparison used by buyers and sellers of assisted living facilities is the price per unit or the price per bed. Our analysis estimates the value of the subject on a per unit and per bed comparison. No adjustments were required for cash equivalency, as all the sales were cash transactions or involved conventional third party financing at market interest rates and terms.

The following improved sales map is located below and the detailed written descriptions of the improved sales are in the addenda.

Improved Sales Map

Valuation Analysis

Only NOI Adjustment Approach

Under this sales approach the selected sales were adjusted only for their primary adjustments and the difference in Net Operating Income from the subject. The following adjustments were considered:

Property Rights Conveyed—Each of the sales used transferred typical property rights via a Warranty Deed and/or the purchase of a partnership/corporation where the real estate was the only asset. As a result, no adjustments were necessary for various property rights.

Financing—All of the sales were all cash or purchased via third party loans. There were no adjustments for financing.

Conditions of Sale— Each sale represented an arm's length transaction. Therefore no adjustments were made for this category.

Market Conditions (Time)— Adjustments for time or changes in market conditions are measured from the date of sale of each comparable or from the listing date to the date of the appraisal. Market conditions requiring adjustments include change in price levels due to inflation, population and demographic changes, changing supply and demand factors for similar properties, and changes in the general economic outlook nationally and locally. Market condition adjustments were not applied but rather taken into consideration during reconciliation.

NOI Adjustment

The NOI adjustment was calculated on a per bed and per unit basis as illustrated in the following tables:

CALCULATIONS OF NOI ADJUSTMENT PER BED			
	NOI	Difference	% Difference
Subject	$14,206		
Comparable 1	$8,636	$5,570	64%
Comparable 2	$9,772	$4,434	45%
Comparable 3	$5,766	$8,441	146%
Comparable 4	$6,597	$7,609	115%

CALCULATIONS OF NOI ADJUSTMENT PER UNIT			
	NOI	Difference	% Difference
Subject	$14,571		
Comparable 1	$9,500	$5,071	53%
Comparable 2	$11,025	$3,546	32%
Comparable 3	$8,237	$6,334	77%
Comparable 4	$9,676	$4,894	51%

The percentage difference was applied to each sale to arrive at an adjusted sales price per bed and per unit.

Summary

We selected the best available sales and placed primary reliance on Sales One and Two since they are the most current. We estimated the value of the subject at $155,000 per bed and $160,000 per unit.

Indicated Value Per Bed/Unit		
	Per Bed	Per Unit
Minimum	$110,881	$113,724
Maximum	$158,514	$162,578
Average	$134,264	$137,707
Standard Deviation	$20,183	$20,701
Reconciled Value	**$155,000**	**$160,000**

The analysis is provided in the following:

SUMMARY OF SALES COMPARABLES

COMPARABLE NUMBER	Subject		Comparable 1		Comparable 2		Comparable 3		Comparable 4	
Location Data										
Property Name	Pascagoula Assisted Living		Heritage House of Castlewoods		Alliance Florida Panhandle		McAuley Place		Malbis Assisted Living	
Address	1806 Live Oak Avenue		140 Castlewoods Boulevard		Florida Panhandle		3712 Dauphin Street		10171 Papa George Street	
City, State	Pascagoula, Mississippi		Brandon, MS		Milton, Quincy, Cantonment, Defuniak Springs, FL		Mobile, AL		Daphne, AL	
Sale Data										
Date of Sale	N/A		October-10		January-11		February-10		October-09	
Sales Price	N/A		$10,600,000		$17,000,000		$4,500,000		$2,600,000	
Property Rights Conveyed	N/A		Going Concern		Going concern		Going Concern		Going Concern	
Financing Terms	N/A		Cash		Cash		Cash		Cash	
Conditions of Sale	N/A		Arm's length		Arm's length		Arm's length		Arm's length	
Physical Data										
Year Built	2013		1999		1999		1994		2000	
Number of Units	78		100		156		70		30	
Number of Beds	80		110		176		100		44	
Care Levels	ALF/ALZ		ALF/ALZ		ALF/ALZ		ALF/SNF		ALF	
Income Data										
Effective Gross Income	$3,461,032		$3,900,000		$5,089,820		$4,210,480		$1,044,480	
Expenses	$2,245,123		$2,950,000		$3,369,934		$3,633,924		$754,191	
NOI After Reserves	$1,136,515		$950,000		$1,719,886		$576,556		$290,289	
Expense Ratio (% of EGI)	64.9%		75.6%		66.2%		86.3%		72.2%	
EGIM	N/A		2.72		3.34		1.07		2.49	
Overall Cap. Rate	N/A		8.96%		10.12%		12.81%		11.16%	
Income Data	Per Bed	Per Unit	Per Bed	Per Unit	Per Bed	Per Unit	Per Bed	Per Unit	Per Bed	Per Unit
EGI per Bed/Unit	$43,263	$44,372	$35,455	$39,000	$28,919	$32,627	$42,105	$60,150	$23,738	$34,816
NOI Per Bed/Unit After Reserves	$14,206	$14,571	$8,636	$9,500	$9,772	$11,025	$5,766	$8,237	$6,597	$9,676
Sales Price Per Bed/Unit	N/A		$96,364	$106,000	$96,591	$108,974	$45,000	$64,286	$59,091	$86,667
ADJUSTMENTS:			Per Bed	Per Unit	Per Bed	Per Unit	Per Bed	Per Unit	Per Bed	Per Unit
Property Rights Conveyed			0%	0%	0%	0%	0%	0%	0%	0%
Financing Terms			0%	0%	0%	0%	0%	0%	0%	0%
Conditions of Sale			0%	0%	0%	0%	0%	0%	0%	0%
Market Condition			0%	0%	0%	0%	0%	0%	0%	0%
Subtotal: Initial Adjustments			0%	0%	0%	0%	0%	0%	0%	0%
Adjusted per Bed/Unit Values			$96,364	$106,000	$96,591	$108,974	$45,000	$64,286	$59,091	$86,667
Net Operating Income			64%	53%	45%	32%	146%	77%	115%	51%
Unit Mix/Project Size			0%	0%	0%	0%	0%	0%	0%	0%
Quality/Condition			0%	0%	0%	0%	0%	0%	0%	0%
Other Adjustments			0%	0%	0%	0%	0%	0%	0%	0%
Subtotal. Other Adjustments			64%	53%	45%	32%	146%	77%	115%	51%
Total Adjustments			64%	53%	45%	32%	146%	77%	115%	51%
			Per Bed	Per Unit	Per Bed	Per Unit	Per Bed	Per Unit	Per Bed	Per Unit
Indicated Value			$158,514	$162,578	$140,422	$144,022	$110,881	$113,724	$127,241	$130,504
	Per Bed	Per Unit					**Estimated Value:**			
Minimum	$110,881	$113,724					**Reconciled Value per Bed * Bed Count**			**$12,400,000**
Maximum	$158,514	$162,578					**Reconciled Value per Unit * Unit Count**			**$12,480,000**
Average	$134,264	$137,707					**Plus: Excess Land**			**$0**
Standard Deviation	$20,183	$20,701					**Estimated Going Concern Value**			
Reconciled Value	**$155,000**	**$160,000**					**Reconciled Value**			**$12,400,000**

The per bed and per unit values were then reconciled into one value estimate. The only NOI adjusted sales approach value is estimated at $12,400,000.

All other Adjustments except NOI Approach

Under this sales approach the selected sales were adjusted for all other factors except their difference in Net Operating Income. The adjustments were made on the following considerations.

Property Rights Conveyed—Each of the sales used transferred typical property rights via a Warranty Deed and/or the purchase of a partnership/corporation where the real estate was the only asset. As a result, no adjustments were necessary for various property rights.

Financing—All of the sales were all cash or purchased via third party loans. There were no adjustments for financing.

Conditions of Sale— Each sale represented an arm's length transaction. Therefore no adjustments were made for this category.

Market Conditions (Time)— Adjustments for time or changes in market conditions are measured from the date of sale of each comparable or from the listing date to the date of the appraisal. Market conditions requiring adjustments include change in price levels due to inflation, population and demographic changes, changing supply and demand factors for similar properties, and changes in the general economic outlook nationally and locally. Market condition adjustments were not applied but rather taken into consideration during reconciliation.

Age/Other Adjustments

The remaining adjustments are explained in the following paragraphs. The sum of these adjustments was combined into the Age/Other adjustment category.

Location

The subject has a similar location to the comparables and was not adjusted.

Unit Mix/Project Size

All of the comparables were considered similar in this respect and no adjustment was made.

Quality/Condition

All of the sales are older than the subject and in average/good overall condition. Therefore an adjustment was applied based on the following:

QUALITY/ CONDITION ADJUSTMENT			
A. Comparable	B. Age Difference to Subject	C. Depreciation per Year	D. Total Adjustment (B*C)
One	14 years	1.66%	23%
Two	14 years	1.66%	23%
Three	19 years	1.66%	32%
Four	13 years	1.66%	22%

Other Adjustments

Operational decisions made by management greatly impact a healthcare facilities operation. The expense ratio that a property is operating with at the time of sale is an important indicator of management's ability to efficiently operate the facility and turn a profit. It can also be a reflection of the dynamics of the market that the property sits in. Different labor costs, material costs, and rate levels all have an effect on profit margins. All sales were operating with different expense ratios than the subject at the time of sale.

An analysis was conducted of the total expense ratio after all of the other adjustments were made. Pairing Sales One and Three calculates a per percentage point difference of $5,000 in the per bed analysis and $4,000 in the per unit analysis.

ADJUSTMENTS FOR EACH SALE COMPARABLE-PER BED				
	Sale One	Sale Two	Sale Three	Sale Four
(Sales Price/Bed) Adjusted	$96,364	$96,591	$45,000	$59,091
Percentage Point Difference between Subject and Sales	10.8	1.3	21.4	7.3
Multiply by $5000 per Point (calculated above)	$53,862	$6,704	$107,190	$36,694
Percent Adjustment	55.9%	6.9%	238.2%	62.1%
Rounded	55%	5%	240%	60%

ADJUSTMENTS FOR EACH SALE COMPARABLE-PER UNIT				
	Sale One	Sale Two	Sale Three	Sale Four
(Sales Price/Unit) Adjusted	$106,000	$108,974	$64,286	$86,667
Percentage Point Difference between Subject and Sales	10.8	1.3	21.4	7.3
Multiply by $4000 per Point (calculated above)	$43,090	$5,363	$85,752	$29,355
Percent Adjustment	40.7%	4.9%	133.4%	33.9%
Rounded	40%	5%	135%	35%

Summary

We selected the best available sales and placed primary reliance toward the upper end of the range. We estimated the value of the subject at $160,000 per bed and $160,000 per unit.

Indicated Value Per Bed/Unit		
	Per Bed	Per Unit
Minimum	$107,297	$135,703
Maximum	$171,759	$173,034
Average	$142,529	$154,958
Standard Deviation	$31,897	$19,979
Reconciled Value	**$160,000**	**$160,000**

The analysis is provided in the following:

SUMMARY OF SALES COMPARABLES

COMPARABLE NUMBER	Subject		Comparable 1		Comparable 2		Comparable 3		Comparable 4	
Location Data										
Property Name	Pascagoula Assisted Living		Heritage House of Castlewoods		Alliance Florida Panhandle		McAuley Place		Malbis Assisted Living	
Address	1806 Live Oak Avenue		140 Castlewoods Boulevard		Florida Panhandle		3712 Dauphin Street		10171 Papa George Street	
City, State	Pascagoula		Brandon, MS		Milton, Quincy, Cantonment, Defuniak Springs, FL		Mobile, AL		Daphne, AL	
Sale Data										
Date of Sale	N/A		October-10		January-11		February-10		October-09	
Sales Price	N/A		$10,600,000		$17,000,000		$4,500,000		$2,600,000	
Property Rights Conveyed	N/A		Going Concern		Going concern		Going Concern		Going Concern	
Financing Terms	N/A		Cash		Cash		Cash		Cash	
Conditions of Sale	N/A		Arm's length		Arm's length		Arm's length		Arm's length	
Physical Data										
Year Built	2013		1999		1999		1994		2000	
Number of Units	78		100		156		70		30	
Number of Beds	80		110		176		100		44	
Care Levels	ALF/ALZ		ALF/ALZ		ALF/ALZ		ALF/SNF		ALF	
Income Data										
Effective Gross Income	$3,461,032		$3,900,000		$5,089,820		$4,210,480		$1,044,480	
Expenses	$2,245,123		$2,950,000		$3,369,934		$3,633,924		$754,191	
NOI After Reserves	$1,136,515		$950,000		$1,719,886		$576,556		$290,289	
Expense Ratio (% of EGI)	64.9%		75.6%		66.2%		86.3%		72.2%	
EGIM	N/A		2.72		3.34		1.07		2.49	
Overall Cap Rate	N/A		8.96%		10.12%		12.81%		11.16%	
Income Data	Per Bed	Per Unit	Per Bed	Per Unit	Per Bed	Per Unit	Per Bed	Per Unit	Per Bed	Per Unit
EGI per Bed/Unit	$43,263	$44,372	$35,455	$39,000	$28,919	$32,627	$42,105	$60,150	$23,738	$34,816
NOI Per Bed/Unit After Reserves	$14,206	$14,571	$8,636	$9,500	$9,772	$11,025	$5,766	$8,237	$6,597	$9,676
Sales Price Per Bed/Unit	N/A		$96,364	$106,000	$96,591	$108,974	$45,000	$64,286	$59,091	$86,667
ADJUSTMENTS:			Per Bed	Per Unit	Per Bed	Per Unit	Per Bed	Per Unit	Per Bed	Per Unit
Property Rights Conveyed			0%	0%	0%	0%	0%	0%	0%	0%
Financing Terms			0%	0%	0%	0%	0%	0%	0%	0%
Conditions of Sale			0%	0%	0%	0%	0%	0%	0%	0%
Market Condition			0%	0%	0%	0%	0%	0%	0%	0%
Subtotal: Initial Adjustments			0%	0%	0%	0%	0%	0%	0%	0%
Adjusted per Bed/Unit Values			$96,364	$106,000	$96,591	$108,974	$45,000	$64,286	$59,091	$86,667
Location			0%	0%	0%	0%	0%	0%	0%	0%
Unit Mix/Project Size			0%	0%	0%	0%	0%	0%	0%	0%
Quality/Condition			23%	23%	23%	23%	32%	32%	22%	22%
Other Adjustments			55%	40%	5%	5%	240%	135%	60%	35%
Subtotal Other Adjustments			78%	63%	28%	28%	272%	167%	82%	57%
Total Adjustments			78%	63%	28%	28%	272%	167%	82%	57%
			Per Bed	Per Unit	Per Bed	Per Unit	Per Bed	Per Unit	Per Bed	Per Unit
Indicated Value			$171,759	$173,034	$123,868	$139,749	$167,193	$171,347	$107,297	$135,703
	Per Bed	Per Unit					**Estimated Value:**			
Minimum	$107,297	$135,703					**Reconciled Value per Bed * Bed Count**			**$12,800,000**
Maximum	$171,759	$173,034					**Reconciled Value per Unit * Unit Count**			**$12,480,000**
Average	$142,529	$154,958					**Plus: Excess Land**			**$0**
Standard Deviation	$31,897	$19,979					**Estimated Going Concern Value**			
Reconciled Value	**$160,000**	**$160,000**					**Reconciled Value**			**$12,600,000**

The per bed and per unit values were then reconciled into one value estimate. The all other adjustments except NOI sales approach value is estimated at $12,600,000.

Sales Comparison Value Conclusion

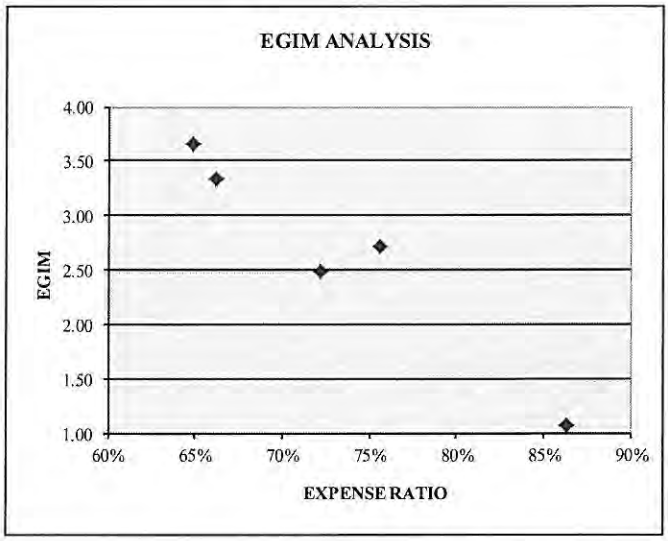
The two methodologies utilized in the Sales Comparison Approach are then reconciled into one final value for the subject. This is illustrated in the following:

RECONCILIATION OF SALES COMPARISON APPROACH	
Approach	Going Concern
Sales Comparison-NOI Adjusted Approach	$12,400,000
Sales Comparison-Physical Adjustments	$12,600,000
Reconciled Value	$12,500,000

Effective Gross Income Multiplier (EGIM)

In addition to adjusting the improved sales for price paid per unit/per bed, we have examined the indicated EGIMs and expense ratios of each property. This method compares the subject's income characteristics with those of the comparable properties and develops a multiplier, which is appropriate for the subject. Typically, the higher expense ratio results in a lower EGIM. The sales provided a reasonable range for analysis.

EGIM		
PROPERTY	EXPENSE RATIO	EGIM
Heritage House of Castlewoods	76%	2.72
Alliance Florida Panhandle Portfolio	66%	3.34
McAuley Place	86%	1.07
Malbis Assisted Living	72%	2.49
Pascagoula Assisted Living	65%	3.65



EFFECTIVE GROSS REVENUE MULTIPLIER ANALYSIS	
Effective Gross Income	$3,461,032
Effective Gross Income Multiplier	3.65
Estimated "As Stable" Value	$12,632,768
"As Stable" Value Rounded	**$12,600,000**

An EGIM was selected that generally adheres to the linear correlation of EGIM's and expense ratios. The selected EGIM appears reasonable.

Conclusion-Sales Comparison Approach

The various value indicators via the Sales Comparison Approach are as follows:

Reconciliation of Sales Comparison Approach	
Approach	Going Concern
Sales Comparison-NOI Adjusted Approach	$12,400,000
Sales Comparison-Physical Adjustments	$12,600,000
Reconciled Value	$12,500,000
EGIM	$12,600,000
Reconciled Value	$12,600,000

Reliance was placed on the average of all of the approaches.

Reconciliation and Final Value Estimate

The purpose of this appraisal was to estimate the market value of the fee simple interest in the subject property.

VALUE INDICATIONS	
Approach to Value:	Total Going-Concern
The Cost Approach	$14,300,000
The Sales Comparison Approach	$12,600,000
The Income Capitalization Approach	$12,600,000
Reconciliation Market Value	**$12,600,000**

In the cost approach, the value of the land plus the business value and the depreciated reproduction cost of the improvements was estimated. This approach to value provides an excellent method of estimating the value of recently constructed or proposed properties that represent the highest and best use of the site. In this instance, the subject is a proposed property and the cost approach does provide a reasonable method for estimating the hard cost of construction. However, most investors buy facilities based on the income that can be produced. Therefore, minimal weight is placed on this approach to value.

The income approach was considered to provide a reliable value indication, since it is especially appropriate for the valuation of income-producing properties like the subject. The income, expenses, and overall rate was considered to be well supported by the market. Overall, the income approach was judged to be very persuasive. The income, expenses and overall rate were considered well supported by rate comparables, expense comparables, and several recent sales. We employed the Direct Capitalization method in this appraisal.

The sales comparison approach (market approach) was considered to provide a reasonable value indication for the subject property under both approaches. However, as discussed previously there were no truly comparable sales in the subject area. Thus, the sales comparison approach was not considered in the final value estimate but does provide a reasonable check on value.

After considering each approach to value, we gave most weight to the income approach.

As a result of our investigation into those matters affecting market value, and by virtue of our experience and training, we estimated that the **"as complete and stable"** going concern market value of the fee simple interest in the subject, effective February 6, 2012 was:

AS COMPLETE AND STABLE-GOING CONCERN
TWLEVE MILLION SIX HUNDRED THOUSAND DOLLARS
($12,600,000)

Operating Deficit

The subject property is proposed and will require a lease-up period. As such, an operating deficit is required as per the HUD LEAN Guide. In accordance with the guidelines, three intervals are considered. These are:

Interval 1 - spans the period of time between initial occupancy and the end of construction period/cost certification period. The construction period is defined as construction time plus two months for cost certification process. This interval includes the appraiser's estimate of all of the applicable operating expenses for each month in this interval. Replacement reserves are not included in Interval 1. Property taxes and property insurance are not included during the construction period. These expenses are covered through the builder's risk insurance and taxes during construction.

Interval 2 - begins at the end of the construction period/cost certification process and ends at the beginning of amortization. Per the guidelines, this period can be no greater than two months. Debt service during this interval should include payment for interest and MIP, but not amortization. Replacement reserves are not included in Interval 2.

Interval 3 - is the beginning of amortization and continues through the period when revenue is sufficient to sustain positive cash flow after payment of operating expenses and debt service. This interval should include the appraiser's estimate of all applicable operating expenses for each period (month) Amortized debt service is mandatory in this interval and should include payment to principal, interest and MIP. Interval 3 should end when cash flow becomes positive.

The Operating Deficit is calculated by a sum of the negative cash flows during the three-interval period. That is, if the dollar debt service for a period (month) is greater than the net income for that period, the difference represents the estimate of the operating deficit.

Absorption

Absorption commences when the facility is ready to be occupied. 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. The subject will provide 80 beds. The market area and adjacent market areas were researched in an effort to locate facilities that were constructed or expanded recently. No facilities were located.

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-	-

The absorption schedule is illustrated below:

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.

Income & Occupancy Assumptions

The following charts are provided by the Lean office for the income and occupancy assumptions:

Unit Type	Total # Beds	UW Occupancy	Number of Preleases	Avg. Monthly Absorption
e.g. Assisted Living	62	93.00%	7.00	3.00
e.g. Memory Care	18	93.00%	3.00	2.00
Totals	80	93.00%	10.00	5.00

Unit Type	UW Eff. Gross Inc. per year	Total # Beds	UW Occupancy	# Occupied Units	EGI per Occp'd Unit	Number of Preleases	Net Monthly Absorption
e.g. Assisted Living	$2,223,072	62	93.00%	57.66	$38,554.84	7.00	3.00
e.g. Memory Care	$924,048	18	93.00%	16.74	$55,200.00	3.00	2.00
Other Income	$313,912						
Totals	$3,461,032	80	93.00%	74.40	$46,519.25	10.00	5.00

Expense Assumptions

The following chart is provided by the Lean office for the expense assumptions:

Category	Total Exp. per year	Total Exp. per Month	Per Res Day	POU per year	% of EGI Appraisal
e.g. General & Administrative	$278,548	$23,212	$10.26	$3,744	8.05%
e.g. Payroll Taxes and Benefits	$230,459	$19,205	$8.49	$3,098	6.66%
e.g. Resident Care	$632,782	$52,732	$23.30	$8,505	18.28%
e.g. Food Services	$349,473	$29,123	$12.87	$4,697	10.10%
e.g. Activities	$56,420	$4,702	$2.08	$758	1.63%
e.g. Housekeeping & Laundry	$60,609	$5,051	$2.23	$815	1.75%
e.g. Maintenance	$86,552	$7,213	$3.19	$1,163	2.50%
e.g. Utilities	$139,853	$11,654	$5.15	$1,880	4.04%
e.g. Bad Debt	$0	$0	$0.00	$0	0.00%
		$0	$0.00	$0	0.00%
Ground Rent	$0	$0	$0.00	$0	0.00%
Marketing and Promotion	$65,174	$5,431	$2.40	$876	1.88%
Insurance (property & liability)	$92,200	$7,683	$3.40	$1,239	2.66%
Real Estate (Property) Taxes	$80,000	$6,667	$2.95	$1,075	2.31%
Management Fees	$173,052	$14,421	$6.37	$2,326	5.00%
Replacement Reserves	$79,395	$6,616	$2.92	$1,067	2.29%
TOTAL	**$2,324,517**	**$193,710**	**$85.60**	**$31,244**	**67.16%**

The expense items are subject to expense floors that increase as the property lease up as indicated below:

Expense Floor		
Percentage	Yearly Floor	Monthly Floor
100.00%	$278,548	$23,212
80.00%	$184,367	$15,364
30.00%	$189,835	$15,820
30.00%	$104,842	$8,737
30.00%	$16,926	$1,411
10.00%	$6,061	$505
30.00%	$25,966	$2,164
50.00%	$69,927	$5,827
0.00%	$0	$0
0.00%	$0	$0
100.00%	$0	$0
100.00%	$65,174	$5,431
100.00%	$92,200	$7,683
100.00%	$80,000	$6,667
80.00%	$138,441	$11,537
100.00%	$79,395	$6,616

The expense floors utilized are the recommended levels per the Lean office.

Debt Service Assumptions

The following chart is provided by the Lean office for the debt service assumptions:

Interest Only	$43,313	per month
Principal Plus Interest	$48,740	per month
MIP	$3,938	per month

Debt Service Calculator	
Mortgage Amount	$9,450,000
Term	480
Interest Rate	5.50%
MIP	0.50%
Monthly Payment	$48,740
MIP Payment	$3,938
Interest Only	$43,313

The Operating Deficit is calculated by a sum of the negative cash flows during the three interval periods. That is, if the dollar debt service for a period (month) is greater than the net income for that period, the difference represents the estimated operating deficit. The Operating Deficit is illustrated on the following:

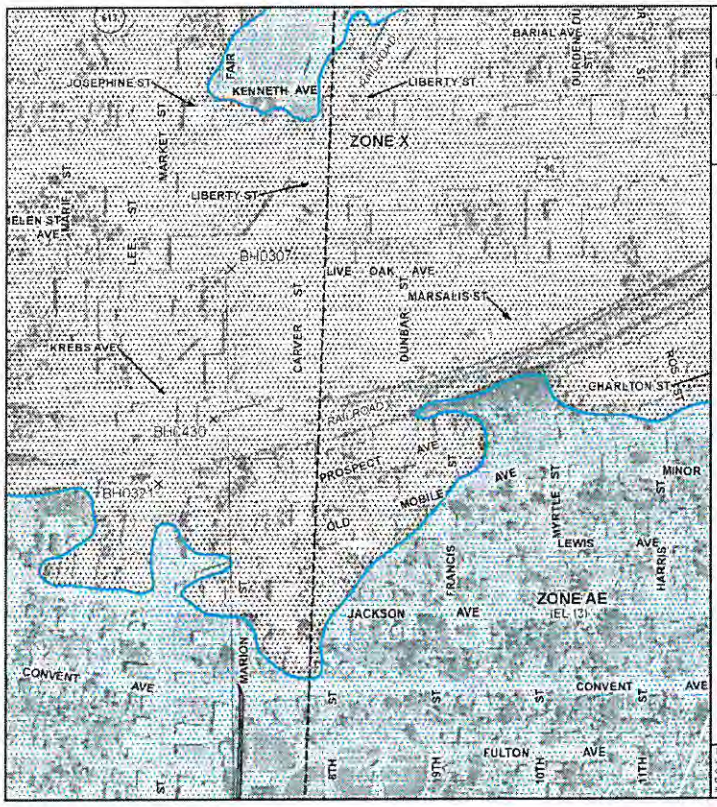
Period	Occupied Units	Occupied Percent	Income per Period	Exp. & Mort. per Period	Income/Loss per Period
Month 1	0.00	0.00%	$0	($102,105)	($102,105)
Month 2	0.00	0.00%	$0	($102,105)	($102,105)
Month 3	10.00	12.50%	$38,766	($241,729)	($202,963)
Month 4	15.00	18.75%	$58,149	($204,802)	($146,653)
Month 5	20.00	25.00%	$77,532	($169,935)	($92,403)
Month 6	25.00	31.25%	$96,915	($173,652)	($76,737)
Month 7	30.00	37.50%	$116,298	($180,293)	($63,995)
Month 8	35.00	43.75%	$135,681	($186,934)	($51,253)
Month 9	40.00	50.00%	$155,064	($194,014)	($38,950)
Month 10	44.74	55.93%	$173,439	($201,052)	($27,613)
Month 11	47.74	59.68%	$185,069	($205,507)	($20,438)
Month 12	50.74	63.43%	$196,699	($209,962)	($13,263)
Month 13	53.74	67.18%	$208,329	($214,416)	($6,088)
Total					($945,000)

The detailed calculation of the operating deficit is provided on the following page.

Pascagoula Assisted Living	Period One		Period Two		Period Three								
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Month 13
e.g. Assisted Living	0.00	0.00	7.00	10.00	13.00	16.00	19.00	22.00	25.00	28.00	31.00	34.00	37.00
e.g. Memory Care	0.00	0.00	3.00	5.00	7.00	9.00	11.00	13.00	15.00	16.74	16.74	16.74	16.74
e.g. Skilled Nursing or Sub-Acute	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
e.g. Independent Living	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Occupied Units	0.00	0.00	10.00	15.00	20.00	25.00	30.00	35.00	40.00	44.74	47.74	50.74	53.74
Total Resident Days	0.00	0.00	304.17	456.25	608.33	760.42	912.50	1064.58	1216.67	1360.84	1452.09	1543.34	1634.59
EGI	**$0**	**$0**	**$38,766**	**$58,149**	**$77,532**	**$96,915**	**$116,298**	**$135,681**	**$155,064**	**$173,439**	**$185,069**	**$196,699**	**$208,329**
e.g. General & Administrative	($23,212)	($23,212)	($23,212)	($23,212)	($23,212)	($23,212)	($23,212)	($23,212)	($23,212)	($23,212)	($23,212)	($23,212)	($23,212)
e.g. Payroll Taxes and Benefits	($15,364)	($15,364)	($15,364)	($15,364)	($15,364)	($15,364)	($15,364)	($15,364)	($15,364)	($15,364)	($15,364)	($15,364)	($15,364)
e.g. Resident Care	($15,820)	($15,820)	($15,820)	($15,820)	($15,820)	($17,719)	($21,263)	($24,807)	($28,350)	($31,710)	($33,836)	($35,963)	($38,089)
e.g. Food Services	($8,737)	($8,737)	($8,737)	($8,737)	($8,737)	($9,786)	($11,743)	($13,700)	($15,657)	($17,513)	($18,687)	($19,861)	($21,036)
e.g. Activities	($1,411)	($1,411)	($1,411)	($1,411)	($1,411)	($1,580)	($1,896)	($2,212)	($2,528)	($2,827)	($3,017)	($3,206)	($3,396)
e.g. Housekeeping & Laundry	($505)	($505)	($679)	($1,018)	($1,358)	($1,697)	($2,037)	($2,376)	($2,715)	($3,037)	($3,241)	($3,445)	($3,648)
e.g. Maintenance	($2,164)	($2,164)	($2,164)	($2,164)	($2,164)	($2,424)	($2,908)	($3,393)	($3,878)	($4,337)	($4,628)	($4,919)	($5,210)
e.g. Utilities	($5,827)	($5,827)	($5,827)	($5,827)	($5,827)	($5,827)	($5,827)	($5,827)	($6,266)	($7,008)	($7,478)	($7,948)	($8,418)
e.g. Bad Debt	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Ground Rent	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Marketing and Promotion	($10,862)	($10,862)	($10,862)	($10,862)	($10,862)	($10,862)	($10,862)	($10,862)	($10,862)	($10,862)	($10,862)	($10,862)	($10,862)
Insurance (property & liability)	$0	$0	($92,200)	($7,683)	($7,683)	($7,683)	($7,683)	($7,683)	($7,683)	($7,683)	($7,683)	($7,683)	($7,683)
Real Estate (Property) Taxes	($6,667)	($6,667)	($6,667)	($6,667)	($6,667)	($6,667)	($6,667)	($6,667)	($6,667)	($6,667)	($6,667)	($6,667)	($6,667)
Management Fees	($11,537)	($11,537)	($11,537)	($11,537)	($11,537)	($11,537)	($11,537)	($11,537)	($11,537)	($11,537)	($11,537)	($11,537)	($11,537)
Replacement Reserves	$0	$0	$0	$0	($6,616)	($6,616)	($6,616)	($6,616)	($6,616)	($6,616)	($6,616)	($6,616)	($6,616)
Total Expenses	**($102,105)**	**($102,105)**	**($194,479)**	**($110,302)**	**($117,257)**	**($120,974)**	**($127,616)**	**($134,257)**	**($141,336)**	**($148,375)**	**($152,829)**	**($157,284)**	**($161,738)**
NOI	**($102,105)**	**($102,105)**	**($155,713)**	**($52,153)**	**($39,725)**	**($24,059)**	**($11,317)**	**$1,424**	**$13,728**	**$25,065**	**$32,240**	**$39,415**	**$46,590**
P+I			($43,313)	($43,313)	($48,740)	($48,740)	($48,740)	($48,740)	($48,740)	($48,740)	($48,740)	($48,740)	($48,740)
MIP			($3,938)	($51,188)	($3,938)	($3,938)	($3,938)	($3,938)	($3,938)	($3,938)	($3,938)	($3,938)	($3,938)
Income/Loss per Period	($102,105)	($102,105)	($202,963)	($146,653)	($92,403)	($76,737)	($63,995)	($51,253)	($38,950)	($27,613)	($20,438)	($13,263)	($6,088)
Cumulative Income/Loss	($102,105)	($204,210)	($407,173)	($553,826)	($646,229)	($722,966)	($786,961)	($838,214)	($877,164)	($904,778)	($925,215)	($938,478)	($944,566)

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

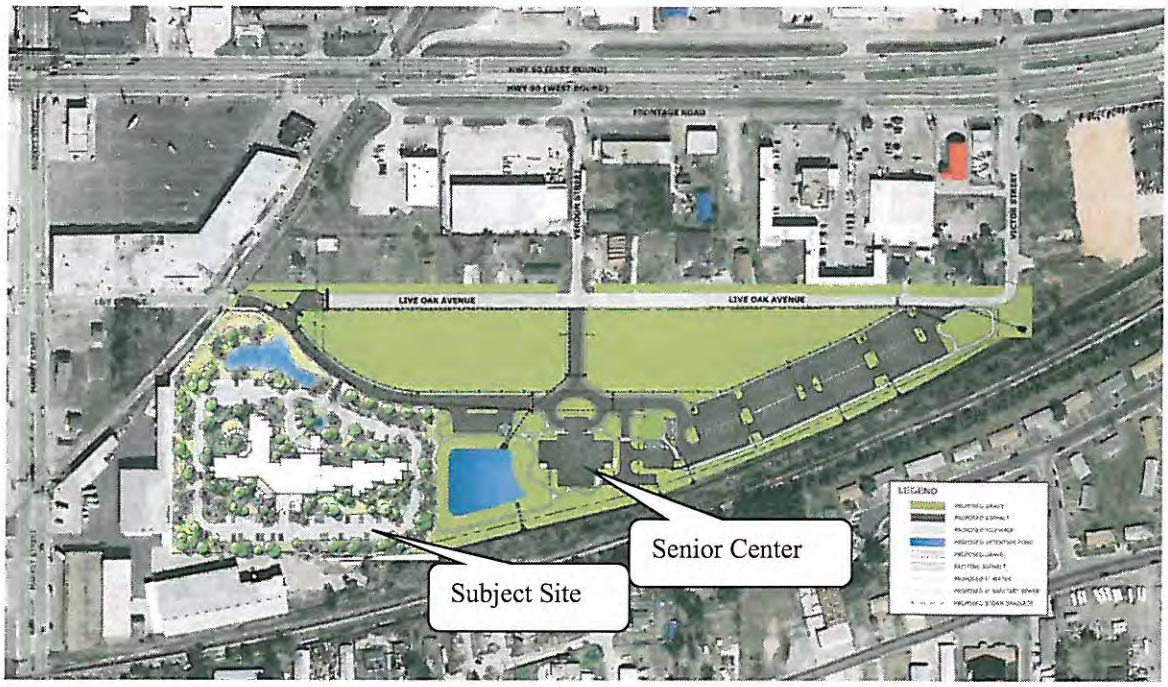
Notice to User: The Map Number shown below should be used when placing map orders; the Community Number shown above should be used on insurance applications for the subject community.

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
SPECIAL CARE
(1 Story)
ASSISTED LIVING
COMMONS
(1 Story)
ASSISTED LIVING
UNITS
(3 Stories)
PARKING
N

SITE PLAN

ADDENDUM B

COMPARABLES

LAND
RENT
IMPROVED

LAND SALES

Land Sale No. 1

Property Type:	Residential
Project Name:	-
Address:	**County:**
Live Oak Avenue	Jackson
Pascagoula, MS 39567	
Folio:	41703573.000 & 41703574.000
Sale Data:	
Grantor	Morris Reuben P Trust
Grantee	-
Sale Date	June-11
Property Rights	Fee Simple
Condition of Sale	Arm's Length
Financing	Cash to Seller
Verification	John Jones, Broker 228-219-7777
Consideration	$30,000
Land Data:	
Topography	Generally Level
Utilities	All Available
Dimensions	200 ft x 270 ft
Shape	Rectangular
Frontage	200 ft along Live Oak
Access	Live Oak
Gross Land Size (acres)	0.30
Useable Land Size (acres)	0.30
Useable Land Size (sf)	13,068
Purpose	-
Zoning	MR-3 (Mixed Residential)
Legal Conforming	Yes
Indicators:	
Sale Price/Gross Acre	$100,000
Sale Price/Net Acre	$100,000
Sale Price/Gross SF	$2.30

Comments:

This parcel is located across from the subject and is zoned the same. It is smaller than the subject but has similar access and exposure and was just recently sold. It consists of two parcels that are approximately 0.15 acres in size.

Land Sale No. 2

Property Type:	Residential
Project Name:	-
Address:	**County:**
1501 Beach Boulevard	Jackson
Pascagoula, MS 39567	
Folio:	41690053.000
Sale Data:	
Grantor	Miller David S & Rebecca R
Grantee	-
Sale Date	March-11
Property Rights	Fee Simple
Condition of Sale	Arm's Length
Financing	Cash to Seller
Verification	Sissy Strunk, Broker, 228-249-2449
Consideration	$219,000
Land Data:	
Topography	Generally Level
Utilities	All Available
Dimensions	120 ft x 295 ft
Shape	Irregular
Frontage	120 ft along Beach Boulevard
Access	Beach Boulevard
Gross Land Size (acres)	0.81
Useable Land Size (acres)	0.81
Useable Land Size (sf)	35,400
Purpose	Single Family
Zoning	SFR10 (Single Family Residential)
Legal Conforming	Yes
Indicators:	
Sale Price/Gross Acre	$269,481
Sale Price/Net Acre	$269,481
Sale Price/Gross SF	$6.19

Comments:

This lot is located across from the proposed City Promenade and was formerly a single family home that was destroyed during Katrina. Access and exposure is good along Beach Boulevard with a good view of the Gulf of Mexico.

Land Sale No. 3

Property Type:	Mixed Use
Project Name:	-
Address:	**County:**
602 Grand Oaks	Jackson
Pascagoula, MS 39581	
Folio:	418592020.000
Sale Data:	
Grantor	-
Grantee	Parker Stephen M
Sale Date	November-09
Property Rights	Fee Simple
Condition of Sale	Arm's Length
Financing	Cash to Seller
Verification	Julie Breland, Broker, 228-219-3636
Consideration	$44,900
Land Data:	
Topography	Generally Level
Utilities	All Available
Dimensions	234 ft x 192 ft x 40 ft x 197 ft x 116 ft
Shape	Irregular
Frontage	234 ft along Grand Oaks
Access	Grand Oaks
Gross Land Size (acres)	0.39
Useable Land Size (acres)	0.39
Useable Land Size (sf)	16,988
Purpose	Single Family
Zoning	WMU (Waterfront Mixed Use)
Legal Conforming	Yes
Indicators:	
Sale Price/Gross Acre	$115,128
Sale Price/Net Acre	$115,128
Sale Price/Gross SF	$2.64

Comments:

This lot is located south of the subject in a residential area and was formerly a single family home that was destroyed during Katrina. Access and exposure is good along Grand Oaks Boulevard.

LAND SALE NO. 4

Property Type:	Multifamily
Project Name:	**Landmark at Biloxi**
Address:	**County:**
831 Cedar Lake Road Biloxi, MS	Harrison

Location:
West side of Cedar Lake Road, just north of Brodie Road, Bilxoi, Harrison County, Mississippi

Parcel:	1209A-01-009.000
Sale Data:	
Grantor	Linda Gottesman Newmar, Stanford R. Stecker, and Irish Montgromery
Grantee	Landmark at Biloxi, LLC.
Sale Date	October-06
Property Rights	Fee Simple
Condition of Sale	Arm's Length
Financing	Cash to Seller
Sale History	N/A
Verification	Property Appraiser, Tax Records
Sale Price	$1,710,000
Additional Costs	N/A
Consideration	$1,710,000
Land Data:	
Topography	Generally Level
Utilities	All available
Dimensions	N/A
Shape	Generally Rectangular
Frontage	Cedar Lake Road
Access	Cedar Lake Road
Gross Land Size (acres)	18.53
Useable Land Size (acres)	18.53
Useable Land Size (sf)	807,167
Purpose	RM-25, Multifamily
Planned Units	264
Density	14.25
Zoning	Multifamily
Legal Conforming	Yes
Indicators:	
Sale Price/Gross Acre	$92,283
Sale Price/Net Gross Acre	$92,283
Sale Price/Gross SF	$2.12
Sale Price/Unit	$6,477

Comments:
Land Sale 2 was purchased for the development of Landmark at Biloxi. The site is south of Interstate 10 along a major north/south traffic arterial. This property has good exposure.

LAND SALE NO. 5

Property Type:	Multifamily
Project Name:	**Gorenflo Apartments**
Address:	**County:**
11361 Gorenflo Road D'Iberville, MS	Harrison

Location:
Located at 11361 Gorenflo Road, D'Iberville. The tract is situated at the west side of Gorenflo Road, D'Iberville, Harrison County, Mississippi

Parcel:	148K-02-003.000 and 1408k-02-00.001
Sale Data:	
Grantor	William Lee Brumfield and Steve S. Abdo
Grantee	New York's Biloxi
Sale Date	September-07
OR Book/Page	
Property Rights	Fee Simple
Condition of Sale	Arm's Length
Financing	Cash to Seller
Sale History	N/A
Verification	Property Appraiser, Tax Records
Sale Price	$2,128,000
Additional Costs	$0
Consideration	$2,128,000
Land Data:	
Topography	Generally level
Utilities	All available
Dimensions	N/A
Shape	Generally Rectangular
Frontage	Gorenflo Road
Access	Gorenflo Road
Gross Land Size (acres)	16.14
Useable Land Size (acres)	16.14
Useable Land Size (sf)	703,058
Purpose	R-4, Multi-Family Residence District
Planned Units	304
Density	18.84
Zoning	Multifamily
Legal Conforming	Yes
Indicators:	
Sale Price/Gross Acre	$131,846
Sale Price/Net Gross Acre	$131,846
Sale Price/Gross SF	$3.03
Sale Price/Unit	$7,000

Comments:
This site was purchased for the development of Gorenflo Apartments. This property has exposure to Interstate 10 but no off-ramps located proximate. The location within a residential area results in somewhat restricted access.

RENT COMPARABLES

THE GARDENS

Name/Address
The Gardens
1260 Ocean Springs Road
Ocean Springs, MS 39564

Study Area:
Pascagoula
County
Jackson

Verification: Brenna
Phone: 228-818-0650
By: Jose Pizarro

Survey:
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:
*All Inclusive Rate

Other:

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
Emeritus of Biloxi
2120 Enterprise Drive
Biloxi, MS 39531

Study Area:
Pascagoula
County
Harrison

Verification: Vicki Hensley
Phone: 228-388-0946
By: Jose Pizarro

Survey:
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
AL Level I	$325	$925
AL Level II	$625	$1,225
AL Level III	$925	$1,525
AL Level IV	$1,225	
AL Level V	$1,525	
10 or more medications	$125	

Other:	
Resident Assessment I	$500
Second Person	$800
Respite	$125 per day

Project Amenities:			
Activity Rooms	Yes	Three Meals plus Snacks	Yes
Beauty/Barber Shop	Yes	Weekly Housekeepmg	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
Somerby of West Mobile
901 Somerby Drive
Mobile, AL 36695

Study Area:
Pascagoula
County
Mobile

Verification: Eddie
Phone: (251) 776-1455
By: Jose Pizarro

Survey:
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:
All Inclusive Care

Other:

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
Gordon Oaks
3145 Knollwood Drive
Mobile, AL 36693

Study Area:
Pascagoula
County
Mobile

Verification: Marketing (Anna)
Phone: 251-661-7600
By: Jose Pizarro

Survey:
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
Hearthstone at Heritage Woods
3440 Hillcrest Road
Mobile, AL 36695

Study Area:
Pascagoula
County
Mobile

Verification: Melody
Phone: 251-665-9063
By: Jose Pizarro

Survey:
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:
Individual Assessment

Other:

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.

IMPROVED SALES

HERITAGE HOUSE OF CASTLEWOODS

Name/Address:
Heritage House of Castlewoods
140 Castlewoods Boulevard
Brandon, MS

Study Area:
Pascagoula
County:
Jackson

Folio Number:	56735
Year Built:	1999

Grantor	Heritage House Properties, LLC	
Grantee	Health Care REIT	
Sale Price	$10,600,000	
Sale Date	October-10	
Condition	Good	
Construction	Wood Frame	
# of Units	100	75 ALF & 25 ALZ
Licensed Beds	110	
Occupancy %	98.0%	

Project Amenities:

Activity Rooms	Y
Beauty/Barber Shop	Y
Dining Rooms	Y
Health Center/Therapy	Y
Laundry Facilities	Y
Lounge Areas	Y
Therapy	Y

Financial Considerations:

Property Rights	Fee Simple
Financing	All Cash to Seller
Conditions of Sale	Arms Length

Revenues and Expenses:

	Total	Per Bed
Gross Rental Revenue	$3,900,000	$35,455
Other Income	$0	$0
Effective Gross Income	$3,900,000	$35,455
Expenses	$2,950,000	$26,818
Net Operating Income	$950,000	$8,636

Price/Bed	$96,364
Price/Unit	$106,000
EGIM	2.72
OAR	8.96%

Verification: Ross Sanders, Broker-314-961-0070

Comments:

Emeritus (nationwide owner/operator) agreed to purchase the building and arranged for Health Care REIT to purchase the property then lease it from them as a financing mechanism. The broker indicated that the although the REIT purchased the property, the sales price and cap rate are reflective of an owner-user purchase since the purchase was negotiated by Emeritus. The building is located about 12 miles west of Jackson, MS. At the time of sale, the building offered 75 assisted living units and 25 memory care units. Per public records, it appears that the seller owned the property since 1998. Management fees and replacement reserves are included in the financial information.

ALLIANCE FLORIDA PANHANDLE PORTFOLIO

Name/Address:	Alliance Florida Panhandle Portfolio			**Study Area:**
Forsyth House	Magnolia House	Sabal House	Stanley House	Pascagoula
5887 Berryhill Rd	1125 Strong Road	150 Crossville Street	718 Walton Road	**County:**
Milton, FL 32570	Quincy, FL 32351	Cantonment, FL 32533	Defuniak Springs, FL 32433	Jackson

Folio Number: 32-2N-28-0000-00100-0000 & 3-17-2N-3W-0000-00421-0000 & 011S311000007005 & 22-3N-19-19000-002-0020
Year Built: 1999

Grantor	Private Investors
Grantee	NHP/Veritas InCare
Sale Price	$17,000,000
Sale Date	January-11
Condition	Good
Construction	Masonry
# of Units	156
Licensed Beds	176
Occupancy %	96.0%

Project Amenities:

Activity Rooms	Y
Beauty/Barber Shop	Y
Dining Rooms	Y
Health Center/Therapy	Y
Laundry Facilities	Y
Lounge Areas	Y
Therapy	Y

Financial Considerations:

Property Rights	Fee Simple
Financing	All Cash to Seller
Conditions of Sale	Arms Length

Revenues and Expenses:

	Total	Per Bed
Gross Rental Revenue	$5,089,820	$28,919
Other Income	$0	$0
Effective Gross Income	$5,089,820	$28,919
Expenses	$3,369,934	$19,147
Net Operating Income	$1,719,886	$9,772

Price/Bed	$96,591
Price/Unit	$108,974
EGIM	3.34
OAR	10.12%

Verification:

Comments:

This transaction includes (4) assisted living facilities in the Florida Panhandle. Each community has 39 units and was built in 1999. Each facility has available land for an expansion of 12 to 14 units. The properties were well maintained and offered assisted living and memory care. The buyer is a joint venture between NHP and Veritas InCare, a regional operator. The facilities has a 2010 average occupancy of 96%. The proforma figures were provided by the broker and were compared to the 2009 historical operating figures for accuracy. The NOI includes management fees and reserves.

MCAULEY PLACE

Name/Address:
McAuley Place
3712 Dauphin Street
Mobile, AL

Study Area:
Pascagoula
County:
Jackson

Folio Number:	2338189
Year Built:	1994

Grantor	Mercy Medical	
Grantee	Springhill Real Estate LLC	
Sale Price	$4,500,000	
Sale Date	February-10	
Condition	Good	
Construction	Wood Frame	
# of Units	70	50 ALF & 20 SNF
Licensed Beds	100	
Occupancy %	92.0%	

Project Amenities:

Activity Rooms	Y
Beauty/Barber Shop	Y
Dining Rooms	Y
Health Center/Therapy	Y
Laundry Facilities	Y
Lounge Areas	Y
Therapy	Y

Financial Considerations:

Property Rights	Fee Simple
Financing	All Cash to Seller
Conditions of Sale	Arms Length

Revenues and Expenses:

	Total	Per Bed
Gross Rental Revenue	$4,210,480	$42,105
Other Income	$0	$0
Effective Gross Income	$4,210,480	$42,105
Expenses	$3,633,924	$36,339
Net Operating Income	$576,556	$5,766

Price/Bed	$45,000
Price/Unit	$64,286
EGIM	1.07
OAR	12.81%

Verification: Senior Living Investment Brokerage, Inc.-(630) 858-2501

Comments:

The property consist of 50 assisted living units and 20 nursing beds. The property was previously owned by a nonprofit organization. The actual 2008 NOI was $223,826. The property was purchased by a regional operator. The broker indicated that the transaction was reflective of an approximate 11% overall capitalization rate but was not provided with the buyer's budget. The budgeted NOI that was developed during an appraisal performed in May 2009 was used. Management fees and replacement reserves are included in the financial information.

MALBIS ASSISTED LIVING

Name/Address:
Malbis Assisted Living
10171 Papa George Street
Daphne, AL 36526

Study Area:
Pascagoula
County:
Jackson

Folio Number:	32-07-35-0-000-001-.148
Year Built:	2000

Grantor	Traditions at Malbis, LLC
Grantee	Alliance Senior Care
Sale Price	$2,600,000
Sale Date	October-09
Condition	Good
Construction	Wood Frame
# of Units	30
Licensed Beds	44
Occupancy %	86% (Budgeted)

Project Amenities:

Activity Rooms	Y
Beauty/Barber Shop	Y
Dining Rooms	Y
Health Center/Therapy	Y
Laundry Facilities	Y
Lounge Areas	Y
Therapy	Y

Financial Considerations:

Property Rights	Fee Simple
Financing	All Cash to Seller
Conditions of Sale	Arms Length

Revenues and Expenses:

	Total	Per Bed
Gross Rental Revenue	$1,044,480	$23,738
Other Income	$0	$0
Effective Gross Income	$1,044,480	$23,738
Expenses	$754,191	$17,141
Net Operating Income	$290,289	$6,597
Price/Bed	$59,091	
Price/Unit	$86,667	
EGIM	2.49	
OAR	11.16%	

Verification: Alliance Senior Care, 850-476-3004

Comments:

The property was shut down by the State of Alabama for approximately two years prior to the referenced purchase. The purchase price included FF&E, a license, and the real estate. No residents inhabited the building at the time of purchase. The buyer reported a budget of approximately $500,000 to reopen the facility, which is included in the purchase price. The buyer estimated a stabilized occupancy of 86% in Year 1. It is now known as Baldwin House. Management fees and replacement reserves are included in the financial information which was included in the budgeted financial information.

ADDENDUM C

HISTORICAL FINANCIAL/INCOME/EXPENSE ANALYSIS

Historical Income and Operating Statements						
Fiscal Year Ending December	Calendar Year 2011		**Budget**	***Subject Proforma***		
Beds	98.0%		80	93.00%		80
Actual Resident Days For Period	29,200		28,616	27,156		74
Operating Year	Budget		2011	Projection		
Annual Increase Projected						
Trended to						
Total Trend Adjustment						
INCOME						
	Amount	**Trended**	**Trended Per Res. Day**	**Amount**	**Per Bed**	**Per Res Day**
Base Rental Income	$3,050,262	$3,050,262	$106.59	$3,384,000	$42,300	$124.61
Total Base Revenue	**$3,050,262**	**$3,050,262**	**$106.59**	**$3,384,000**	**$42,300**	**$124.61**
Level of Care Fees	$584,075	$584,075	$20.41	$259,200	$3,240	$9.54
Resident Assessment	$45,000	$45,000	$1.57	$24,000	$300	$0.88
Second Person Income	$0	$0	$0.00	$12,000	$150	$0.44
Other Revenue	$35,000	$35,000	$1.22	$42,340	$529	$1.56
Total Other Revenue	$664,075	$664,075	$23.21	$337,540	$4,219	$12.43
Potential Gross Income	**$3,714,337**	**$3,714,337**	**$129.80**	**$3,721,540**	**$46,519**	**$137.04**
Less Contractual Adjustments	$0	$0	$0.00	$0	$0	$0.00
Less Vacancy & Collections	$0	$0	$0.00	($260,508)	($3,256)	($9.59)
EFFECTIVE GROSS INCOME	**$3,714,337**	**$3,714,337**	**$129.80**	**$3,461,032**	**$43,263**	**$127.45**
	Actual	**Trended**	**Trended Per Res. Day**	**Amount**	**Per Bed**	**Per Res. Day**
Administration Salaries	$169,339	$169,339	$5.92	$172,640	$2,158	$6.36
Building and Ground Salaries	$34,383	$34,383	$1.20	$32,240	$403	$1.19
Dietary Salaries	$122,903	$122,903	$4.29	$122,720	$1,534	$4.52
Housekeeping & Laundry Salaries	$40,527	$40,527	$1.42	$41,600	$520	$1.53
Nursing Salaries	$773,872	$773,872	$27.04	$621,920	$7,774	$22.90
Other Salaries	$56,271	$56,271	$1.97	$56,420	$705	$2.08
Payroll taxes and benefits	$270,233	$270,233	$9.44	$230,459	$2,881	$8.49
Total Salaries	**$1,467,528**	**$1,467,528**	**$51.28**	**$1,277,999**	**$15,975**	**$47.06**
Real Estate Taxes	$87,550	$87,550	$3.06	$80,000	$1,000	$2.95
Other Taxes	$0	$0	$0.00	$0	$0	$0.00
Total Taxes	**$87,550**	**$87,550**	**$3.06**	**$80,000**	**$1,000**	**$2.95**
Advertising	$64,452	$64,452	$2.25	$65,174	$815	$2.40
Liability Insurance	$31,000	$31,000	$1.08	$31,000	$387	$1.14
Other Admin. Expenses	$74,054	$74,054	$2.59	$95,046	$1,188	$3.50
Total Admin. Expenses	**$169,505**	**$169,505**	**$5.92**	**$191,220**	**$2,390**	**$7.04**
Decorating	$0	$0	$0.00	$0	$0	$0.00
Gas	$9,515	$9,515	$0.33	$12,220	$153	$0.45
Electricity	$112,136	$112,136	$3.92	$93,688	$1,171	$3.45
Water	$5,437	$5,437	$0.19	$33,945	$424	$1.25
Garbage Service/Medical Waste	$8,995	$8,995	$0.31	$0	$0	$0.00
Insurance	$61,148	$61,148	$2.14	$61,200	$765	$2.25
Misc. Supplies	$0	$0	$0.00	$0	$0	$0.00
Maintenance & Repairs	$40,449	$40,449	$1.41	$54,312	$679	$2.00
Ground Expense	$0	$0	$0.00	$0	$0	$0.00
Security	$0	$0	$0.00	$0	$0	$0.00
Total Building Expense	**$237,679**	**$237,679**	**$8.31**	**$255,366**	**$3,192**	**$9.40**
Miscellaneous Expense	$14,992	$14,992	$0.52	$10,862	$136	$0.40
Total Dietary	$231,130	$231,130	$8.08	$226,753	$2,834	$8.35
Laundry	$3,827	$3,827	$0.13	$6,789	$85	$0.25
Housekeeping	$7,047	$7,047	$0.25	$12,220	$153	$0.45
Total Nursing	$27,540	$27,540	$0.96	$10,862	$136	$0.40
Management	$185,717	$185,717	$6.49	$173,052	$2,163	$6.37
Total Expenses	**$2,432,515**	**$2,432,515**	**$85.01**	**$2,245,123**	**$28,064**	**$82.68**
Res/Replacement(Realty)	$0	$0	$0.00	$51,395	$642	$1.89
Res/Replacement(Non-Rlty)	$0	$0	$0.00	$28,000	$350	$1.03
Total Project Expense	**$2,432,515**	**$2,432,515**	**$85.01**	**$2,324,517**	**$29,056**	**$85.60**
Net Operating Income	**$1,281,822**	**$1,281,822**	**$44.79**	**$1,136,515**	**$14,206**	**$41.85**
Operating Expense Ratio	65.49%			64.87%		

INCOME INFORMATION ON EXPENSE COMPARABLES

Project Name	Belvedere Commons of Fort Walton Beach			River Bend Assisted Living			Confidential			Subject Budget			*SUBJECT PROJECTIONS*		
Location	Fort Walton Beach, FL			Valley AL			Atlanta, GA			Pascagoula			Subject		
Occupancy %	92%			98%			87%			98%					93.0%
Beds	72			44			68			80			Resident Days		80
Actual Resident Days For Period	24,178			15,752			27,953			28,616			27,156		29,200
Operating Year	July 1, 2008 to June 30, 2009			January 1, 2007 to December 31, 2007			Jan 1, 2010 to Dec 31, 2010			2011			Occupancy		
Annual Increase Projected	3.0%			3.0%			2.0%						93.0%		
Trended to	43			61			25								
Total Trend Adjustment	11.17%			16.21%			4.21%								
	Actual	*Trended*	*Trended Per Resident Day*	*Actual*	*Trended*	*Trended Per Resident Day*	*Actual*	*Trended*	*Trended Per Resident Day*	*Actual*	*Trended*	*Trended Per Resident Day*	*Actual*	*Per Resident Day*	*Per Available Resident Day*
INCOME															
Rental Income	$2,240,613	$2,490,961	$103.03	$1,142,890	$1,328,190	$84.32	$2,937,227	$3,060,938	$109.50	$3,050,262	$3,050,262	$106.59	$3,384,000	$124.61	$115.89
Total Base Revenue	**$2,240,613**	**$2,490,961**	**$103.03**	**$1,142,890**	**$1,328,190**	**$84.32**	**$2,937,227**	**$3,060,938**	**$109.50**	**$3,050,262**	**$3,050,262**	**$106.59**	**$3,384,000**	**$124.61**	**$115.89**
Level of Care Fees	$177,783	$197,647	$8.17	$0	$0	$0.00	$405,934	$423,031	$15.13	$584,075	$584,075	$20.41	$259,200	$9.54	$8.88
Resident Assessment	$52,200	$58,032	$2.40	$30,053	$34,926	$2.22	$0	$0	$0.00	$45,000	$45,000	$1.57	$24,000	$0.88	$0.82
Second Person Income	$7,150	$7,949	$0.33	$0	$0	$0.00	$0	$0	$0.00	$0	$0	$0.00	$12,000	$0.44	$0.41
Other Revenue	$12,973	$14,422	$0.60	$20,591	$23,929	$1.52	$56,335	$58,708	$2.10	$35,000	$35,000	$1.22	$42,340	$1.56	$1.45
Total Other Income	**$250,106**	**$278,051**	**$11.50**	**$50,644**	**$58,855**	**$3.74**	**$462,269**	**$481,739**	**$17.23**	**$664,075**	**$664,075**	**$23.21**	**$337,540**	**$12.43**	**$11.56**
Potential Gross Income	**$2,490,719**	**$2,769,012**	**$114.53**	**$1,193,534**	**$1,387,045**	**$88.06**	**$3,399,496**	**$3,542,677**	**$126.74**	**$3,714,337**	**$3,714,337**	**$129.80**	**$3,721,540**	**$137.04**	**$127.45**
Less Contractual Adjustments	$0	$0	$0.00	$0	$0	$0.00	$0	$0	$0.00	$0	$0	$0.00	$0	$0.00	$0.00
Less Vacancy	$0	$0	$0.00	$0	$0	$0.00	$2,169	$2,260	$0.08	$0	$0	$0.00	($260,508)	($9.59)	($8.92)
Effective Gross Income	**$2,490,719**	**$2,769,012**	**$114.53**	**$1,193,534**	**$1,387,045**	**$88.06**	**$3,401,665**	**$3,544,937**	**$126.82**	**$3,714,337**	**$3,714,337**	**$129.80**	**$3,461,032**	**$127.45**	**$118.53**

EXPENSE COMPARABLES

	Comp. 1				Comp. 2				Comp. 3				Subject Budget				Expense Conclusion		
Project Name	Belvedere Commons of Fort Walton Beach				River Bend Assisted Living				Confidential				Pascagoula Assisted Living				Subject		
Location	Fort Walton Beach, FL				Valley, AL				Atlanta, GA				Pascagoula				Pascagoula		
Type	ALF/ALZ				ALF/ALZ				ALF/ALZ				ALF/ALZ				ALF/ALZ		
Age of Project/Yr Built	2000				2001				1999				2013				2013		
Beds	72				44				68				88				80	74	
Occupancy	97%				98%				87%				98%						
Actual Resident Days For Period	24,178				15,732				22,953				28,616	98%			27,156	93.0%	
Operating Year	July 1, 2008 to June 30, 2009				January 1, 2007 to December 31, 2007				Jan 1, 2010 to Dec 31, 2010				2011				Feb-12		
Annual Increase Projected	3.0%				3.0%				2.0%										
Number of Months to Trend	43				61				25										
Total Trend Adjustment	11.2%				16.2%				4.2%										
	Actual	*Trended*	*Trended Per Bed*	*Trended Per Res Day*	*Actual*	*Trended*	*Trended Per Bed*	*Trended Per Res Day*	*Actual*	*Trended*	*Trended Per Bed*	*Trended Per Res Day*	*Actual*	*Trended*	*Trended Per Bed*	*Trended Per Res Day*	*Trended to Current*	*Trended Per Bed*	*Dollars*
1 Administration Salaries	$269,219	$299,299	$4,157	$12.38	$85,866	$99,788	$2,268	$6.13	$280,719	$271,700	$3,068	$9.72	$169,739	$169,739	$2,117	$5.92	$6.36	$2,158	$172,640
2 Building and Ground Salaries	$16,558	$18,408	$256	$0.76	$11,033	$12,822	$291	$0.81	$38,328	$39,942	$454	$1.43	$34,383	$34,383	$430	$1.20	$1.19	$408	$32,240
3 Dietary Salaries	$57,072	$63,449	$881	$2.62	$46,051	$53,517	$1,216	$3.40	$137,853	$143,659	$1,632	$5.14	$122,903	$122,903	$1,536	$4.29	$4.52	$1,534	$122,720
4 Housekeeping & Laundry Salaries	$11,391	$12,664	$176	$0.52	$0	$0	$0	$0.00	$83,118	$86,619	$984	$3.10	$40,527	$40,527	$507	$1.42	$1.53	$520	$41,600
5 Nursing Salaries	$261,458	$290,671	$4,037	$12.02	$254,816	$296,130	$6,730	$18.80	$726,351	$756,944	$8,602	$27.08	$773,872	$773,872	$9,671	$27.04	$22.90	$7,774	$621,920
6 Other Salaries	$19,635	$21,829	$303	$0.90	$19,188	$22,299	$507	$1.42	$74,684	$77,830	$884	$2.78	$56,271	$56,271	$703	$1.97	$2.08	$706	$56,420
7 Payroll taxes and benefits	$156,806	$175,092	$2,312	$6.79	$68,797	$79,952	$1,817	$5.08	$289,107	$301,284	$3,424	$10.78	$270,233	$270,233	$3,378	$9.44	$8.49	$2,881	$230,450
8 **Total Salaries**	$772,139	$858,412	$11,922	$35.50	$485,751	$564,508	$12,816	$35.84	$1,610,160	$1,677,977	$19,064	$60.03	$1,467,528	$1,467,528	$18,344	$51.28	$47.04	$15,975	$1,277,999
9 Real Estate Taxes	$38,914	$43,262	$601	$1.79	$18,010	$20,930	$476	$1.33	$93,932	$97,888	$1,112	$3.50	$87,550	$87,550	$1,094	$3.06	$2.95	$1,000	$80,000
10 Other Taxes	$698	$776	$11	$0.03	$460	$535	$12	$0.03	$0	$0	$0	$0.00	$0	$0	$0	$0.00	$0.00	$0	$0
11 **Total Taxes**	$39,612	$44,038	$612	$1.82	$18,470	$21,465	$488	$1.36	$93,932	$97,888	$1,112	$3.50	$87,550	$87,550	$1,094	$3.06	$2.95	$1,000	$80,000
12 Advertising	$9,533	$10,599	$147	$0.44	$13,131	$15,260	$347	$0.97	$45,083	$46,982	$534	$1.68	$64,452	$64,452	$806	$2.25	$2.40	$815	$65,174
13 Liability Insurance	$60,438	$67,191	$933	$2.78	$4,705	$5,468	$124	$0.35	$21,398	$22,299	$253	$0.80	$31,000	$31,000	$388	$1.08	$1.14	$387	$31,000
14 Other Admin. Expenses	$52,401	$58,256	$809	$2.41	$44,091	$51,239	$1,165	$3.25	$183,332	$191,094	$2,171	$6.83	$74,054	$74,054	$926	$2.59	$3.50	$1,188	$95,046
15 **Total Admin. Expenses**	$122,372	$136,046	$1,890	$5.63	$61,927	$71,968	$1,636	$4.57	$249,813	$260,374	$2,958	$9.31	$169,505	$169,505	$2,119	$5.92	$7.04	$2,390	$191,220
16 Decorating	$0	$0	$0	$0.00	$0	$0	$0	$0.00	$0	$0	$0	$0.00	$0	$0	$0	$0.00	$0.00	$0	$0
17 Gas	$10,850	$12,062	$168	$0.50	$4,473	$5,198	$118	$0.33	$10,855	$11,311	$129	$0.40	$9,515	$9,515	$119	$0.33	$0.45	$153	$12,220
18 Electricity	$54,565	$60,662	$843	$2.51	$38,064	$44,236	$1,005	$2.81	$92,581	$96,472	$1,094	$3.44	$112,136	$112,136	$1,402	$3.92	$3.45	$1,171	$93,688
19 Water	$30,834	$34,279	$476	$1.42	$10,895	$12,662	$288	$0.80	$26,443	$27,557	$313	$0.99	$5,437	$5,437	$68	$0.19	$1.25	$424	$33,945
20 Garbage Service/Medical Waste	$0	$0	$0	$0.00	$0	$0	$0	$0.00	$0	$0	$0	$0.00	$8,995	$8,995	$112	$0.31	$0.00	$0	$0
21 Insurance	$0	$0	$0	$0.00	$11,078	$12,874	$293	$0.82	$31,581	$32,912	$374	$1.18	$61,148	$61,148	$764	$2.14	$2.25	$765	$61,200
22 Misc. Supplies	$0	$0	$0	$0.00	$0	$0	$0	$0.00	$0	$0	$0	$0.00	$0	$0	$0	$0.00	$0.00	$0	$0
23 Maintenance & Repairs	$39,165	$43,541	$605	$1.80	$19,003	$22,084	$502	$1.40	$113,943	$118,742	$1,349	$4.25	$40,449	$40,449	$506	$1.41	$2.00	$679	$54,312
24 Ground Expense	$0	$0	$0	$0.00	$0	$0	$0	$0.00	$0	$0	$0	$0.00	$0	$0	$0	$0.00	$0.00	$0	$0
25 Security	$0	$0	$0	$0.00	$0	$0	$0	$0.00	$0	$0	$0	$0.00	$0	$0	$0	$0.00	$0.00	$0	$0
26 **Total Building Expense**	$135,415	$150,544	$2,091	$6.23	$83,513	$97,054	$2,206	$6.16	$275,203	$286,795	$3,259	$10.26	$237,679	$237,679	$2,971	$8.31	$9.40	$3,192	$255,366
27 Miscellaneous Expense	$8,586	$9,545	$133	$0.39	$5,474	$6,361	$145	$0.40	$0	$0	$0	$0.00	$14,992	$14,992	$187	$0.52	$0.40	$136	$10,863
28 Total Dietary	$115,448	$128,347	$1,783	$5.31	$75,439	$95,346	$1,940	$5.42	$224,261	$233,706	$2,656	$8.36	$231,130	$231,130	$2,889	$8.08	$8.35	$2,834	$226,753
29 Laundry	$3,290	$3,657	$51	$0.15	$5,381	$6,253	$142	$0.40	$6,157	$6,417	$73	$0.23	$3,827	$3,827	$48	$0.13	$0.25	$85	$6,789
30 Housekeeping	$9,020	$10,028	$139	$0.41	$5,381	$6,253	$142	$0.40	$16,384	$17,595	$200	$0.63	$7,047	$7,047	$88	$0.25	$0.45	$153	$12,239
31 Total Nursing	$8,095	$8,999	$125	$0.37	$5,381	$6,253	$142	$0.40	$8,218	$8,564	$97	$0.31	$27,540	$27,540	$344	$0.96	$0.40	$136	$10,863
32 Management	$124,936	$138,451	$1,921	$5.73	$99,677	$69,332	$1,576	$4.40	$169,979	$177,134	$2,013	$6.34	$185,717	$185,717	$2,321	$6.49	$6.37	$2,163	$173,052
33 **Total Expenses**	$1,338,514	$1,488,068	$20,668	$61.55	$804,395	$934,814	$21,246	$59.35	$2,654,603	$2,766,410	$31,436	$98.97	$2,432,515	$2,432,515	$30,406	$85.01	$82.68	$28,064	$2,245,123
34 Res/Replacement(Reality)	$0	$0	$0	$0.00	$0	$0	$0	$0.00	$0	$0	$0	$0.00	$0	$0	$0	$0.00	$1.89	$642	$51,395
35 Res/Replacement(Non-Rlty)	$0	$0	$0	$0.00	$0	$0	$0	$0.00	$0	$0	$0	$0.00	$0	$0	$0	$0.00	$1.05	$350	$28,000
36 **Total Project Expense**	$1,338,514	$1,488,068	$20,668	$61.55	$804,395	$934,814	$21,246	$59.35	$2,654,603	$2,766,410	$31,436	$98.97	$2,432,515	$2,432,515	$30,405	$85.01	$85.60	$29,056	$2,324,517
Expenses as a % of EGI	53.7%				67.4%				78.0%				68.5%						67.2%

*A 5% management fee was added to the Comparables 1 & 2.

D. Payroll (Salaries)	Salary Comparables												Subject		
Position	Belvedere Commons of Fort Walton Beach			River Bend Assisted Living			Confidential			Subject Budget			PROJECTION		
Administrative	No.	Monthly Rate Per Emp.	Total Annual	No.	Monthly Rate Per Emp.	Total Annual	No.	Monthly Rate Per Emp.	Total Annual	No.	Monthly Rate Per Emp.	Total Annual	No.	Monthly Rate Per Emp.	Total Current Dollars
Administrator	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	1.90	$4,113	$93,768	1.00	$4,155	$49,856	1.00	$4,160	$49,920
Other Admin.	10.00	$2,243	$269,219	3.20	$2,236	$85,866	3.60	$2,246	$97,021	1.00	$2,235	$26,815	1.00	$2,253	$27,040
Assistant Fee	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	1.70	$1,558	$31,780	2.90	$1,570	$54,622	3.00	$1,560	$56,160
Other Salaries	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	1.40	$2,039	$34,254	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0
Marketing	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.10	$3,247	$3,896	1.00	$3,170	$38,046	1.00	$3,293	$39,520
32. Total Administrative	**10.00**	**$2,243**	**$269,219**	**3.20**	**$2,236**	**$85,866**	**8.70**	**$2,497**	**$260,719**	**5.90**	**$2,392**	**$169,339**	**6.00**	**$2,398**	**$172,640**
Bldg. & Grounds															
Supervisor	0.50	$2,760	$16,558	0.30	$3,065	$11,033	1.20	$2,644	$38,078	1.10	$2,605	$34,383	1.00	$2,687	$32,240
Painter/Assistant	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$250	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0
33. Total Buildings and Grounds	**0.50**	**$2,760**	**$16,558**	**0.30**	**$3,065**	**$11,033**	**1.20**	**$2,662**	**$38,328**	**1.10**	**$2,605**	**$34,383**	**1.00**	**$2,687**	**$32,240**
Dietary															
Dietary Director/Chef	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	1.30	$2,925	$45,625	1.00	$2,866	$34,389	1.00	$2,860	$34,320
Dietary Cook	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	2.50	$1,757	$52,702	2.00	$1,718	$41,231	2.00	$1,733	$41,600
Dietary Staff	3.70	$1,285	$57,072	3.00	$1,279	$46,051	2.50	$1,318	$39,526	3.00	$1,313	$47,283	3.00	$1,300	$46,800
34. Total Dietary	**3.70**	**$1,285**	**$57,072**	**3.00**	**$1,279**	**$46,051**	**6.30**	**$1,823**	**$137,853**	**6.00**	**$1,707**	**$122,903**	**6.00**	**$1,704**	**$122,720**
Housekeeping															
Housekeeping Manager	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0
Flooorman	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	1.40	$1,407	$23,641	1.50	$1,387	$24,960
Maids	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	5.00	$1,385	$83,118	1.00	$1,407	$16,887	1.00	$1,387	$16,640
Evening Housekeeper	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0
Laundry Worker	0.60	$1,582	$11,391	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0
35. Total Housekeeping	**0.60**	**$1,582**	**$11,391**	**0.00**	**#DIV/0!**	**$0**	**5.00**	**$1,385**	**$83,118**	**2.40**	**$1,407**	**$40,527**	**2.50**	**$1,387**	**$41,600**
Nursing Service															
Director of Nursing/Admin	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	1.70	$4,746	$96,821	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0
RN	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	1.00	$3,973	$47,671	1.00	$3,987	$47,840
Staff Nurse/LPN	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	3.90	$2,623	$122,766	9.00	$2,588	$279,468	4.00	$2,600	$124,800
Nursing Assistants/CNA	10.50	$2,075	$261,458	10.20	$2,082	$254,816	20.30	$2,080	$506,764	17.90	$2,080	$446,733	18.00	$2,080	$449,280
Physical Therapist	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0
Physical Therapist Assistant	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0
Occupational Therapist	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0
Speech Therapist	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0
Medical Transcriber	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0
Other Salaries	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0
Contract Lab and Nurses	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0
Physician & related	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0
36. Total Nursing Service	**10.50**	**$2,075**	**$261,458**	**10.20**	**$2,082**	**$254,816**	**25.90**	**$2,337**	**$726,351**	**27.90**	**$2,311**	**$773,872**	**23.00**	**$2,253**	**$621,920**
Other Salaries															
Medical Records	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0
Activities Staff	0.90	$1,818	$19,635	0.90	$1,777	$19,188	3.30	$1,886	$74,684	2.50	$1,876	$56,271	2.50	$1,881	$56,420
Admissions/Social Services	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0	0.00	#DIV/0!	$0
37. Total other Salaries	**0.90**	**$1,818**	**$19,635**	**0.90**	**$1,777**	**$19,188**	**3.30**	**$1,886**	**$74,684**	**2.50**	**$1,876**	**$56,271**	**2.50**	**$1,881**	**$56,420**
Total Salaries	**26.20**		**$635,333**	**17.60**		**$416,954**	**50.40**		**$1,321,053**	**45.80**		**$1,197,295**	**41.00**		**$1,047,540**
Payroll taxes and benefits															
Payroll Taxes		9.77%	$62,068		7.50%	$31,272		8.58%	$113,311		7.48%	$89,543		7.50%	$78,566
Federal Unemployment Taxes		0.00%	$0		0.00%	$0		0.00%	$0		2.46%	$29,452		2.50%	$26,189
State Unemployment Taxes		0.00%	$0		0.50%	$2,085		0.00%	$0		0.00%	$0		0.00%	$0
Health Insurance/Benefits		3.82%	$24,273		7.50%	$31,272		11.15%	$147,254		9.03%	$108,068		9.00%	$94,279
Workman's Comp		7.94%	$50,465		1.00%	$4,170		2.16%	$28,542		3.61%	$43,170		3.00%	$31,426
Total payroll taxes and benefits		17.72%	$136,806		14.16%	$68,797		17.96%	$289,107		18.41%	$270,233		18.03%	$230,459
38. Total Salaries	**26.20**	**$29,471**	**$772,139**	**17.60**	**$27,600**	**$485,751**	**50.40**	**$31,948**	**$1,610,160**	**45.80**	**$32,042**	**$1,467,528**	**41.00**	**$31,171**	**$1,277,999**

ADDENDUM D

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 Nursing	ALF/ALZ	ALF/ALZ		ALF/ALZ		ALF/ALZ		ALF/ALZ		ALF/ALZ	
5. Year Built	2011	1999		1999		2005		1985/1987/1993		2000	
6. Number of Beds	80	78		73		48		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	95%	98%		94%		92%	($46.88)	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		$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) 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) Golden 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			71			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	One Bedroom Small	One Bedroom Large	($300.00)		One Bedroom Large	($300.00)		One Bedroom Large	($300.00)		Studio		$475.00	One Bedroom Large	($300.00)	
23. Occupancy	93%	98%			94%			92%	($32.58)		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		
Compared 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) 3/6/2012 (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) 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		71		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	One Bedroom Large	One Bedroom Large		One Bedroom Large		One Bedroom Large		Studio	$475.00	One Bedroom Large	
23. Occupancy	91%	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		$4,860.00		$3,700.00		$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		$3,508.33		$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 document.

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

(Signature of Reviewers) (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	2011	1999			1999			2005			1985/1987/1993			2000		
6. Number of Beds	80	78			71			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%			92%	($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		$3,600.00			$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.		$3,600.00			$4,625.00			$4,733.60			$4,258.33			$3,320.00		
Controlled 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) 2/6/2012 (Signature of Reviewer) (Date)

Bed & Accommodation Charges by Comparison (Private Room)

1. Unit Type Alzheimer Studio	Subject Property Pascagoula Assisted Living Pascagoula	A. Comparable Property No. 1 (Address) Emerson of Biloxi Biloxi, MS			B. Comparable Property No. 2 (Address) Arria 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 -	Adjustments +	Data	Adjustments -	Adjustments +	Data	Adjustments -	Adjustments +	Data	Adjustments -	Adjustments +	Data	Adjustments -	Adjustments +
3. Effective Date of Rent(s)	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	1996			1999			2005			1985/1987/1993			2000		
6. Number of Beds	80	20			20			24			120			22		
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.		$5,200.00			$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 E

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- RZ 2066 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 Virginia – State-Certified Real Estate Appraiser – 4001-015705
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 F

SCOPE OF WORK/ENGAGEMENT LETTER

APPRAISAL SCOPE OF WORK

Healthcare Appraisal Guidelines
for HUD/FHA Section 232 Lean Program
January 20, 2010 (supersedes previous versions)
with highlights marking changes from prior versions

I. Appraiser Qualifications

HUD requires that each appraiser must:

- Be a Certified General Appraiser under the appraiser certification requirements of the State in which the subject property is located as of the effective date of the appraisal;
- Meet all requirements of the Competency Rule described in USPAP;
- Sign the appraisal and certification
- Have experience appraising a minimum of five similarly licensed healthcare facilities.
- Be currently active in the appraisal of healthcare properties;
- Be experienced in the market area in which the subject property is located, or establish competency as per USPAP;

If more than one appraiser works on the appraisal, they are each required to sign the report and certification. It is not permissible for an appraiser who is not certified in the appropriate jurisdiction to circumvent certification requirements by having a locally certified appraiser co-sign the report. Appraisers or appraisal assistants not certified in the appropriate jurisdiction may not perform the required property inspections. If any of the persons involved in preparing the report are not certified general appraisers and are acting as an analyst, assistant or trainee, this must be disclosed to Lender and HUD/FHA. Temporary certifications are permissible; however, competency requirements as defined above still apply.

The appraiser is the individual who personally inspected the Property being appraised; performed the analysis; and, prepared and signed the Appraisal Report as the appraiser. This definition does not preclude an appraiser from relying on individuals that are not state-licensed or certified to provide professional assistance (such as an appraiser trainee or an employee of the appraiser doing market data research or data verification) in the development of the Appraisal. If any of the persons involved in preparing the report are not certified general appraisers and are acting as an analyst, assistant or trainee, this must be disclosed to Lender and HUD/FHA. The appraiser must acknowledge in the certification of the report the roles and extent of the professional assistance provided by others.

II. General Guidelines for the Appraisal Report

All HUD/FHA appraisals must be addressed to and be directly engaged by the Lender. The report must be in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) and be reported as a self-contained report in compliance with Standard 2-2(a). 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.

A. Deliverables
   1. Report must include USPAP certification (Standard Rule 2-3) including statement that appraiser does not have specified present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
   2. Resume for each appraiser signing the report;
   3. Copy of appraisal license or temporary permit for each appraiser signing the report;
   4. Adequate photo documentation of the subject to allow a desk reviewer to get a sense of the quality, condition, and adequacy of the physical plant. In the case of new construction, or substantial rehabilitation, exhibits such as floor plans, site plans, and elevations are to be included in addition to on-site photographs. Again, the exhibits must be adequate to give the review appraiser a sense of what is planned.
   5. The report exhibits must be clear and readable.

B. Effective Date and Date of Valuation

   The effective date of the value estimate must be the date which the designated appraiser inspected the subject property. In compliance with USPAP, each report must include an effective date of value and date of written report. The date of valuation may not be a future date.

For 223f refinances, the appraisal must be submitted to HUD by the lender within 180 days of the appraisal's effective date. **The appraisal must be current enough so that it includes an analysis of the subject's historical income and expenses through a period ending no more than 6 months prior to the date the report is submitted to HUD.**

For new construction, sub-rehab, and 241a, the appraisal must be submitted to HUD by the lender within 120 days of the appraisal's effective date. The appraiser will indicate there is a hypothetical condition that the improvements have been completed and stabilized occupancy levels have been achieved as of the appraisal date. In addition, the appraiser must indicate the timeframe necessary to achieve these projected results, which will be used to prepare an "Operating Deficit", as outlined herein.

III. Specific Reporting Requirements

A. Purpose of the Appraisal

The purpose of each appraisal is to provide the Lender and HUD an estimate of the "Market Value of the Total Assets of the Business" (MVTAB) for the subject property. The report will be used by the Lender and HUD in the underwriting of a HUD insured mortgage. The Lender will specifically inform the appraiser if the appraisal is for another purpose.

B. Definition of Value

Definition of Market Value of the Total Assets of the Business:

The market value of all the tangible and intangible assets of a business as if sold in aggregate as in a going-concern. *The Dictionary of Real Estate Appraisal, Fourth Edition, Appraisal Institute*

The appraiser is hereby instructed to exclude any business assets (such as holdings or investments, working capital, accounts receivable, and accounts payable) that are separate from real estate.

Implicit in this definition of the Market Value of the Total Assets of the Business (MVTAB) is the definition of **Market Value** which is defined (with bold added) as:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently knowledgeably and assuming the price is not affected by undue stimulus. **Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:**
(1) buyer and seller are typically motivated:
(2) both parties are well informed advised, and each acting in what they consider their own best interest:
(3) a reasonable time is allowed for exposure in the open market:
(4) payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and
(5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions by anyone associated with the sale.
(Office of the Comptroller of the Currency, 12 CFR Part 34.42g)

The "Market Value of the Total Assets of the Business", differs from a "Going-Concern Value" in that it assumes a market sale (see bolded text above). The appraiser's projection of income and expenses must include any applicable resets of rates that would be trigged by a sale. These resets will vary from one locality to another and may include, a tax reassessment with a resulting change in the real estate tax charges, or a reset of the Medicaid reimbursement rates

In developing the Market Value of the Total Assets of the Business, you are being asked to mimic the processes of the market and estimate the most probable sales price of the going-concern. If the property is currently under contract or has recently sold under normal arm's length market conditions, any departure from that price will be scrutinized. The assumption is that if the property has been adequately exposed to the market, the purchase price is a good indicator of what the market will bear. This is the value HUD seeks.

Hypothetical Conditions and Extraordinary Assumptions

Typically, the only Assumptions and/or Limiting Conditions should be the completion of repairs/construction completion. On rare occasions there may need to be other assumptions, such as the execution of a proposed land lease. Under the Lean 223f program, it is generally not appropriate to assume stabilized operations if the property is in reality not at stabilized operations.

"As Completed Value" - 223f Refinances

In cases where there are proposed repairs, the appraisal will conclude an "As Completed" value, making a hypothetical assumption that all proposed repairs are completed. The appraisal must indicate the dollar amount of the repairs and give an overview of what items are included. This is to insure the consistency of the appraisal with the loan underwriting. The completion of the repairs should be considered in determining rents, vacancy, expenses, and depreciation; however these shifts in operations will likely occur over time. The appraisal should not make the assumption that the new stabilized levels have been achieved. Instead the value should reflect what a typical buyer would pay for the current operations on the valuation date if the repairs were finished.

On 223f applications, the valuation should not be based upon any significant change in occupancy, unit mix, bed configuration, rental rate increases or expense reductions that will require an extended period to implement. The appraised value for 223f applications should reflect the subject's configuration and economics on the date of appraisal, but with consideration to immediate increases in income, occupancy or decreases in expenses that could be implemented by a typical buyer (but these must be fully supported by the market and discussed in the appraisal). It is recognized that occupancy levels can vary substantially from day to day, so while the occupancy of the facility on the date of inspection should be considered, the focus should be on forecasting achievable occupancy for the 12 months following the date of value based upon the subject's historical occupancy, market area dynamics, and anticipated changes in the market.

In cases where HUD has agreed to underwrite a 223f loan that assumes a hypothetical shift in operations, the appraiser will determine what the stabilized occupancy of the reconfigured facility will be once the repairs are completed, by conducting a full market analysis. A "truncated market study" will not be allowed. The appraiser will also supply an initial operating deficit, as outlined herein. This is required even if the monthly cash-flows never drop below zero, as it will be needed by the lender and HUD in determining appropriate escrow amounts. The appraiser will then conclude two values. The first is the traditional value of the current operations assuming the repairs have been completed, as outlined above. The second value will assume the repairs have been completed and the forecasted stabilized occupancy has been achieved as of the appraisal date.

"As Completed and Stabilized Value" – New Construction, Sub-Rehab, 241a

For New Construction, Substantial Rehab, and 241(a) loans, the appraisal is to conclude an "As Completed and Stabilized value", making a hypothetical assumption that all improvements are completed and projected occupancy has been achieved.

For all HUD appraisals, income and expense conclusions are to be as of the effective date of the appraisal and are NOT to be trended to the projected date of stabilization.

"Estimated Operating Deficit" – The Appraiser must perform an operating deficit calculation, when the subject property is not currently able to achieve the net operating incomes forecasted in the appraisal. The calculation will use a spreadsheet that covers the period of time from loan closing until the forecasted NOI is achieved. The deficit spreadsheet will summarize occupancy, income, and expenses individually. Forecasted tenant turnover, (move-ins & move-outs) must be accounted for. The deficit amount is the total of all the negative monthly cash flows. The negative cash flows are not discounted. An example of a suitable deficit calculation spreadsheet can be supplied by an OIHCF appraiser.

Additional Section 241(a) & Substantial Rehabilitation Instructions

For Section 241(a) and substantial rehabilitation loans, the appraiser will **also** provide an "As Is" Market Value of the Total Assets of the Business. Do not assume repairs are completed. Do not make a hypothetical assumption that the subject is operating at stabilized occupancy if it is not.

C. Descriptive Data

The appraiser is to provide a current "snap shot" of the subject's region and neighborhood. The following provides general guidance on what is expected to be included in the appraisal report.

Market Analysis: HUD allows lenders to use different vendors to supply the market study and the appraisal; however the appraisal must still include a market analysis conforming to the rules herein. The Market Study and Appraisal may be contained under one cover or appear in separate volumes and attached by citation. The market analysis should be focused on factors relevant to the subject property, supply and demand, and avoid reproduction of lengthy local publications.

For **new construction/sub-rehab/241a**, a complete market study must be submitted that adheres to the Lean's Market Study Statement of Work.

Appraisals for **223f refinances** may supply a "truncated market analysis" if the project meets the specific criteria. The case for submitting a truncated analysis should be presented in sufficient detail for the HUD reviewer to arrive at the same conclusions. A truncated market study is allowed if:

1. The property has reached stabilized occupancy.
2. At the time of the appraisal the property is operating and is expected to continue operating at its estimated stabilized occupancy into the foreseeable future.
3. There are no anticipated increases in supply in the foreseeable future. See items e. and f. below.
4. There are no anticipated decreases in demand in the foreseeable future.

With a truncated analysis it is not necessary to quantify the current demand, or unmet need in the primary market area. The requirements of the truncated analysis are outlined below.

a. A definition of who is the subject's target market(s).

b. A definition and explanation of the Primary Market Area (PMA) including a discussion of geographic, demographic, and economic influences on and characteristics of the target market. Include a map showing the boundaries of the PMA.

c. A description of the direct rental competition within the market area. In analyzing direct competition, consider and report each property's name; location; year built; number of units/beds; unit/bed mix; unit size; monthly or daily private rental rates (however rates are conventionally expressed in the market); any significant change in rates within the recent past; vacancy; recreational facilities and other amenities; condition of improvements; additional fees for personal care levels and/or second occupants; etc. Include data source name and phone number.

d. A description of existing, under construction, and proposed competitive facilities. The impact of facilities under construction and proposed must be incorporated into the occupancy, payer mix and rental rate forecasts of the subject. The level of competitiveness of comparables must be fully discussed.

e. For States that require certificates of need (CON), or its equivalent, the state agency must be contacted to determine the current and future intentions for granting additional beds or units in the primary market area that would represent additional competition. All beds/units approved but not yet built or licensed within the primary market area must be reported and considered in the competitive supply relative to the penetration/saturation of supply, occupancy, and census mix.

2. Regional: This section should describe the region (typically the U.S. Census-defined Metropolitan Statistical Area- MSA when in urban and suburban areas) relevant to the property, and should include:

   a. A regional location map;

   b. An overview of recent and forecasted population, household growth, and relevant demographic trends of the prior decade along with anticipated future trends;

   c. A description of the economic base of the area including recent and forecasted job growth statistics, stability of local industries, major employers, and current and historical unemployment levels.

3. Neighborhood and Market Area: In discussing the neighborhood in which the Property is located, the appraiser should delineate the factors that define the market area of the Property. This section should include the following:

   a. A map outlining the market area highlighting the property site, the highway network serving the neighborhood, major employment centers, hospitals, senior centers and any other sites of particular relevance.

   b. A general discussion of the neighborhood's demographics, new development, economic and employment trends, and a summary of the neighborhood's relevant strengths and weaknesses, and their influence on the desirability and remaining economic life of the subject.

   c. A description of neighborhood land uses in general, including predominant age, quality, and condition of the properties, and their influence on the subject.

4. Site: The analysis and description of the site should include:

   a. A reference to the panel number and date of the FEMA map reviewed and if the site is partially or fully within a designated Special Flood Hazard Area

   b. Discussion of the affect of easements, encroachments or encumbrances on the subject site.
   c. Adjacent land uses in all directions.

   Zoning & Conformance: The appraiser must identify the zoning code and should state a conclusion as to whether or not the subject property is or will be in conformance with the applicable zoning, including rent restrictions or rent controls (when applicable). Zoning requirements concerning density, unit size, parking, etc. must be compared to the subject property. A statement should be made as to whether the property is a legal-conforming, legal non-conforming, or an illegal use, and include the issues of non-conformance, if applicable. Discuss the need for any variances. The right to rebuild and destruction threshold should be commented on for non-conforming uses. As needed, portions of local ordinances may be included in the addenda of the report. HUD needs to know to what level the subject could be rebuilt in case of loss in order to determine the appropriate insurance coverage. The zoning discussion should be geared toward that end.

   Note: Although outside the scope of the appraisal, the appraiser is encouraged to note any violations of building, health, fire, or safety codes that were noted at the Property.

5. Improvements: The appraiser is to provide a description of existing and any planned improvements. This section should include the total building area, and the size of the individual unit types.

   Color photos should generally include, but not be limited to site access, common areas, nurse's stations, hallways, rehab space, parking, building exteriors, and interior views of typical units. In many cases the HUD review appraiser will not be able to visit the site and special effort should be given to providing the reviewer with enough photo documentation to give a feel for quality and condition of the place. In cases that involve new construction, architectural exhibits must be included if they are available. Such exhibits would typically include as site plan, floor plan, and elevations.

This section should include descriptions of living areas, patient areas, nursing or therapy units, common areas shared by residents and support areas. Inventory of room type (private, semi-private and ward) or unit mix as well as a description of their restroom and bathing accommodations must be included.

On-Site Services: The appraiser is to provide a detailed description of the services and personal care levels to be provided by the subject facility, including but not limited to the number of meals, housekeeping, laundry facilities, assistance with activities of daily living (ADLs), transportation, activities, therapies, etc. For multiple use facilities, the services offered or available for each resident group (e.g. board and care, assisted living, dementia, skilled nursing) should be segregated in the narrative.

6. Remaining Economic Life

The appraiser will estimate and report the remaining economic life of the improvements. Remaining Economic Life is defined as: "The period over which improvements will continue to contribute to property value; an estimate of the number of years remaining in the economic life the structure or structural components as of the date of the appraisal; used in the age life method of estimating depreciation."[1] Because these property types have few alternative uses, the remaining economic life will generally be synonymous with the remaining useful life, which is the amount of time remaining in which the building will be used for its intended use. If there is a significant difference in the remaining economic life and the remaining useful life, the appraiser must point this out and state the estimated remaining useful life.

The analysis must discuss the following three types of depreciation; of depreciation; physical deterioration, functional obsolescence, and economic or external obsolescence.

Physical Deterioration

In determining the remaining economic life, the appraiser will include an estimated economic life and effective age. At a minimum, the economic life estimate from the Marshall & Swift Cost Estimating Manual will be quoted. Other published life estimates may also be quoted when available. While HUD will require aggressive reserves for replacement of short-lived items, the appraisal should not assume any specific type of ownership or financing. Maintenance done in the past may of course be considered in determining the effective age, but assumptions about future improvements should be tied to the amount of repairs that can be funded with the reserve expense amount used in the appraiser's income approach.

Functional Obsolescence

Typical lives can be extended or shortened based on the presence or absence of functional obsolescence as compared to other facilities in the subject's market. For nursing facilities, these comparisons may include the number of private rooms compared to semi-private or wards, shared toilets/showers, quality and location of therapy space, corridor width, etc. For assisted living facilities the comparisons alternately might focus on building amenities, common space, and room configurations.

External or Economic Obsolescence

Again, lives can be extended or shortened based external factors. Items to consider here may include but are not limited to long term populations trends, stage of neighborhood life cycle, type of license and certifications, the likelihood of new competition, is supply controlled by State Certificates of Need, the subject's relative competitive position in the market, hospital referrals, Medicaid reimbursement issues, alternate highest and best uses, etc.

HUD understands the appraiser is not an accessibility expert; however, if an accessibility issue is obvious, a detailed description (inclusive of pictures) should be provided.

1 The Dictionary of Real Estate Appraisal, 4th Edition, American Institute of Real Estate Appraisers

D. Highest and Best Use

The Highest and Best Use of the subject property should be addressed as per USPAP. It is to include both the highest and best use "as vacant" and "as improved".

E. Valuation

The appraisal must establish the subject's market value supported by the reconciliation of the income approach, the sales comparison approach, and cost approach (if applicable).

1. Land Valuation.

Whether or not a Cost Approach is developed, the appraiser is required to estimate the value of the land as if vacant. The appraiser will base the value on the highest and best use as if vacant. A minimum of three comparables sales will be used. The appraiser must assure that the comparable transactions were arm's length between buyer and seller and indicate how the sales data was verified. All adjustments of the sales to the subject must have support in the narrative. If there is a recent or pending sale of the subject land, the sales price must be analyzed. This is a USPAP requirement.

For new construction/sub-rehab/241a, the appraiser will also supply the "Market Value of the Site Fully Improved". This is defined in HUD handbook 4465.1:

Market value of the site fully improved assumes the subject has all utilities available to the site, any environmental conditions have been resolved, any existing improvements have been removed and it is ready for development. In many cases it considers the following:

A. The appraiser will assume that the subject site will require no unusual site costs or that the conditions leading to such costs have been corrected.
B. The appraiser will assume that all off-site improvements have been completed and any required demolition has been accomplished.

The proposed financing will not include any of the above mentioned costs to bring the site to a level of fully improved. When there are no off-site costs, demolition or unusual site work to be performed, only one estimate is required.

2. Cost Approach to Valuation

The Cost Approach is typically more relevant in the case of new construction or recently completed properties. This approach may be eliminated when not a reliable indicator of value, however a narrative justification of its elimination is required. HUD requires this approach when the actual or effective age of the facility is five years or less or the appraiser believes this approach is applicable and relevant to producing a credible appraisal report.

OIHCF will expect to see a fully developed cost approach in cases where there is little depreciation or in cases where the un-depreciated replacement cost new would be lower than the conclusions of the Sales Comparison or Income Capitalization Approaches. For that reason, base costs of new facilities will need to be carefully discussed in the narrative justification for excluding the approach.

When developing a full Cost Approach, the appraiser will prepare an independent estimate using comparable data and industry publications (e.g., Marshall and Swift) and conclude to the total cost for all improvements and major movable equipment. In order to arrive at a "**Market Value of the Total Assets of the Business**", absorption, staffing costs, other intangible start-up operating costs, occupancy costs, and entrepreneurial profit must be considered and identified. The entrepreneurial profit should be an amount sufficient to attract a typical owner/investor to develop a project versus purchasing a stabilized facility. Disparity between the conclusions of the cost approach and the other approaches must be discussed and reconciled as it relates to the principle of substitution.

All applicable forms of depreciation (also applies to major movable equipment) are to be considered. The final cost approach estimate is to assume completion of all required and proposed repairs included in the financing.

3. Sales Comparison Approach to Value

For the Sales Comparison Approach, in obtaining data on comparables, the appraiser must verify the data with a party to the transaction (this party should be specified) and assure that the transactions were arm's length between buyer and seller. The appraiser will visit all improved sale comparables or give an explanation as to why a visit was not performed. Photographs should be provided of the comparables that were inspected. For those comparables the appraiser was not able to visit, inclusion of second party or published photos is permitted, and preferred to omitting a photo entirely.

All adjustments of the sales must be supported in the narrative report. For each comparable sale, include a confirmation contact name, and their phone number and relationship to the transaction. The value of any excess land should be deducted from the comparable transaction sales price (if applicable).

When economic indicators such as income, expense, vacancy, cap rate, etc, are quoted with a sales comparable, the source of the data, whether it be from the buyer, seller, the appraiser's estimate, 3rd party estimate, etc, must be stated. Whether the income was historic or prospective in nature also must be disclosed. Also state if the expense information is inclusive of management fees and replacement reserve deposits.

If the sales price includes consideration for accounts receivable, retained earnings, or intangible assets that may be sold off by the buyer without affecting the going concern, then the value of those assets must be deducted from the purchase price.

Sales of leased fee and partial interests should not be used as comparables in the Sales Comparison Approach, nor should they be used in the derivation of market-extracted capitalization rates.

Individual sales that are part of a group transaction or portfolio may be used if the price allocation is verified, adjustments are made for premiums or discounts associated with the "bulk" sale, and the details (with price indicators) of the aggregate sale.

Using an NOI adjustment in the Sales Comparison Approach is a way to adjust for all differences between properties with one adjustment. The theory is that all of the differences will be reflected in the NOI the projects can generate. The use of an NOI adjustment exclusively will largely replicate the results of the Income approach in the Sales Comparison Approach. The danger is that the Sales Comparison Approach cannot function as a check, as any mistakes will be passed through. HUD acknowledges that the NOI is considered by market participants. Therefore, to preserve the independence of the Sales Comparison Approach, the appraisal will perform two separate analyses. One analysis will adjust the comparables by differences in NOI. The second analysis will adjust the comparables by all factors except differences in the forecasted NOIs. The two analyses will then be reconciled into one conclusion.

The price per bed is a common unit of comparison utilized in the sales comparison of Skilled Nursing Facilities. In addition to the price per bed comparison, the appraiser must also analyze the "price per patient room" of the sales comparables. The price per bed can be misleading at times because the rooms can be shared or private depending on the pricing strategy of the owner. This requirement is meant to prevent a bed value derived from private rooms being applied to semi-private or ward beds, resulting in an incorrect valuation.

If there is a recent or pending sale, the sales price must be analyzed. This is a USPAP requirement. Please provide analysis of price per unit/bed, capitalization rate analysis, as well as marketing time and market exposure.

4. Income Capitalization Approach to Value
The income capitalization approach to value is often the predominant indicator of value. The appraiser will inspect all rent comparables.

a. Income
The appraisal will provide a detailed description of the subject's reimbursement structure or payment sources. In projecting all sources of income for the subject property, consideration must be made to foreseeable changes in competitive market conditions that will affect current occupancy, payer mix and rate levels.

For existing operations, an analysis of the rental income and the project's census mix by payer source for the year-to-date and the last three fiscal years shall also be provided and discussed, including an analysis of rental income trends over that period. For Assisted Living Facilities, an analysis of the current rent roll must be included in the appraisal and given consideration in the rent conclusion.

In addition, the analysis should provide a discussion of any foreseeable changes in reimbursement. For example, the capital cost component of a project's reimbursement will diminish over a 10-year period as the capital is depreciated. This would need to be considered for when setting the reimbursement rate and accounted for in the capitalization processes of that income.

Private-Pay Rates: A comparison and adjustment grid must be provided **for each private-pay** unit type. Use of fewer than 5 similar comparables requires an explanation. At a minimum, the rent comparison will discuss age, unit types, ~~and~~ sizes, amenities, services, location and rental concessions. The narrative must discuss and provide support (market data and/or pairing analysis, if available) for any adjustments.

Medicaid Reimbursement:
For 223f refinances, the appraisal will include an outline of the State's current reimbursement system, discussing Certificates of Need (CON), how reimbursement rates are set, or any local peculiarities. Medicaid reimbursement rates should be based on the facility's current rate, with the following exceptions:

(1) If a firm rate change has been published and the change will occur within 6 months of the date of the appraisal, the new rate can be used. The appraiser must recognize any foreseeable drop in rates.

(2) If the reimbursement rate includes a capital and/or financing component from which a new rate can be calculated based on the proposed/required repairs to be completed as part of this financing, the prospective rate can be calculated and used. The owner will hire a Certified Public Accountant to determine the new reimbursement rates.

(3) Determination of 'Market Value of Total Assets of the Business" assumes a market sale and if the state resets rates upon sale, a new rate must be estimated. The ways these rates are calculated vary from state to state. If the appraiser is not experienced in making these rate determinations, they will work with an accountant experienced with long-term care reimbursements within the state the subject is located to determine the new reimbursement rates. The "re-set" Medicaid reimbursement rate(s) must tie back to the appraiser's forecasted operating expenses when the reimbursement system is facility-specific and not cost based.

For new construction/sub-rehab/241a, the estimated Medicaid rate must incorporate the rate-setting methodologies used by the respective state. For rates that are developed from cost-based, facility-specific systems, the Medicaid rate must be reconciled to the forecasted "Medicaid-allowable" operating expenses of the subject. It is not permissible to apply an un-reconciled rate to the forecasted expenses of the appraiser where cost-based, facility specific systems are used. Facility specific, cost-based Medicaid rates developed or provided by third party experts (e.g. developer, operator, or

management company) must be reconciled to the appraiser's forecasted "Medicaid-allowable" operating expenses.

Medicare Reimbursement:
For 223f refinances the analysis of the Medicare reimbursement rates should be based on the facility's weighted average rate based on an analysis of average RUG census over the preceding 6 to 12 months of operations. If a firm rate increase has been published and the increase will occur within 6 months of the date of the appraisal, the published rate can be used, if the appraiser feels this outcome is expected and supported and the resulting outcome reflects the appropriate value indication for the subject property.

For new construction/sub-rehab/241a the analysis of the Medicare reimbursement rates should be based on weighted market reimbursement rates for the proposed care type, and supported by an analysis of average RUG census of comparables over the preceding 6 to 12 months in the subject market area. For projects with preexisting units, the rate should be reconciled with the facility's historical weighted average rate

SSI Reimbursement: SSI reimbursement rates may be trended forward (based on an analysis of historical reimbursement rates) to the estimated date of initial occupancy. For existing properties, SSI reimbursement rates should be based on the rate currently being achieved at the facility. If a firm rate increase has been published and the increase will occur within 6 months of the date of the appraisal, the published rate can be used.

Other Reimbursement (HMO, VA, etc): For other forms of reimbursement, the appraisal will base the rate conclusion on an appropriate analysis of comparable market data, agency published rates, provider agreements, and/or the subject's historical data, as applicable.

Other Income: other income should be estimated based on market data. Significant components, such as personal care/ancillary services, second occupant charges, beauty shop, day care services, and other miscellaneous sources, should be computed, supported by comparables or market data and presented individually in the report. **Interest income cannot be projected as it is not considered to be tied to the real estate.**

b. Commercial Income
Income derived from commercial spaces/leases should be estimated based on property history and market data. At least three (3) comparable commercial leases should be presented, analyzed, and discussed in the narrative to support the appraisal conclusion Small spaces leased for beauty/barber shops and therapist's rooms are not considered commercial space.

c. Vacancy and Collection Loss (Economic Vacancy): HUD requires that the appraiser consider both a physical vacancy and collection loss allowance (aka the economic vacancy factor when the two are combined) when projecting the effective gross annual income. These components should be separately identified and supported in the report.

If the physical vacancy in the market exceeds the factor selected for the subject property, the appraiser must explain why the Property's performance is expected to be stronger than the market. Factors to consider include the current and past vacancy and collection loss history, the comparables, and the market. The appraiser must also address the trends that would indicate a change from the current vacancy in the near future. The discussion of trends should generally include:

(1) Recent vacancy patterns, including any seasonal variations at the property and in the market;
(2) Turnover rates;
(3) Economic factors (e.g. employment, supply of comparable units) which may have a long-term impact.
(4) Changes in the supply of competitive facilities and/or units.

d. Expenses: All projects must stand on their own and must not reflect shared expenses from nearby projects under the same management. The appraiser's expense estimate must also:

(1) Be on a line-by-line basis, provide commentary as needed, and support each item. A suggested chart of accounts (expense categories) is included in the Lender Narrative Template, but this is not a mandate on how the expenses should be categorized. The goal should be to record the expenses of the subject and the comparables in a way consistent with one another and in a way that requires the least amount of subjective recategorization from the source reports.

(2) For existing properties, the appraisal will analyze the subject's historical operating statements. If any expense estimate used by the appraiser is lower than the historical expense, the appraiser must be particularly diligent in providing information concerning that expense estimate.

(3) At least three (3) comparable properties will be considered. The expense comparables should be included in the report and represent the same licensed level of care (SNF, ICF-MR, assisted living etc.), approximate the same levels of Medicaid and/or Medicare mix, and have similar unit/bed capacity and location attributes as the subject. For properties with multiple care levels and licenses, the comparables should reflect similar unit/bed mixes, i.e. use expense comparables that include roughly similar percentages of the same levels of care. In cases where comparables with similar mixes cannot be found, at least 3 expense comparables are required for each type.

The appraiser must indicate which period/fiscal year the expense comparables were taken from. The appraiser will adjust or trend the comparables for changes in the market over time to the effective date of the appraisal. The appraiser will describe how the adjustments were applied.

(4) For properties with commercial space, at least three (3) additional commercial expense comparables will be analyzed and considered, unless the lease is on an absolute/triple net basis whereby the tenant pays all expenses. Commercial expenses should be reflected separately from the residential expenses and itemized appropriately. The conclusion should reflect any special conditions indicated in the commercial leases that would reduce the net income of the Property.

(5) In states with a cost-based, facility-specific, Medicaid reimbursement system, the appraiser must reconcile their operating expenses with the rules and calculations for reimbursement.

Regarding confidential expense comparables, the appraiser may only use confidential expense comparables that are supportive and consistent with the fully disclosed comparable(s) used in the analysis. The use of only confidential comparables is not allowed.

HUD, as a regulatory enforcement agency, has the right to request from the Lender's appraiser the names and addresses of any confidential expense comparables used in the expense analysis. The Confidentiality subsection of the Ethics Rule supports this position.

HUD Expressly asserts its role as a regulatory enforcement agency as outlined in the confidentiality provision of USPAP. Appraisers will be required to present their entire work file and fully disclose the identity and source of confidential information should the Department determine a review of the appraiser's work file is in order.

All confidential information received either by initial request or by invoking the confidentiality provision of USPAP will be kept confidential by HUD and especially with regard to the "Freedom of Information Act". Any questions regarding the confidential information received will be directed to the originating appraiser for clarification.

The following provides additional guidance on the required treatment of expense items:

a. Management Fee: A management fee should be included in the expenses for determining overall market value and be supported by expense comparables.

b. Insurance. The appraiser must have a basic understanding of the subject's existing insurance coverage and premiums, and of the general/professional liability, and how it correlates to the market comparables. The Lender shall provide the actual and/or proposed premium for the subject.

c. Payroll: Special attention should be paid to personal care/nursing expenses as they relate to the proposed levels of care to be provided.

d. Fuel, Gas, Electricity, and Water and Sewer: Estimates should be supported by an analysis of historical data, and/or discussions with appropriate officials, and/or by examination of operating statements of comparable properties.

e. Building Maintenance and Repairs. In developing an estimate for this line item for a property, the appraiser should consider any required and proposed repairs to be completed as part of the financing. If applicable, in examining historical operating statements, the appraiser may eliminate any known capital expenditures that would normally be covered by a replacement reserve account. However, in all such cases, the items and expenses eliminated should be identified and itemized separately.

f. Replacement Reserve. The appraiser must reflect a Replacement Reserve that is supported by the market and/or historical levels. HUD has a programmatic requirement to require a replacement reserve, however **if the amount required by HUD differs from what the market demands, the appraiser will use the market-based amount and the lender will revise the amount in their underwriting to meet HUD's requirements.**

g. Real Estate Taxes. The appraiser must consider current assessment value trends and levy rates of the local jurisdiction taxing the subject property.

It is required that at least three comparable tax properties be considered and analyzed regarding tax-assessed values, mil rates, and taxes. Preferably, the rent comparables will also be used as these tax comparables. The appraiser should also comment on the estimated date of assessment and assessment cycle so as to indicate the time frame for the next assessment. The current taxes (for the immediate tax year) should be clearly stated. For new construction, sub-rehab, and 241a, the anticipated taxes to be used in the income approach should be estimated considering historical trends and comparable properties. For both existing properties and those with proposed construction, the appraiser must discuss how the concluded taxes relate to the appraised value and the current assessment.

For properties subject to tax abatement or tax exemptions, the appraisal will include an estimate of the real estate taxes in the expense conclusion, unless the abatements/exemptions will continue with the real estate subsequent to transfer of ownership. The appraiser will also comment on the likely duration of the abatement/exemption.

e. Capitalization Rate: The appraisal shall provide the following methodology:

Under the direct capitalization method, the appraiser extracts the over-all capitalization rate from sales comparables. The methodology for estimating the comparable's Net Operating Income should match the methodology used in developing the subject's Net Operating Income. That is to say, if the subject's income is prospective in nature, so the comparable's should be; if the subject included a management fee, so should the comparable; if the subject's expenses included reserve deposits, so should the comparable's, etc. When extracting market capitalization rates from Sale Comparables, the appraiser should attempt to interview the buyer, seller, and brokers to learn their expectations of income and expenses. This is to ensure agreement between the subject's projected income/expenses and the sale comparable cap rates.

The appraisal must thoroughly explain all adjustments to the sales comparables when deriving a capitalization rate. The appraiser must comment on the relative quality, reliability, or appropriateness of the NOI used in calculating the comparable's capitalization rate. The narrative is to provide pertinent discussion as to how the subject's final capitalization rate-was determined.

f. Discounted Cash Flow (DCF): The appraisal may use a discounted cash flow analysis or Yield Capitalization as an additional check against the direct capitalization approach above. This method can be a useful and valid analysis is most useful in situations where incomes will vary over time. However, due to the exceptionally subjective nature of the DCF and the potential for misuse of cash flow estimates, discount rates, terminal or reversion rates, etc. OIHCF will only permit this methodology to be utilized as an indicator of value in support of other valuation methodologies. With rare exceptions, OIHCF will not permit an Income Approach conclusion to be weighted with a Discounted Cash Flow Analysis.

IV. Special Appraisal Requirements

From time to time, a property requires specialized valuation services. The following summarizes special considerations to be addressed.

A. Continuum of Care Residential Communities (CCRC's):
HUD does not insure facilities that require upfront fees or substantial down payments for occupancy. For facilities that offer services to more than one type of resident (e.g., assisted living, dementia, skilled nursing) the appraisal will need to adequately evaluate each group in terms of income, expense, and sales comparable data. If comparable data from projects of a similar resident mix is not available, the appraisal will need to include a separate analysis for each resident type. Likewise for the income and expense comparables.

B. Day Care:
An eligible health care facility may provide nonresidential (outpatient) care for elderly individuals and others (e.g., persons with physical or mental disabilities) who require care during the day. To be eligible for the program, nonresident day care space may not exceed 20% of the gross floor area of the facility and nonresident day care income may not exceed 20% of gross income. Day care space at a separate site must have adequate toilet, bathing and cooking facilities and adequate transportation for its clients and must be in the service area of the healthcare facility.

The appraisal will adequately describe the minimum requirements of any third party reimbursement agency and licensing agency applicable to the day care operations.

C. Clinics, Medical Offices and similar related services:
Clinics, medical offices and similar related services included in a residential care facility are to be treated as commercial space in accordance with the current HUD/FHA instructions and limitations.

D. Rent Restrictions/Rent Subsidies:
In some cases, Assisted Living Facilities may receive subsidies and be tied to restrictions. If the Property's rental rates are restricted or subsidized, the appraisal will discuss the particulars of the restriction/subsidy, including how the rents are determined; the duration of the restriction/subsidy; identification of the entity responsible for monitoring the restriction/subsidy; and, the affect on marketability of the non-restricted/non-subsidized units. **For unit or project-based restrictions/subsidies, the appraisal should use the lower of the market rent conclusion and the restricted/subsidized rent in determining value.**

Payments from Medicare, Medicaid, HMO's and Private Insurance are not considered subsidized rents. Subsidized properties cannot be used as comparables for non-subsidized properties with respect to sales, expense, or rent comparability. The appraisal should note if the project expects to utilize Medicaid financing for residents of assisted living projects and must provide any project specific information regarding the feasibility of this subsidy and its applicability under state law.

E. LIHTC/Bond-Financing:
For Low Income Housing Tax Credit (LIHTC) and/or tax-exempt bond financing, the appraisal will thoroughly discuss any occupancy and/or income restrictions and qualifications and the timeframes for those restrictions. Unless otherwise directed by HUD or the Lender, any benefit associated with favorable financing should be ignored in the valuation of the property, and assume a cash sale as specified in the definition of Market Value.

V. Contradiction

In the event that this appraisal guideline contradicts the provisions of the HUD/FHA Regulations or does not comply with USPAP (and a jurisdictional exception cannot be made), the appraiser will immediately bring the issue to the attention of the Lender's underwriter.

VI. Quality Assurance Enforcement Actions

The rules established by Chapter 15 of the MAP Guidebook regarding Quality Assurance Enforcement Actions apply to OIHCF Lean transactions. This chapter outlines offenses and their remedies which may include:

(1) Issue a Warning Letter to the lender or 3rd party analyst.
(2) Initiate the issuance of a Limited Denial of Participation (LDP) of an individual or firm involved in a "covered transaction" as defined in 24 DFR 24.110.
(3) Refer a Lender to the Mortgagee Review Board.

ENGAGEMENT LETTER

GREYSTONE FUNDING CORPORATION
[illegible]

January 25, 2012

VIA EMAIL

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

RE: LEAN Appraisal Update Engagement Letter
Pascagoula ALF; Pascagoula, MS (the "Project")
Section of the Act: 232 – one-step

Dear Ms. Kauchick:

Please accept this letter as confirmation of the material terms of the engagement of Value Tech Realty Services, Inc. (the "Appraiser") by Greystone Funding Corporation ("Greystone") to provide a self-contained, updated appraisal for the Project (the "Appraisal").

Scope of Services. Greystone requires compliance with the LENDER APPRAISER 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. http://portal.hud.gov/portal/page/portal/ver1/HUD/federal_housing_administration/healthcare_facilities/section_232/Docs/Underwriting_Guidance_Docs/2.1%20Appraisal_Statement_of_Work_2010.doc

Completion & Delivery. A draft of the Appraisal 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 Appraisal. Within five business days of the Appraiser's receipt of Greystone's comments (the "Final Report Delivery Date"), an electronic version of final Appraisal 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 Appraiser that for each day of unexcused delay in delivery of either the draft or final Appraisal 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 Appraisal, such losses being difficult to determine, not a penalty. Additionally, unexcused delays may require the Appraiser, 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 Appraisal is within the timeframe permitted by HUD. The Appraiser 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. The Standard USPAP Certification must accompany the report draft; otherwise it will not be deemed completed.

[redacted]

Distribution of Appraisal. It is understood and agreed by the Appraiser that a copy of the Appraisal 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.

Requested Amendments. It is agreed that the final Appraisal 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 Standard USPAP 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 Appraiser, all without any fee or liability to the Appraiser.

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, Chann 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 Kauchick

Name: Kay Kauchick

Title: President

Date: 1-26-2012

Enclosures:
1. Lender Appraiser Statement of Work
2. Standard USPAP Certification
3. Team Member Listing