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REAL ESTATE APPRAISAL

APPRAISAL REPORT

Country Place Assisted Living Facility

June 5, 2018

Country Place Assisted Living Facility

140 McRae Street

Atmore, Alabama 36502

HT File No. 20180838

Client File No. 18-000204-01-01

Prepared by:
HealthTrust
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June 20, 2018

Ms. Cindy Dickinson, Sr. V.P.
The First, ANBA
P.O. Box 15549
Hattiesburg, MS, 39404

RE: Real Estate Appraisal of
Country Place Assisted Living Facility
140 McRae Street
Atmore, Alabama 36502
HT File No. 20180838
Client File No. 18-000204-01-01

Dear Ms. Dickinson:

At your request and authorization, HealthTrust, LLC, has prepared an Appraisal Report of the subject, an existing Assisted Living Residence. The "as is" market value is relevant as to the date we last inspected the site, or June 5, 2018. The date of this report is June 20, 2018.

The subject is a closed assisted living residence that was built and opened in 2015. According to the potential buyer, it's presently listed for sale after abruptly closing in the last 60 days. The sellers have not been forthcoming with information and this appraisal is largely predicated on market data and conversations with the potential buyer and their agent. According to the buyer, it is believed the subject had around 10 residents at the time of closing and the sellers were experiencing some sort of financial distress. Thus, the building was closed, delicensed, and the residents were transferred to a sister facility in Brewton. It is presently listed for sale at $1,500,000 for real estate only according to LoopNet. We find this to be below market value assuming the facility can be readily relicensed, which the potential buyer believes is the case. We have relied on this and assume that licensure will be obtained. Lastly, it is our understanding that this appraisal will be used to assist in developing an offering price for the subject.

The report will be used to assist with underwriting and/or credit decision for a loan involving the subject. The effective date of the "as is" value was estimated under market conditions observed at that time, reflecting the fee simple interest in the market value of the going concern. Appraisal terms are defined in the following report. Complete descriptions of the property, together with the sources of information and the bases of our estimates, are stated in the accompanying sections of this report.

The report is an Appraisal Report that complies with the reporting requirements set forth in Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice, FIRREA guidelines.

Following our investigation and analysis, we have estimated the "as is" and "prospective stabilized" market values of the fee simple interest in the subject including the going concern (real estate, personal property and total intangible assets), as depicted in the following table:

VALUATION SUMMARY(1)		
Date of Value/Appraised Interest	**As-Is**	**As-Stabilized**
	5-Jun-2018	5-Jun-2019
Market Value of Fee Simple Estate	$1,970,000	$2,850,000
Real Property Allocation		
Real Property	$1,860,000	$2,550,000
FF&E (Personal Property)	$110,000	$110,000
Business Value	$0	$190,000
Market Value of the Going Concern	$1,970,000	$2,850,000

(1) Subject to the Certification, Standard Conditions and Special Conditions
Source: HealthTrust, LLC

The accompanying prospective financial analyses are based on estimates and assumptions developed in the appraisal. However, some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our prospective financial analyses will vary from our estimates and the variations may be material.

This report, the final estimates of value and the prospective financial analyses are intended solely for your information and assistance for the function stated above, and should not be relied upon for any other purpose. Neither our report nor any of its contents nor any reference to the appraisers or our firm, may be included or quoted in any document, offering circular or registration statement, prospectus, sales brochure, other appraisal, loan or other agreement without HealthTrust LLC's prior written approval of the form and context in which it will appear.

Respectfully submitted,

HealthTrust, LLC

HealthTrust, LLC

Certification

I certify that, to the best of my knowledge and belief:

The statements of fact contained in the accompanying report are to the best of our knowledge true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are 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. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.

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.

Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute and in conformity with the current Edition of the Uniform Standards of Professional Appraisal Practice.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

Alan C. Plush, MAI has not made an inspection of the subject but reviewed this report. No one, other than those so named in the certification pages herein, aided the undersigned with preparation of this report.

Alan C. Plush, MAI has not provided services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three years immediately preceding acceptance of this assignment.

The subject of this appraisal, Country Place Assisted Living Facility, is located at 140 McRae Street, Atmore, Alabama 36502.

As of the date of this report, Alan C. Plush, MAI, has completed the requirements of the continuing education program for Designated Members of the Appraisal Institute.

This assignment was made subject to regulations of the State of Alabama Real Estate Appraisers Board. The undersigned state licensed real estate appraiser has met the requirements of the board that allow this report to be regarded as a 'certified appraisal'.

x _____

Alan C. Plush, MAI
Certified General Real Property Appraiser G00502 (AL)
6801 Energy Court, Suite 200
Sarasota, FL 34240
(941) 363-7501
alan.plush@healthtrust.com

Certification

I certify that, to the best of my knowledge and belief:

The statements of fact contained in the accompanying report are to the best of our knowledge true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are 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. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.

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.

Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute and in conformity with the current Edition of the Uniform Standards of Professional Appraisal Practice.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

Anthony W. Carter, MAI has made an inspection of the subject and prepared the report. No one, other than those so named in the certification pages herein, aided the undersigned with preparation of this report.

Anthony W. Carter, MAI has not provided services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three years immediately preceding acceptance of this assignment.

The subject of this appraisal, Country Place Assisted Living Facility, is located at 140 McRae Street, Atmore, Alabama 36502.

As of the date of this report, Anthony W. Carter, MAI, has completed the requirements of the continuing education program for Designated Members of the Appraisal Institute.

This assignment was made subject to regulations of the State of Alabama Real Estate Appraisers Board. The undersigned state licensed real estate appraiser has met the requirements of the board that allow this report to be regarded as a 'certified appraisal'.

x _____

Anthony W. Carter, MAI
Certified General Real Property Appraiser G00782 (AL)
3008 7th Avenue South
Birmingham, AL 35233
(205) 320-7523
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Standard Conditions

This appraisal report shall be subject to standard conditions, permitted and/or limited usage, and terms of engagement, which are outlined as follows:

Appraisals are performed and written reports are prepared in accordance with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and with the Appraisal Institute's Standards of Professional Appraisal Practice and Code of Professional Ethics.

Unless specifically stated, the value conclusion(s) contained in the Appraisal applies to the real estate only, and does not include personal property, machinery and equipment, trade fixtures, business value, goodwill or other non-realty items. The Appraisal report covering the subject is limited to surface rights only, and does not include any inherent subsurface or mineral rights. Income tax considerations have not been included or valued unless so specified in the Appraisal. We make no representations as to the value changes that may be attributed to such considerations.

The legal description used in this report is assumed to be correct and we have made no survey of the property. We assume that there are no hidden or unapparent conditions of the property, subsoil, or structures that would impact its value.

No opinion is rendered as to property title, which is assumed to be good and marketable. Unless otherwise stated, no consideration is given to liens or encumbrances against the property. Sketches, maps, photos, or other graphic aids included in appraisal reports are intended to assist the reader in ready identification and visualization of the property, and are not intended for technical purposes.

It is assumed that legal, engineering, or other professional advice, as may be required, has been or will be obtained from professional sources and that the appraisal report will not be used for guidance in legal or technical matters such as, but not limited to, the existence of encroachments, easements or other discrepancies affecting the legal description of the property. It is assumed that there are no concealed or dubious conditions of the subsoil or subsurface waters including water table and flood plain, unless otherwise noted. We further assume there are no regulations of any government entity to control or restrict the use of the property unless specifically referred to in the report. It is assumed that the property will not operate in violation of any applicable government regulations, codes, ordinances or statutes.

This report is not intended to be an engineering report. We are not qualified as structural or environmental engineers; therefore, we are not qualified to judge the structural or environmental integrity of the improvements, if any. Consequently, no warranty or representations are made nor any liability assumed for the structural soundness, quality, adequacy or capacities of said improvements and utility services, including the construction materials, particularly the roof, foundations, and equipment, including the HVAC systems, if applicable. Should there be any question concerning same, it is strongly recommended that an engineering, construction and/or environmental inspection be obtained. The value estimate(s) stated in this Appraisal, unless noted otherwise, is predicated on the assumptions that all improvements, equipment and building services, if any, are structurally sound and suffer no concealed or latent defects or inadequacies other than those noted in the Appraisal. We will call to your attention any apparent defects or material adverse conditions which come to our attention.

In the absence of competent technical advice to the contrary, it is assumed that the property being appraised is not adversely affected by concealed or unapparent hazards such as, but not limited to asbestos, hazardous or contaminated substances, toxic waste or radioactivity.

Information furnished by others is presumed to be reliable, and where so specified in the report, has been verified; but no responsibility, whether legal or otherwise, is assumed for its accuracy, and it cannot be guaranteed as being certain. No single item of information was completely relied upon to the exclusion of other information.

Appraisal reports may contain estimates of future financial performance, estimates or opinions that represent the appraiser's view of reasonable expectations at a point in time, but such information, estimates or opinions are not offered as predictions or as assurances that a level of income or profit will be achieved, that events will occur, or that a price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analyses will vary from those described in our report, and the variations may be material.

Any proposed construction of rehabilitation referred to in the Appraisal is assumed to be completed within a reasonable time and in a workmanlike manner according to or exceeding currently accepted standards of design and methods of construction.

Any inaccessible portions of the Property or improvements not inspected are assumed to be as reported or like the areas that are inspected.

It should be specifically noted by any prospective mortgagee that the appraisal assumes that the property will be competently managed, leased, and maintained by financially sound owners over the expected period of ownership. This appraisal engagement does not entail an evaluation of management's or owner's effectiveness, nor are we responsible for future marketing efforts and other management or ownership actions upon which actual results will depend.

The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property.

The report, the final estimate of value and estimates of future financial performance included therein, are intended for the information of the person or persons to whom they are addressed, solely for the purposes stated therein, and should not be relied upon for any other purpose. The addressee shall not distribute the report to third parties without prior permission of HealthTrust. Before such permission shall be provided, the third party shall agree to hold HealthTrust harmless relative to their use of the report. Neither our report, nor its contents, nor any reference to the appraisers or HealthTrust, may be included or quoted in any offering circular or registration statement, prospectus, sales brochure, other appraisal, loan or other agreement or document without our prior written permission. Permission will be granted only upon meeting certain conditions. Generally, HealthTrust will not agree to the use of its name as a "named expert" within the meaning of the Securities Act of 1933 and the Securities Act of 1934.

The valuation applies only to the property described and for the purpose so stated and should not be used for any other purpose. Possession of the report, or copy thereof, does not carry with it the right of publication. Any allocation of total price between land and the improvements as shown is invalidated if used separately or in conjunction with any other report.

Neither the report nor any portions thereof (especially any conclusions as to value, the identity of the appraisers or HealthTrust, or any reference to the Appraisal Institute or other recognized appraisal organization or the designations they confer) shall be disseminated to the public through public relations

Media, news media, advertising media, sales media or any other public means of communication without the prior written consent and approval of the appraisers and HealthTrust. The date(s) of the valuation to which the value estimate conclusions apply is set forth in the letter of transmittal and within the body of the report. The value is based on the purchasing power of the United States dollar as of that date.

Acceptance of and/or use of this report constitutes acceptance of all Standard Conditions.

Appraisal assignments are accepted with the understanding that there is no obligation to furnish services after completion of the original assignment. If the need for subsequent service related to an appraisal assignment (e.g., testimony, updates, conferences, reprint or copy service) is contemplated, special arrangements acceptable to HealthTrust must be made in advance.

Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the subject property of energy shortage or future federal, state or local legislation, including any environmental or ecological matters or interpretations thereof.

We take no responsibility for any events, conditions or circumstances affecting the subject Property or its value, that take place after either the effective date of value cited in the Appraisal or the date of our field inspection, whichever occurs first.

This engagement may be terminated whether by client or HealthTrust at any time upon written notice to that effect to the other parties, it being understood that, unless HealthTrust shall unilaterally terminate the engagement without the client's consent and without reasonable cause, the provisions related to the payment of fees and expenses through the date of termination will survive any termination, and it being further understood that the indemnification and hold harmless provisions shall survive any termination thereof, whether or not such termination is unilateral.

Hypothetical Conditions

None noted.

Extraordinary Assumptions

Although this appraisal is not contingent upon any specific management, it does presume that the subject's management is competent and experienced with operations of an Assisted Living Residence.

This appraisal presumes that similar licensing as previously operated can be reobtained within a reasonable amount of time. We have assumed 90 days. Should this not occur, it will significantly impact our value conclusions.

Please note that the sellers were not willing to provide any information on the property. Therefore, we were only able to obtain information through secondary sources and the amount of information is much less that ideally required. Nonetheless, we have developed a value based on market information and the information gathered.

We presume that the borrower will fund any cash short falls out-of-pocket until the property reaches a stabilized level of occupancy.

Please note that the use of these extraordinary assumptions and hypothetical conditions might affect our assignment results.

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PREFACE

Country Place Assisted Living Facility

EXECUTIVE SUMMARY

Property Data

Name:	Country Place Assisted Living Facility	
Address:	140 McRae Street	
	Atmore, Alabama 36502	
Property Type:	Assisted Living Residence	
Gross Building Area (SF):	18,288	
Land Area (acres):	4.9	
Year Built:	2015	
Condition:	Good	
Effective Age:	3	
Total Density:	24	
	As-Is	
Unit Mix:	***No. Units***	***Set-Up Beds***
AL	24	24
Total	**24**	**24**
Parcel Number:	26-09-32-2-010-017.011	
Assessor's Fair Market Value:	$1,762,830	
Property Taxes:	$19,237	
Zoning District:	B-2 - General Business	
Flood Zone:	Outside	
Owner of Record:	CP 5 (AL) INC	
Management Company:	Closed Facility	
Highest & Best Use:		
As Though Vacant	Assisted Living Residence	
As Currently Improved	Assisted Living Residence	

EXECUTIVE SUMMARY (CONT.)

Financial Analysis Summary

Purpose of the Appraisal:	assist with underwriting and/or credit decision for a loan involving the subject
Salient Dates of Appraisal:	
As Is	June 5, 2018
Prospective Stabilized	June 5, 2019
Interest Appraised:	fee simple
Excess Land:	$0
Excess CON:	$0
Valuation Assumptions:	
Capitalization Rate:	10.00%
Terminal Capitalization Rate:	10.50%
Discount Rate:	11.50%
Revenue Growth Rate:	2.00%
Expense Growth Rate:	2.00%
Management Fee:	5.00%
Reserves (Capex) Per Unit:	$500
Stabilized Expense Ratio	75%
Stabilized Occupancy	92%

Value Indication(s)

	As-Is 5-Jun-2018	As-Stabilized 5-Jun-2019
The Cost Approach - Fee Simple	$2,460,000	---
The Income Approach - Fee Simple	$1,970,000	$2,850,000
The Sales Approach - Fee Simple	$1,990,000	---

Value Conclusion(s)

Market Value of Going Concern	$1,970,000	$2,850,000

Value Allocation(s)

Real Property	$1,860,000	$2,550,000
FF&E (Personal Property)	$110,000	$110,000
Business Value	$0	$190,000
Market Value of the Going Concern	$1,970,000	$2,850,000

The values presented above are subject to the Certification of Value, Standard Conditions, and Extraordinary Conditions and may not be distributed in partial context without the entire appraisal document. The summary values cannot be completely understood without the entire document and/or additional information from our work files. The accompanying prospective financial analyses are based on estimates and assumptions developed in connection with the appraisal. However, some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our prospective financial analyses will vary from our estimates and the variations may be material.

Glossary of Terms

Activities of daily living (ADLs). Everyday personal care tasks necessary for a person to maintain independence. These tasks include bathing, dressing, transferring, eating, toileting, and continence maintenance. This term is used in the analysis of senior housing properties. †

Actuary. A mathematician often employed by an insurance company, who calculates premiums, reserves, dividends, and insurance, pension and annuity rates, using risk factors obtained through empirical analysis. †

Ad valorem tax. A tax levied in proportion to the value of the thing(s) being taxed; generally referred only to property taxes. †

Business value. The market value of a going-concern, including real property, personal property, and the intangible assets of the business. †

Certificate of Need (CON). A legal document required in many states before proposed acquisitions, expansions, or creations of facilities are allowed.

Density. Sum of independent living units, assisted living units, memory care units and skilled nursing beds.

Effective gross income multiplier (EGIM). The ratio between the sale price (or value) of a property and its effective gross income. †

Entrepreneurial incentive. The amount an entrepreneur expects to receive for his or her contribution to a project. Entrepreneurial incentive may be distinguished from entrepreneurial profit (often called developer's profit) in that it is the expectation of future profit as opposed to the profit actually earned on a development or improvement. †

Extraordinary assumption. An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. ‡

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. †

Furniture, fixtures, and equipment (FF&E). Business trade fixtures and personal property, exclusive of inventory. †

Going concern value. 1. The market value of all tangible and intangible assets of and established and operating business with an identifiable life, as if sold in aggregate; more accurately termed the *market value of the going concern*. 2. The value of an operating business enterprise. Goodwill may be separately measured but is an integral component of going-concern value when it exists and is recognizable. †

Highest and best use. The reasonably probable and legal use of vacant land or an improved property that 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 productivity. Alternatively, the probable use of the land or improved property – specific with respect to the user and timing of the use – that is adequately, supported and results in the highest present value. †

Hypothetical condition. A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. ‡

Insurable value. A type of value used for insurance purposes.† Defined more specifically in the Insurable Value section of this report, if applicable.

Investment value. The value of a property interest to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.†

Leased fee estate. A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease).†

Leasehold estate. The tenant's possessory interest created by a lease. †

Liquidation value. The most probable value price that a specified interest in real property should bring under the following conditions: 1. Consummation of a sale within a short period of time; 2. The property is subjected to market conditions prevailing as of the date of valuation. 3. Both buyer and seller are acting prudently and knowledgeably. 4. The seller is under extreme compulsion to sell. 5. The buyer is typically motivated. 6. Both parties are acting in what they consider to be their best interest. 7. A normal marketing effort is not possible due to brief exposure time. 8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto. 9. 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. This definition can also be modified to provide for valuation with specified financing terms. See also disposition value; distress sale; forced-sale price. †

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 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 or well advised, and acting in what they consider their own best interests;

(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 granted by anyone associated with the sale. *

Personal property. 1. Identifiable tangible objects that are considered by the general public as being "personal" – for example, furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all tangible property that is not classified as real estate. (USPAP, 2010-2011 edition) 2. Consists of every kind of property that is not real property; movable without damage to itself or the real estate; subdivided into tangible and intangible. Also called *personality*. (IAAO) †

Real property. The interests, benefits, and rights inherent in the ownership of real estate. †

Surplus land. Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. ¤

Uniform Standards of Professional Appraisal Practice (USPAP). Current standards of the appraisal profession, developed for appraisers, and the users of appraisal services, by the Appraisal Standards Board, of the Appraisal Foundation. The standards are endorsed by the Appraisal Institute and by other professional organizations, and state and federal regulatory authorities enforce the content or applicable editions of the standards. ‡

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† *The Dictionary of Real Estate Appraisal*, Fifth Edition, Appraisal Institute, 2010.

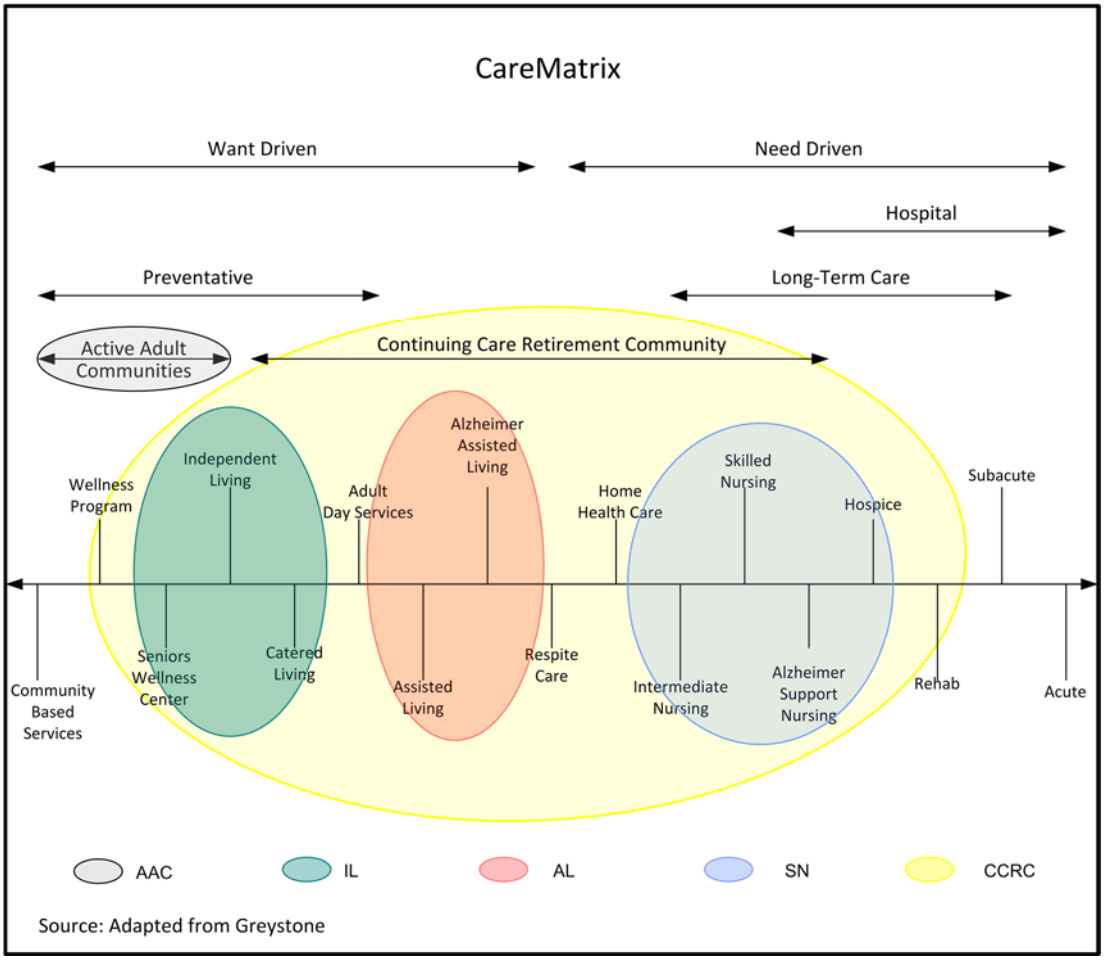
¤ *The Appraisal of Real Estate Appraisal*, Fourteenth Edition, Appraisal Institute, 2013.

* Office of the Comptroller of Currency (OCC), Title 12 – Banks and Banking, Code of Federal Regulations (C.F.R.), Subpart C – Real Estate Lending and Appraisals, Part 34(g), e-CFR, February 9th, 2012.

‡ The Appraisal Foundation, *Uniform Standards of Professional Appraisal Practice*, 2016-2017 Edition.

Seniors Housing and Health Care Industry Overview

The subject of this analysis is a seniors housing/ health care property. The health care and seniors housing industry can generally be segregated into five separate and distinct levels. These levels range, in order of intensity from lowest to highest, from a seniors apartment (i.e., age-restricted) to independent living community, assisted living residence, skilled nursing facility to, ultimately, an acute care (hospital). The following overview is intended to provide a brief overview of this market sector summary.



Senior Apartments: This product type includes all age-restricted apartments where at least 80% of the residents are 55 years of age or older. Physically, the properties are like traditional apartments with a clubhouse, perhaps exercise facilities, covered or garage parking, and a swimming pool. No services are offered for meals or housekeeping, but social activities are typically available. The resident profile includes an active adult who is typically retired and has no need for assistance with activities of daily living or instrumental activities of daily living. Units typically include a full kitchen, washer and dryer hook-ups, balconies or patios, window treatments and floor covering.

The *NIC/American Seniors Housing Association's Seniors Housing Construction Trends Report 2013* indicates that the number of properties under construction as of March 31, 2013 totaled 180 with 12,949 units, down slightly from the prior year. Only 11% of these units under construction were market rate projects with the remainder being affordable housing or HUD 202 deals. However, while the over number

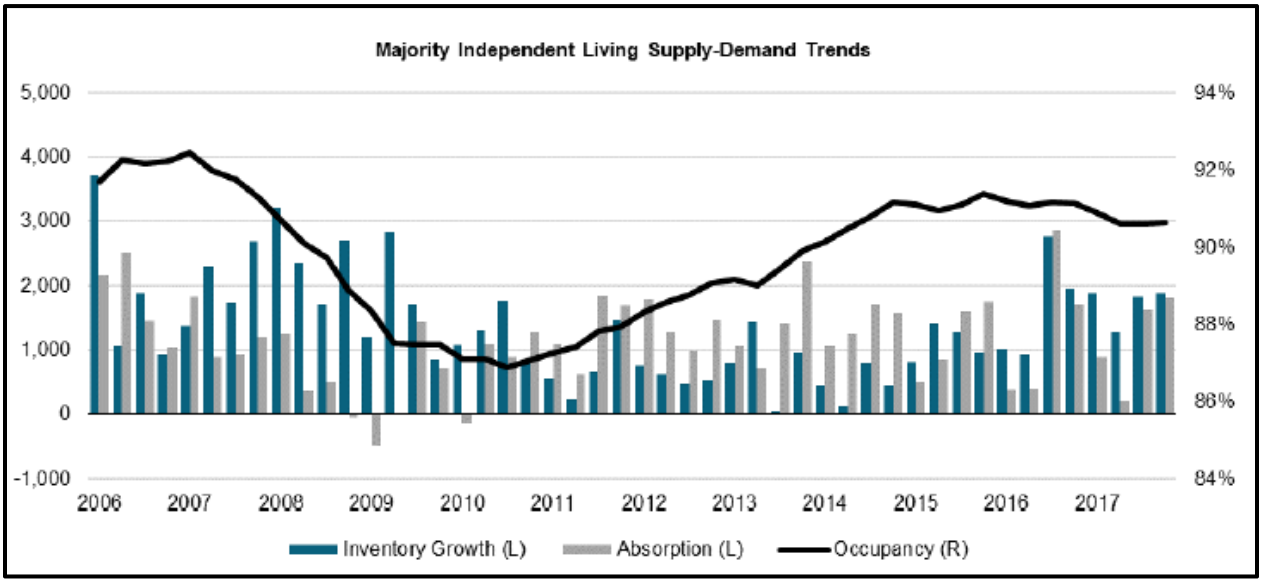
of projects under development was less than the prior year, market rate projects represented a greater proportion of those deals. We note that the 2014 edition of this report ceased covering senior apartments.

Independent Living Communities: Independent living communities (ILCs) were the largest response the market provided in the 1980s to increasing demand for senior accommodations. These projects, typically ranging in size from 150 units to 300 units, are designed in similar fashion (operationally) to an apartment complex, in that units often contain separate bedrooms and cooking facilities. Also provided in the development is a commons area that includes a kitchen and dining room(s) that offers up to three meals per day. Services typically included are weekly housekeeping and linen service, maintenance of grounds, activities, etc.

Residents who locate in an independent living community must be physically and mentally capable of performing all the activities of daily living (ADL). Development of these types of communities, given their large scale, prompted entries into the industry by both local and national firms. However, by the very nature of the communities (independent), residents can relocate if personal preferences or needs change. Unlike other forms of seniors housing, ILCs are less-need-driven with lifestyle and social considerations prompting the residency decision for most seniors.

According the NIC MAP's 4th Quarter 2017 *Monitor*, occupancy remained the same from the prior quarter at 90.5% and remains 370 basis points above the cyclical low it established during the third quarter of 2010. Construction activity represented 4.7% of existing inventory, relatively flat since the fourth quarter of 2016, which exhibited a recent high of 4.8%. During the quarter, absorption totaled 1,803 units, a rate of 0.6% with annual absorption as of the fourth quarter 2017 at 1.5%, unchanged from the prior quarter's pace. Rent growth also remained steady at 2.4% from the prior quarter, but down 150 basis points from a year ago.

Further, NIC MAP reports the following supply and demand trends for Majority Independent Living Communities:



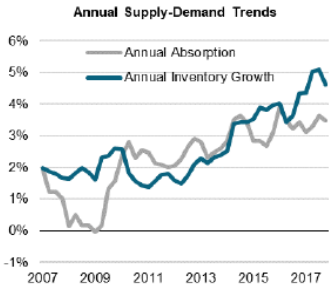
Assisted Living Residences: The second level of seniors housing is the assisted living residence. Assisted living becomes necessary when a resident is no longer capable of performing all the activities of daily living (ADLs). ALRs vary in the intensity of personal care services provided, from the resident who is mentally competent but physically frail, to the resident who is both mentally disoriented and physically frail. Residents suffering from Alzheimer's or some other form of dementia typify the higher intensity level.

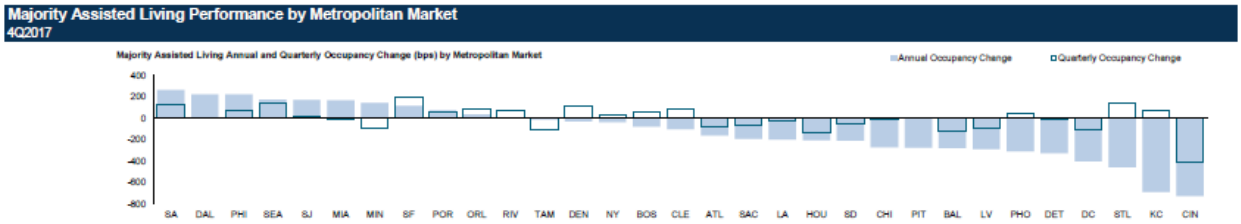
Assisted living residences have emerged as one of the growth sectors in the senior housing and health care market in the late 1980s. Assisted living residences are designed to provide a level of care that is roughly between that of independent living and skilled nursing. Residents live in a residential apartment, but all instrumental activities of daily living (e.g., cooking, cleaning, driving) are provided and typically at least three or more ADLs such as grooming, bathing, dressing, and toileting are provided.

Many of these communities have a distinct section for Memory Care where there is a higher ratio of staffing, a wanderguard system and other amenities specifically designed to improve the quality of life for these seniors. From a licensure standpoint, most states require little additional documentation or certification for a property to advertise this specialty unit.

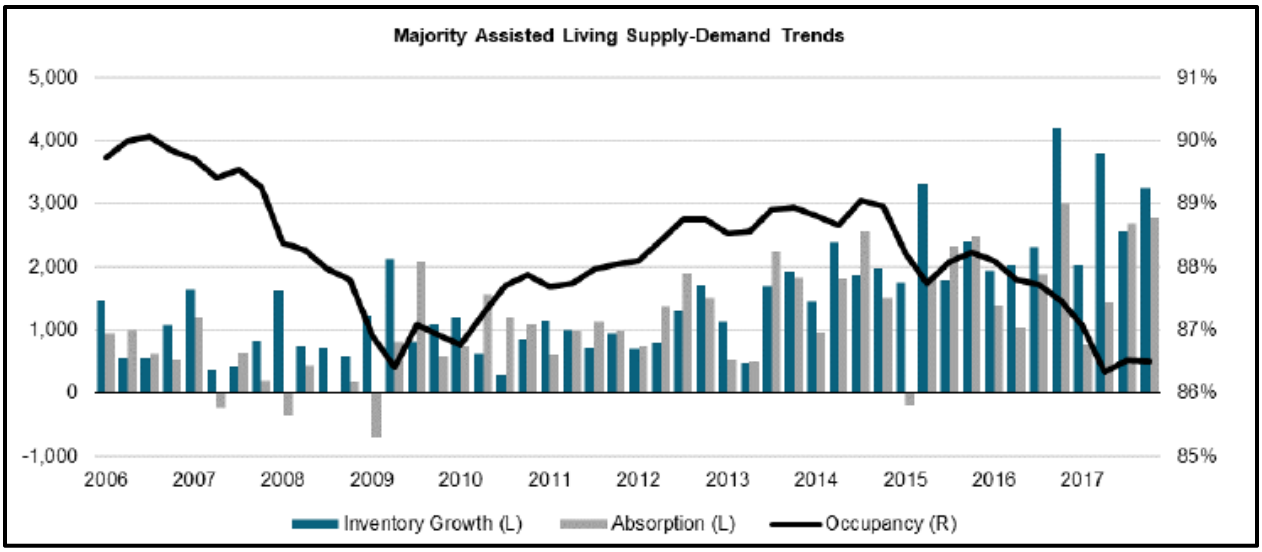
Finally, many states have Medicaid reimbursement for stays at assisted living residences. This appears to be the final level of support needed to legitimize assisted living as a niche in the industry, and allow for institutional investment over the near term as opposed to the distant future.

According the NIC MAP's NIC MAP's 4th Quarter 2017 *Monitor*, occupancy was 86.5%, unchanged from that reported in the prior quarter but down 100 basis points from a year ago. Inventory growth continues to out-pace absorption with 23,859 units under construction, or 9.1% of total inventory. Occupied units increased by 2,786 during the quarter with annual absorption at 3.5%, up 10 basis points from a year prior. We find anecdotally development is not evenly distributed. The NIC MAP *Market Performance Report* reports that for Q4 2017, performance varies as seen, but is typically down:





The annual rate growth remains above inflation at 2.7% and is 40 basis points below the prior quarter's pace. NIC MAP indicated the following supply and demand trends for Majority Assisted Living Communities:

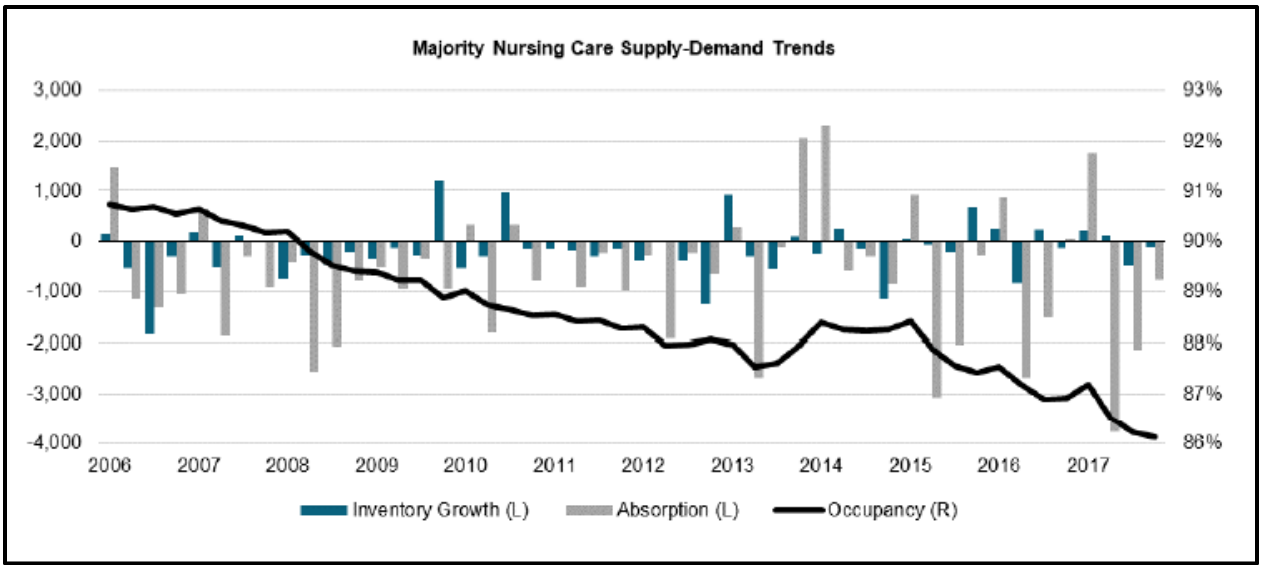


Skilled Nursing Facilities: Skilled nursing facilities are the oldest property type in the healthcare/seniors housing industry. They are, operationally, one step below hospitals. Physically, skilled nursing facilities contain smaller rooms and typically house residents on a semi-private basis, although the trend is moving towards private rooms, particularly for the more lucrative short-term rehab care. The rooms, from an appearance standpoint, are like a hospital room and do not contain cooking facilities.

Operationally, these facilities differ from independent and assisted living residences in that a significant portion of their income is derived from government sources rather than the residents. In fact, Medicare and Medicaid, combined, paid about 56% of the $157 billion expended for skilled nursing care in 2015. Thus, changes in reimbursement can have a material impact on a facility's profitability. In aggregate, nursing home care represented about 13.0% of the national CMS budget (Medicaid, CHIP and Medicare programs), and down from the 13.5% level it represented in 2014.

Although increasingly, long-term care residents are being treated in community (ALR) and residential (home health) settings, nursing homes will continue to be of need to persons requiring 24-hour skilled care. As such, nursing homes are focusing on short-term rehab and redesigning their plants to allow for more private rooms, increased therapy space and common areas that appeal to residents who expect short stays. Hence, the acuity of the nursing home resident is expected to increase in coming years.

The NIC MAP Construction Monitor indicates that there 5,839 Nursing Care Beds under construction in the 99 largest MSAs, as of the 4th quarter of 2017. Oftentimes, new skilled nursing projects are being developed with a continuum of care that includes assisted living or memory care units. American Health Care Association (AHCA) estimates the total certified bed count in the US at 1.7 million as of mid-2015. According to NIC MAP*'s Construction Monitor*, among the 99 largest MSAs, skilled nursing indicated a relatively stable pipeline of construction starts as a percentage of inventory; however, we note that many properties appear to be replacement facilities as AHCA reports little growth and, in fact, a slight decline in total beds. Supply and demand trends are summarized as follows:



Acute Care Hospitals: The final care level offered is the acute care environment, or hospital. This is the segment of the market with which the public is most familiar, generally from personal experience. A hospital often represents the last step in the life cycle, and is totally separate and distinct from seniors housing and the three care levels discussed previously. Also, there is little exhibited interrelationship in the relative demand and supply characteristics of acute care hospitals with the remaining elements of the seniors housing market.

Other Product Types: In addition to the four levels described, numerous hybrids or variations occur. For instance, a typical Continuing Care Retirement Community (CCRC) offers services beginning at the independent living level progressing to assisted living and ultimately skilled nursing. CCRCs are often endowment or buy-in situations where a large entry fee is charged to the new resident in exchange for lower monthly service fees for the balance of their residency at the community. Many variations exist on refund policies of this entry fee ranging from 0% to 90% and higher. Most communities amortize the non-refundable fees over four to eight years. Given the orientation of the consumer to either rental or endowment, CCRCs are generally separate and distinct from direct competition with rental communities.

Summary: This review of seniors housing services is intentionally brief and is designed to acquaint the reader with the general differences in product types and services available to the retiree consumer. These services and products are differentiated by price and need level.

Capital resources are available to well-managed communities and established operators with the less experienced developer/operators relying on personal relationships with local lenders. Anecdotally, construction lending is becoming more difficult to obtain as an increasing number of operators and investors are concerned about potential over-supply in some markets.

The most recent quarterly update from NIC MAP suggests the following trends in the 31 largest MSAs in Seniors Housing (Independent and Assisted Living) and Majority Nursing Care:

Seniors Housing									
	Existing Inventory		Occupancy		Supply and Demand		Under Construction		Annual Rent Growth
	# Properties	# Units	All	Stabilized	Absorption	Inventory Growth	# Properties	# Units	
4Q17	4,649	594,731	88.8%	90.3%	4,576	5,127	353	39,354	2.6%
3Q17	4,612	589,604	88.8%	90.3%	4,284	4,375	371	39,078	2.7%
2Q17	4,572	585,229	88.7%	90.3%	1,621	5,055	377	38,864	3.3%
1Q17	4,530	580,174	89.2%	90.6%	1,706	3,901	385	38,606	3.4%
4Q16	4,500	576,273	89.5%	90.9%	4,714	6,155	403	39,252	3.7%
3Q16	4,458	570,118	89.7%	90.9%	4,748	5,064	417	40,190	3.7%
2Q16	4,423	565,054	89.6%	90.7%	1,403	2,953	394	37,416	3.3%
1Q16	4,397	562,101	89.9%	91.0%	1,764	2,933	392	36,182	3.1%
2015	4,376	559,168	90.0%	91.1%	4,238	3,361	381	34,597	2.8%
2014	4,255	545,488	90.2%	91.2%	3,095	2,421	303	25,306	2.5%
2013	4,164	535,989	89.5%	90.4%	4,190	2,872	249	19,669	1.7%
2012	4,092	527,561	88.9%	89.7%	2,961	2,243	191	14,173	2.2%
2011	4,031	520,688	88.0%	89.0%	2,670	2,409	151	11,712	1.8%
2010	3,979	514,003	87.4%	88.5%	2,359	1,668	140	10,570	1.1%

Majority Nursing Care									
	Existing Inventory		Occupancy		Supply and Demand		Under Construction		Annual Rent Growth
	# Properties	# Units	All	Stabilized	Absorption	Inventory Growth	# Properties	# Units	
4Q17	4,092	575,598	86.1%	86.3%	-757	-125	56	5,185	2.5%
3Q17	4,090	575,723	86.2%	86.4%	-2,128	-486	57	5,471	2.5%
2Q17	4,092	576,209	86.5%	86.7%	-3,763	98	59	5,267	2.7%
1Q17	4,092	576,111	87.2%	87.4%	1,771	207	63	5,477	2.8%
4Q16	4,085	575,904	86.9%	87.1%	34	-136	70	5,848	2.7%
3Q16	4,083	576,040	86.9%	87.1%	-1,507	215	77	6,429	2.9%
2Q16	4,080	575,825	87.2%	87.4%	-2,680	-833	80	6,560	2.9%
1Q16	4,084	576,658	87.5%	87.8%	861	256	80	6,340	2.9%
2015	4,079	576,402	87.4%	87.6%	-276	651	76	5,693	3.2%
2014	4,070	576,001	88.3%	88.4%	-869	-1,146	66	5,379	2.8%
2013	4,072	577,310	88.0%	88.1%	2,066	88	55	4,961	2.8%
2012	4,068	577,141	88.1%	88.3%	-644	-1,255	69	6,199	2.8%
2011	4,069	579,196	88.3%	88.5%	-982	-167	62	5,642	3.3%
2010	4,076	580,003	88.5%	88.8%	-788	-173	48	4,204	3.0%

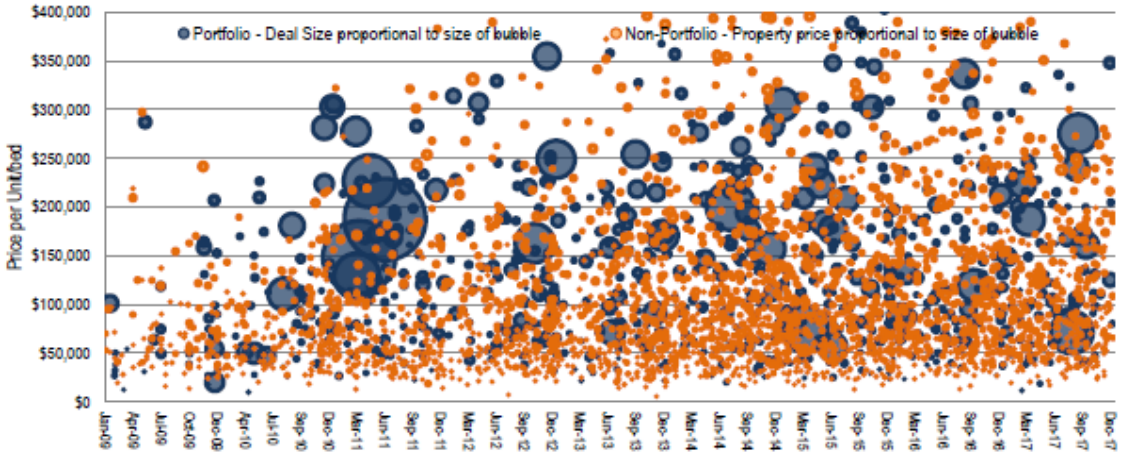
At present, the overall development interest remains high. While many experienced operators continue to build and lease-up, newer entrants to the industry are finding it difficult to obtain construction financing as well as management and department heads once the property opens. For stabilized assets, financing options include agency lending (Fannie, Freddie and HUD), commercial banks, and REITs, particularly for those operators who already have established relationships.

In terms of sales, activity slowed in 2016, largely continuing into 2018, for a variety of reasons, including:

- Lack of institutional grade, seniors housing product available
- Concerns about over-building in some pockets of the country
- REITs largely sitting on the sidelines
- Spread between replacement cost and sale prices

As a result, most deals are smaller – a single property or fewer than 10 – with the greatest competition for Class A properties built in the last 10 years, with a continuum of care, in major metropolitan markets. The increased competition is emanating from private equity and pension funds in conjunction with the large cap REITs and traditional strategic buyers. According to NIC MAP's 4th Quarter 2017 *Transaction Report*, activity over the last several years can be characterized as shown:

Transaction Summary



Overall, we find the following themes going forward in the seniors housing industry:

- ❒ Financing: Availability of financing will be key to continued M&A activity as well as new construction. The HUD LEAN program in fiscal 2017 level issued firm commitments of $3.7 billion; while less than 10% of that volume involved new construction, other program changes have shortened the "seasoning" time needed to bring a deal to HUD. Fannie and Freddie have continued to grow. Freddie exceeded the $47 billion in 2015 with 740 loans representing $6.9 billion to the seniors housing industry since the program started in 1998. Healthcare REITs will continue to maintain a presence as capital providers through sale/leaseback transactions and RIDEA (REIT Investment Diversification and Empowerment ACT) structures. Nonetheless, the Fed is expected to continue to modestly raise rates over the next 12 months, with the near-term impact expected to be modest as we continue to maintain historically low rates.

- ❒ Buyers: Compared to 2015, when the Big 3 (Ventas, Welltower and HCP), non-traded REITs (NorthStar, CNL, Griffin and ARC), and the SNF REITS (Omega and CCP) dominated sales activity, public buyers have largely been on the sidelines to date in 2017 comprising only 31% of the transactions in 2017 compared to over 50% of the volume between 2013 and 2015. While pension funds, private equity, insurance companies and operators remain active, the quality of available product has declined and competition only remains stiff for the rare Class-A assets that come on the market. Nonetheless, as illustrated in the *NIC Investment Guide*, the consistently higher returns in this sector is attracting interest from groups who have largely invested outside of it:

- New Supply: As construction starts convert into new units, most markets are witnessing strong fill rates as demand has been pent up due to little development during the recession. However, with many markets at risk of being over-built, we have begun to see in 2017 occupancy and rate growth challenges and expect increasing challenges in 2018. In addition to the strain that the over 50,000 units under construction will place on the market, we are hearing increased concerns from operators and developers that a shortage of managerial staff at the property and departmental levels may also cause disruptions in the market, as properties compete for staff as well as residents.

- Cost of Capital: With the anticipation of increasing interest rates and new supply concerns, the large cap REITs, and the Big-3 especially, have seen an erosion of their cost of capital via lower share prices. This is meaningful insomuch as the Big-3, all being $30+ billion enterprises are largely viewed as the exit for many of the private and non-traded funds. While there remains a strong appetite among the smaller buyers in the market, an increasing cost of capital environment should result in the bottoming, if not a modest uptick, in cap rates in the space.

- Regulations/Government: States have largely cured much of the shortfalls that have plagued budgets following the recession and currently there is limited downside risk for skilled nursing Medicaid rates. However, there is an increasing trend of states converting to Managed Care programs, which do not reflect outright cuts, do present continued operational scrutiny. In terms of Medicare, the outlook is relatively stable, though new reimbursement methodologies that emphasize outcomes and performance are being implemented. Moreover, many of the larger operators are under Federal scrutiny with respect to Medicare coding. Operational competence will continue to be valued given the ever-increasing regulatory headwinds.

Overall the fundamentals of the industry are good for the long-term, with positive demographic shifts and strong operational track records. However, headwinds are evident in the short-term, including interest rate increases, an influx of new supply and staffing challenges. From a valuation perspective, we expect a stabilization of cap rates and valuations from record highs.

INTRODUCTION

Legal Description: The subject's legal descriptions were collected from the tax assessor's information and are as follows:

DESCRIPTION

LOT 1, CP HOMES SUB, CITY OF ATMORE, PB 6-95.
330'X590.19'X385.25'X346.96'X50.48'X249.79'XIRR 4.9 AC

We presume these descriptions are correct and assume no liability for them.

Three-Year Sales History: We have researched and analyzed the subject sale history in accordance to USPAP for the past three years prior to the date of appraisal. The sale history is presented as follows:

SALES HISTORY	
Owner of Record:	CP 5 (AL) INC
Last Subject Sale Date:	November 7, 2012
OR Book/Page:	543/866
Last Subject Sale Price:	N/A
Arms' Length?	N/A
Pending Sale/Contract?	Yes
If yes, terms:	Terms not yet finalized

Although a sales contract has not been executed, we have been informed of an existing letter of intent involving the subject. We were not provided a copy, but understand a regional senior housing group in the panhandle of the Florida has interest. A sales price is yet to be set, but we do note that the subject was listed for $1,500,000 for real estate only absent of any licensure. During our inspection, we noted that most FF&E was still in the facility and we assume will stay with the facility should a sale occur. Overall, we find the listing price to be below market, but our valuation assumes the subject will be relicensed and its highest and best use is for assisted living. Should the facility sell for an alternate use, it would likely result in a materially different market value.

Ownership Disposition: The current owner, Country Place Assisted Living, of the subject owns and operates eight facilities in Alabama and three in Texas. It is unclear exactly why the subject closed, but the buyers believe there may have been some financial distress. The prospective buyers own and operates facilities along the Florida gulf coast.

Operational Summary: The subject is presently closed. It was reported that the subject closed around late April or early May of this year and had approximately 10 residents at that time. HealthTrust was not provided any operating history, but our estimates are summarized as follows:

OPERATIONAL SUMMARY		
Level of Care	**Appraisal - Stabilized**	
	Occ %	Total/RD
AL	92%	$98.63
Average Occupancy	92%	
Total Revenues		$113.67
Profit Margin		25.4%
Source: HealthTrust LLC and Closed Facility		

Purpose and Intended Use of the Appraisal: To estimate the "as is" and "prospective stabilized" market values of the subject as a going concern including personal and intangible property. The intended use of this appraisal is to assist with underwriting and/or credit decision for a loan involving the subject. The intended users are representatives of the client: The First, ANBA.

Scope of Work

General Property Scope: Standards Rule 2-2 of USPAP requires that each written real property appraisal report must describe the extent of the process of collecting, confirming and reporting data.

Based on the identified objective of the appraisal, we have viewed the subject's income-producing potential as being the salient valuation issue. To appraise the subject, we have inspected the subject, its neighborhood, and the general market area on June 5, 2018. As part of the appraisal process, we have examined:

- ❒ Supply and demand
- ❒ Development trends
- ❒ Current demographic data and projected changes over the next five years
- ❒ Operating characteristics
- ❒ Valuation trends and characteristics
- ❒ Legislative environment

We have surveyed the most comparable properties in this market area to assess typical demand and rates in the PMA. As the subject is an income-producing property type that is typically bought by investors, we have spent the most time, effort and original research on verifying income and expense comparables, rent comparables, identifying trends that may impact the subject's operations. The greatest extent of research was in the income approach.

While we have attempted to limit this research to the subject's primary market area, due to lack of improved sales, we have expanded our search to properties throughout the region. We believe that most or all-discoverable pertinent market information has been obtained and considered. All sales were verified through a party to the transaction and most have been inspected by the appraisers or associates at HealthTrust.

In terms of the cost approach, we have identified sales of vacant property with public sources and used the *Marshall Valuation Service* and regional cost comparables. Nonetheless, we have expended minimal research effort for this approach as it generally produces the least reliable indication for a going concern appraisal.

Lastly, as a part of this process we have obtained and verified data with local market participants (owners and operators of comparable properties), state regulatory agencies as well as local governing officials.

The resulting value estimates have been reconciled based on their relative strengths, weaknesses and appropriateness into a final value estimate. This appraisal report is a written record of our conclusions and opinions, containing the most pertinent market data used and a discussion of the reasoning underlying our estimates.

Applicability of Approaches

The **COST APPROACH** is the sum of the land value and the cost new of the improvements less accrued depreciation. The cost approach is based on the premise that an informed, rational investor/purchaser would pay no more for an existing property than the cost to reproduce a substitute property with the same utility without undue delay.

The **INCOME APPROACH** is based on the premise that a prudent investor would pay no more for the subject property than 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 can produce. These amounts are discounted at a rate that reflects the 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 where prices of reasonably similar properties are compared to the subject and are adjusted for differences in financing, sale conditions, time, location and physical characteristics. This approach is based upon the principle of substitution, which implies that a prudent purchaser would not pay more to buy the subject than for a comparable substitute property in a similar location.

Each approach to value has its strengths and weaknesses, depending on a large extent on the type of property being appraised and the quantity and quality of data available. In most instances, one or more of these approaches will produce a more reliable value indication than the other approach(es). Therefore, the final step in the appraisal process is the RECONCILIATION and correlation of all 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 a statement of the final value estimate.

In addition, it is necessary to identify any business value and personal property value separate from the real estate. The allocated contribution values were estimated following the reconciliation and final value estimates. This report should be read in its entirety for a complete understanding of the scope of the appraisal and the limiting conditions that apply to this valuation and report. Specific attention should be drawn to the Letter of Transmittal, Certification, Standard Conditions and Significant Issues.

Effective Dates of Appraisal

Anthony W. Carter inspected the subject site on June 5, 2018. The “as is” valuation date is also June 5, 2018. The appraisal is based upon market conditions observed at that time.

Use Premise

The subject property valued herein is based on the existing use as an Assisted Living Residence. The implications relative to this premise on the highest and best use of the property are addressed in a later section of this report.

DESCRIPTIVE DATA

Site Description

We have made a visual inspection of the subject property. Where applicable, we have supplemented our analysis with information provided by the subject's management and/or the client. As previously noted, we are not experts in the presence of hazardous substances or the structural integrity of the site or improvements. Based on our inspection of the property, the subject's site characteristics are as follows:

SITE DESCRIPTION			
Access		**General**	
Primary Frontage:	McRae Street	Site size:	4.90 acres
Type:	2 way, 1 lane each way	Source:	Public Records
Median Divided:	No	Shape:	Irregular
Accessibility	Average	Topography:	Level
Visibility	Average		
Exposure	Average	**Other Site Improvements**	
		Paved Drives:	Yes
Facilitating Entry to Site		Walkways:	Yes
Turn Lane:	No	Landscaping:	Yes
Stop Sign:	No	Signage:	Yes
Traffic Light:	No	Ancillary Buildings:	No
		Retention Ponds or areas:	No
Easements			
Right of Way:	N/A		
Utility:	N/A	**Parking**	
Ingress/Egress:	N/A	Open Parking spaces:	23
Drainage:	N/A	Covered Parking spaces:	0
Other (specify):	N/A	Garage spaces:	0
		Handicap spaces:	2
Utility Services		Total	25
Electric:	Yes		
Gas:	Yes	**Soil**	
Water:	Public	Drainage:	Adequate
Sewer:	Public	Soil Conditions:	Normal
Telephone	Yes	Above-Ground Storage Tanks:	No
Cable:	Yes	Underground Storage Tanks:	No
		Hazardous Substances:	No
Flood Zone		Costs to cure:	$0
Flood Plain:	Outside		
Designation:	X	**Seismic**	
Community Panel:	01053C0415E	Zone:	0
Date:	June 5, 2012		

We were not provided with title or a survey detailing the presence of easements on the subject site. We assume that typical easements exist and are unaware of any restraints that would hinder development of the subject if vacant.

AERIAL MAP

Zoning

We verified the subject's zoning designation and reviewed the corresponding zoning ordinance with the City of Atmore. According to the zoning department, the subject site can be rebuilt if it were destroyed. A summary of the zoning requirements is as follows:

ZONING DESIGNATION	
Designation:	B-2 - General Business
Zoning Authority:	City of Atmore
Permitted Uses:	Hospital, clinic, convalescent or nursing home, extended care facility, sanitarium for humans, institutions for the aged.
Maximum Height:	no maximum
Permitted Density:	N/A
Max. Permitted FAR:	N/A
Required Parking:	1 space for each 4 beds, plus 1 space for each 4 employees, including nurses
Subject Permitted As:	legally conforming use

Assessment and Taxes

The subject property is assessed by Escambia County. The subject's real estate is assessed annually, with the most recent assessment having occurred in 2017 and the next scheduled assessment for 2018. The sale of a property does not automatically trigger a reassessment the following year. In addition, arm's length transactions will not impact the subject's assessed value in subsequent years. The following table details the subject's most recent assessment and tax information:

SUMMARY OF REAL ESTATE TAXES				
Parcel ID	**Land**	**Building**		**Total**
26-09-32-2-010-017.011	$102,530	$1,660,300		$1,762,830
Total Assessor's Implied Fair Market Value:				$1,762,830
Adjustments & Taxes:				
Exempt Value:				$0
Assessment Ratio:				20%
Taxable Value:				$352,566
Effective Tax (Millage) Rate:		4.9999		per $100
Total Ad Valorem Real Estate Taxes:				$17,628
Total Non-Ad Valorem Real Estate Taxes:				
Total Real Estate Taxes				$17,628
Personal Property Assessment				$32,180
Personal Property Millage Rate		5.0000		per $100
Total Personal Property Taxes:				$1,609
Total Taxes:				$19,237
Assessment Year				2017
Tax Year				2017
Total Taxes Per:	$802	Unit	Bed	$802

Further, we have juxtaposed the subject real estate tax indications with the comparable properties, as follows:

TAX COMPARABLE ANALYSIS			
Property	**Year Built**	**Assessed/Density**	**Taxes/Density**
Carrington Place	1962/2001	$8,457	$561
Homestead Village	1993/1994/2006	$14,845	$562
Baldwin House	2000	$13,357	$574
The Brennity at Daphne	2005	$34,892	$1,500
Country Place Foley	2011	$12,354	$408
Subject	2015	$14,690	$802
Market Median	2008	$14,023	$568
Market Mean	2008	$16,432	$734

Source: Assessor's Office

In conclusion, the subject is assessed at $14,690 per unit which is within the range of the tax comparables, while the taxes per unit are within the range of the comparables surveyed.

Overall, we have forecasted the subject's taxes as follows:

HT REAL ESTATE TAX FORECAST		
Concluded Real Estate Assessment		$352,566
Per Density		$14,690
Ad-Valorem Tax Rate	4.9999	per $100
Ad-Valorem Taxes		$17,628
Non-Ad Valorem Taxes		$0
Total Real Estate Taxes		$17,628
Concluded Personal Property Assessment		$32,180
Personal Property Rate	5.0000	per $100
Personal Property Taxes		$1,609
Total Taxes		$19,237
Tax Growth		2.00%
HT Projected Taxes		$19,622
Per Density		$818

Source: HealthTrust, LLC

We have estimated total taxes of $818 per unit, which is similar to the current tax burden of $802 per unit as we believe the subject is appropriately assessed.

Improvement Description

The following description of the subject improvements is based on our visual inspection of the subject as well as review of the floor plans and information provided by the operator. These plans are contained in the Addenda of this report. We have partitioned the subject's gross building area as follows:

SUMMARY OF GBA	
Portion	**GBA**
Assisted/Memory Care	18,288
Total	18,288

DESCRIPTION OF IMPROVEMENTS			
Improvement Description:			
Year Built:	2015	Building Shape	"H" shaped
Year of Last Major Renovation	N/A	Basement	None
Number of Buildings	1	Balconies	No
Number of Stories	1	Number of Elevators	0
Nurse's Stations	0	Dining Rooms	1
Overall Condition	Good	Deferred Maintenance	No
Overall Quality	Above Average	Functional Obsolescence	No

In estimating the subject's remaining economic life, we have assessed its physical condition as well as the functionality of the plant. We then have extracted implied economic lives from the improved sales and compared them to suggested guidelines by the *Marshall Valuation Service*.

The subject property was constructed at one time. The improvements are well maintained, with replacements having been made as needed. We were not provided with a history of capital expenditures, but the community appeared to be in good working condition.

Overall, we find that the subject property has an effective age of 3 years, compared to its actual age of due to the adequate maintenance of the improvements. Consequently, we deem the subject to have a remaining economic life of 47 years. The subject's improvements are detailed as follows:

DESCRIPTION OF IMPROVEMENTS (CONT.)	
Construction Details:	
Foundation Type:	Concrete slab
Structure Type:	Wood Frame
Roof Type:	Gable
Exterior Wall Finish:	Siding with Brick Veneer
Interior Partitions - Common Areas:	Latex paint over drywall
Interior Partitions - Resident Units:	Latex paint over drywall
Ceilings - Common Areas:	Latex paint over drywall
Ceilings - Resident Units:	Latex paint over drywall
Lighting - Common Areas:	Incandescent and Fluorescent
Lighting - Resident Units:	Incandescent and Fluorescent
HVAC - Common Areas:	Central
HVAC - Resident Units:	PTACs
Floor Coverings - Common Areas:	Carpet and vinyl sheet
Floor Coverings - Resident Units:	Carpet and vinyl sheet
Windows:	Aluminum frame, single-hung
Sprinkler/Security System:	All units have 24-hour emergency call system with central monitoring. The building is sprinklered and contains smoke detectors.
FF&E:	This appraisal includes all chattel and personal property associated with the subject's operation such as furnishings for all common and administrative areas, office equipment, kitchen and laundry equipment, maintenance equipment, and all other accessory items required for normal operation.

Community Layout

The subject is a one-story assisted living residence with entry located on the north side of the improvements. From above, the layout is best described as an H-design with two parallel resident hallways connected by a central common area. The central common area includes the main dining room, sitting area with large fireplace, kitchen, offices and activity areas. Resident halls are identical with 12 units lining either side of each unit. At the rear of the community is covered patio and courtyard with a woodland view. Overall, we find the improvements are functional for seniors housing and see no indications of any functional obsolescence.

The following table illustrates the amenities offered by the subject. Overall, we find these to be typical in the market, and adequate given the subject's age, quality and prospective resident:

SUMMARY OF AMENITIES			
Unit Amenities:			
Balconies/porches	No	Individually controlled HVAC	Yes
Cable/satellite TV	Yes	Kitchenettes	Yes
Emergency pull-cords	Yes	Private baths	Yes
Fire/smoke detectors	Yes	Walk-in closets	No
Full kitchens	No	Washer/dryer hookups	No
High-speed internet	Yes	Washers/dryers	No
Community Amenities:			
Activity rooms	Yes	Laundry facilities	Yes
Arts & crafts rooms	No	Library	Yes
Assistance w/ ADLs	Yes	Linen Service	Yes
Bank branch	No	Lounge areas	Yes
Beauty/barber shop	Yes	Medications	Yes
Business Center	No	Pharmacy	No
Chapel	No	Postal services	Yes
Coffee Shop/Deli	No	Putting green	No
Computer room	No	Reception Area	Yes
Concierge service	No	Scheduled transportation	Yes
Courtyard	Yes	Security 24 hour	No
Covered parking	No	Skilled nursing care	No
Dining room - main	Yes	Social activities	Yes
Dining room - private	No	Spa/Whirlpool	No
Exercise facilities	No	Storage area/bin	No
Game/billiards rooms	No	Swimming Pool	No
Garage parking	No	Tennis courts	No
General store	No	Theater/Auditorium	No
Golf course	No	Therapy Room	No
Guest Accommodations	No	Utilities	Yes
Health center	No	Walking/nature trails	No
Housekeeping	Yes	Wanderer Mgt. System	No
Ice cream parlor	No	Woodworking shop	No

The subject contains a total of 24 units and 24 beds, indicating the following unit sizes and mix:

UNIT MIX			
Type of Unit	**No. of Units**	**Size (sf)**	**Net Rentable Area**
Assisted Living			
Studio	24	298 - 332	7,560
Total	24		7,560

Compared to the overall industry the subject's ratio of net rentable area falls below that of similar communities, while the gross building area (GBA) per unit is higher relative to the industry.

SUMMARY OF IMPROVEMENTS				
Level of Care:	**No. of Units**	**No. SU Beds**	**No. Lic Beds**	**2017 State of Seniors Housing Average No. Of Units**
AL	24	24	28	
Total	**24**	**24**	**28**	63

Building Efficiency:	**Subject**	**2017 State of Seniors Housing Median Indications**		
		IL	**AL/MC**	**CCRC**
Gross Building Area (GBA):	18,288	100,930	56,916	339,768
Ratio of Net Rentable Area	41.3%	67.6%	50.6%	73.5%
GBA/Unit	762	886	632	1,149
GBA/Bed	762	N/A	N/A	N/A

Americans With Disabilities Act: The Americans With Disabilities Act 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 appraisers. For purposes of this appraisal, we are assuming the improvements comply. We assume no responsibility for the cost of such determination, and our appraisal is subject to revision if the improvements are not in compliance.

Conclusion - Subject Property Data: Following our property inspection, we find that the subject site is adequate to support the improvements. Furthermore, we did not note evidence of functional obsolescence inherent in the subject's design and believe that they are functional for seniors housing and care. Finally, we did not note material deferred maintenance at the subject.

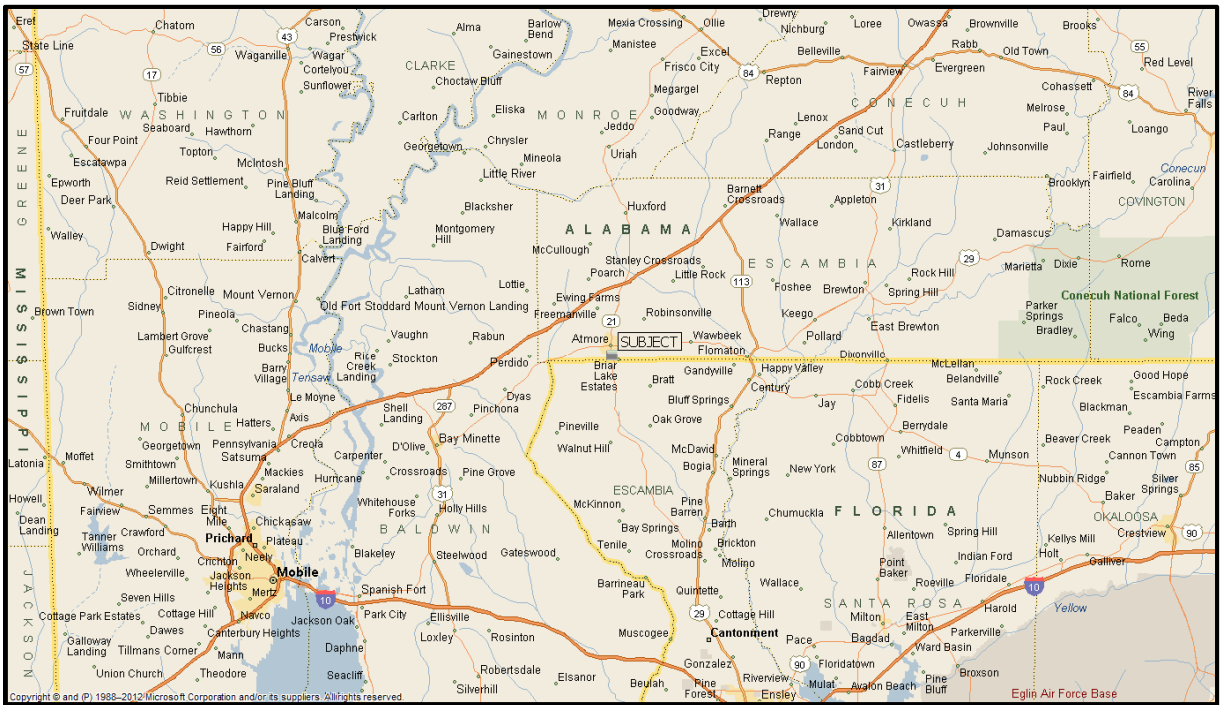
MARKET ANALYSIS

The subject of this appraisal is in Atmore, Alabama with Mobile being the closest Metropolitan Statistical Area (MSA). Appraisal theory recognizes four factors (environmental, social, economic, and governmental) that influence property values within a region, county, neighborhood or district. Accordingly, a review of each as it relates to the county, as well as the subject's more immediate neighborhood, is presented.

Regional Analysis

The subject's location in south Alabama is as follows:

AREA MAP



The subject does not fall within a defined MSA. However, we have reviewed data provided by *Moody's Economy.com, Précis Metro* reports to provide a comprehensive analysis regarding current and projected economic conditions for the subject's closest and most influential MSA. Additionally, we have also researched current demographic and economic data relevant to the subject's county.

MOODY'S ANALYTICS

MOBILE AL

Data Buffet® MSA code: IUSA_MMOB

ECONOMIC DRIVERS

LOGISTICS

MANUFACTURING

EMPLOYMENT GROWTH RANK

2017-2019	2017-2022
283	293
4th quintile	4th quintile

Best=1, Worst=409

RELATIVE COSTS

LIVING	BUSINESS
93%	92%

U.S.=100%

VITALITY

RELATIVE	RANK
77%	313

U.S.=100% Best=1, Worst=402

BUSINESS CYCLE STATUS

STRENGTHS & WEAKNESSES

STRENGTHS

- Strong transportation infrastructure poised to take advantage of post-Panamax capacity.
- Specialization in manufacturing of ships and aerospace.

WEAKNESSES

- Low per capita income.
- Low educational attainment.
- Weak and worsening migration trends.
- Unequal distribution of wealth and income.

FORECAST RISKS

SHORT TERM ↓ LONG TERM ↑

RISK EXPOSURE 2018-2023 **331** 5th quintile *Highest=1 Lowest=402*

UPSIDE

- Increased naval spending boosts contracting at Austal USA.
- Airbus developments at Mobile Aeroplex at Brookley attract more aerospace investment.

DOWNSIDE

- Federal trade protections lead to a slowdown of traffic through Port of Mobile.
- Oil prices do not rise enough to support domestic steel producers.

MOODY'S RATING

Aa1 COUNTY AS OF SEP 27, 2017

ANALYSIS

Recent Performance. Mobile remains a weak economic performer in a weak state. MOB is underperforming Alabama and the U.S. in job growth, which registered a paltry 0.6% year-over-year increase in the first quarter. The metro area is struggling to create jobs, with payroll employment growing at half the national average over the last two years. The public sector continues to weaken, with payrolls lingering near the lowest level in 25 years. The jobless rate has fallen, though this is largely because of a drop in the labor force participation rate, already the lowest among Alabama's large metro areas. Housing continues to disappoint as well. Single-family building is lagging, and although the pace of appreciation has pulled ahead of the state average, house prices are still 10% below their 2009 highs.

Eds and meds. On the education front, the tight state budget will crimp hiring at the University of South Alabama. Only Louisiana has suffered a larger drop than Alabama in per student higher education state funding since the Great Recession. To offset the drop, USA has repeatedly hiked tuition and laid off faculty and staff. A 1% increase in the state education budget in 2018 has opened the door to renewed hiring, but state government payrolls will flatten in 2019.

Medical services will stagnate as policy and funding uncertainties weigh on hiring. Healthcare providers had been staffing up to serve MOB's aging population and to provide services for the nearby retiree haven, Daphne-Fairhope. However, budgeting and insurance are emerging as impediments to growth after the state abandoned its Medicaid reform efforts. There is also concern around private insurance coverage in Alabama's poorer southern portions after Humana withdrew from the state's federal healthcare exchange. Funding questions surrounding the Children's Health Insurance Program and the federal cost-sharing subsidies add to the uncertainty.

Retail. Retail's long slide will leave many of MOB's marginally attached workers out of the labor force. Fierce competition from online and small wage gains among MOB residents are responsible for a decline in retail employment to a multidecade low. A poorly skilled workforce and low participation rate will limit MOB's ability to capitalize on new business opportunities and attract outside investment that would pave the way for the creation of more high-paying jobs and stronger growth in incomes and spending.

Ship shape. Prospects are better on MOB's waterfront. The president and Congress plan to add almost 80 vessels to the U.S. Navy, creating opportunities for the shipyards at Austal USA. The Navy is ramping up its guided missile frigate program, which could use a comparable sea-frame to Austal's littoral combat ship. The firm is under contract to complete the ongoing LCS program, and in February the Navy announced Austal as one of five competitors awarded a design contract proposal for the fast frigate program. The firm's military specialization will help to insulate it from the steel and aluminum import tariffs, since its competitors would all face the same costs of compliance. Putting the weapons of war aside, commercial port operations are enjoying a favorable outlook with the port authority signing a $60 million investment plan to increase the port's accessibility to auto trade. Sea-based trade through the Port of Alabama was up 11% year over year in the first quarter.

Mobile will get back on track in 2018, but job growth will fall short of that in Alabama and the U.S. Healthcare will provide less support and public education will struggle. Shipbuilding and attendant services will benefit from greater military spending. Longer term, weak demographics, including the out-migration of skilled youth, will cause MOB to lag the U.S.

Jeremy Cohn *1-866-275-3266*
April 2018 *help@economy.com*

2012	2013	2014	2015	2016	2017	INDICATORS	2018	2019	2020	2021	2022	2023
16.6	16.6	16.5	16.5	16.9	17.5	Gross metro product (C09$ bil)	17.8	18.0	18.1	18.5	19.0	19.3
-0.2	*-0.2*	*-0.5*	*-0.0*	*2.6*	*3.1*	*% change*	*1.9*	*1.2*	*0.6*	*2.2*	*2.4*	*1.8*
177.3	177.5	179.6	181.5	183.5	184.2	Total employment (ths)	185.9	187.7	188.1	188.0	189.3	190.6
-0.9	*0.2*	*1.2*	*1.0*	*1.1*	*0.4*	*% change*	*1.0*	*1.0*	*0.2*	*-0.0*	*0.7*	*0.7*
9.2	8.5	7.7	7.0	6.9	5.6	Unemployment rate (%)	4.7	5.2	6.0	6.9	7.2	7.3
-0.9	1.4	2.1	3.5	1.9	1.7	Personal income growth (%)	2.8	3.8	3.4	3.6	3.9	3.7
41.7	41.9	42.9	44.3	45.7	46.4	Median household income ($ ths)	47.6	48.9	50.0	51.2	52.5	53.8
413.6	413.7	414.1	414.4	414.6	415.4	Population (ths)	416.6	417.8	418.9	420.1	421.5	423.1
0.1	*0.0*	*0.1*	*0.1*	*0.1*	*0.2*	*% change*	*0.3*	*0.3*	*0.3*	*0.3*	*0.3*	*0.4*
-1.1	-0.9	-0.9	-1.1	-0.8	-0.1	Net migration (ths)	0.3	0.3	0.4	0.5	0.8	1.0
712	624	746	648	754	687	Single-family permits (#)	935	1,002	984	1,118	1,122	1,077
184	248	0	259	441	246	Multifamily permits (#)	13	62	126	176	196	200
158.8	156.2	158.0	165.2	167.9	174.8	FHFA house price (1995Q1=100)	179.6	181.3	185.5	191.7	199.1	207.8

MOODY'S ANALYTICS / Précis® U.S. Metro / April 2018

PRÉCIS® U.S. METRO • Mobile AL

ECONOMIC HEALTH CHECK

3-MO MA

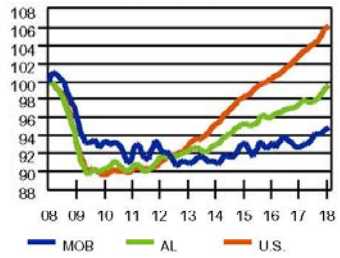
	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18
Employment, change, ths	0.4	0.3	0.3	0.3	0.2	0.1
Unemployment rate, %	4.4	4.3	4.4	4.4	4.5	4.6
Labor force participation rate, %	57.5	57.4	57.4	57.2	57.1	57.0
Employment-to-population ratio, %	54.9	54.9	54.8	54.7	54.6	54.3
Average weekly hours, #	37.0	37.4	37.5	37.5	37.3	37.4
Industrial production, 2012=100	99.1	99.6	100.3	100.6	101.1	102.0
Residential permits, single-family, #	616	727	695	864	798	763
Residential permits, multifamily, #	9	1	1	5	5	5

Better than prior 3-mo MA | Unchanged from prior 3-mo MA | Worse than prior 3-mo MA

Sources: BLS, Census Bureau, Moody's Analytics

BUSINESS CYCLE INDEX

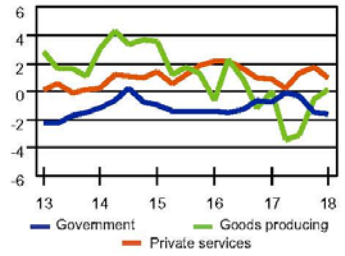
JAN 2008=100



Source: Moody's Analytics

CURRENT EMPLOYMENT TRENDS

% CHANGE YR AGO



Sources: BLS, Moody's Analytics

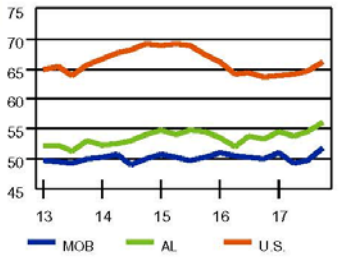
% CHANGE YR AGO, 3-MO MA

	Mar 17	Sep 17	Mar 18
Total	0.5	0.4	0.6
Mining	-3.3	1.0	3.9
Construction	1.4	-4.2	2.0
Manufacturing	-0.7	-2.4	-1.3
Trade	-2.2	-1.9	0.5
Trans/Utilities	-2.0	-2.1	-2.6
Information	7.7	15.6	8.9
Financial Activities	2.9	2.3	8.9
Prof & Business Svcs.	0.6	6.2	0.9
Edu & Health Svcs.	2.4	1.5	1.7
Leisure & Hospitality	3.3	0.2	-1.6
Other Services	1.4	1.1	1.8
Government	-0.7	-0.3	-1.2

Sources: BLS, Moody's Analytics

DIFFUSION INDEX

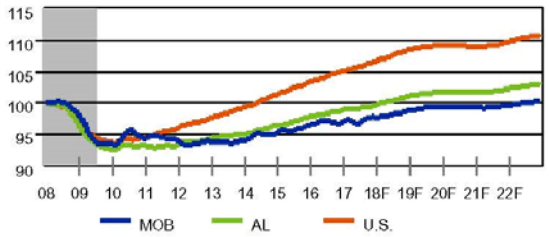
3-DIGIT NAICS LEVEL, 6-MO MA



Sources: BLS, Moody's Analytics

RELATIVE EMPLOYMENT PERFORMANCE

JAN 2008=100

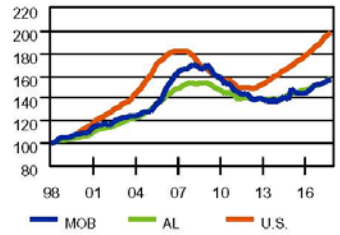


FORECAST VS. 6 MO PRIOR

Sources: BLS, Moody's Analytics

HOUSE PRICE

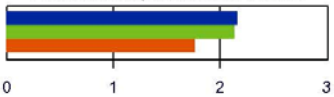
1998Q1=100, NSA



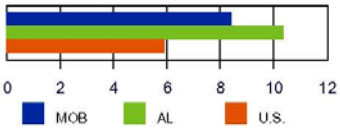
Sources: FHFA, Moody's Analytics

VACANCY RATES

HOMEOWNER, % HOUSES FOR SALE



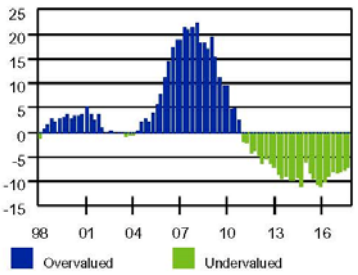
RENTAL, % INVENTORY FOR RENT



Sources: Census Bureau, ACS, Moody's Analytics, 2016

HOUSE PRICE TRENDS

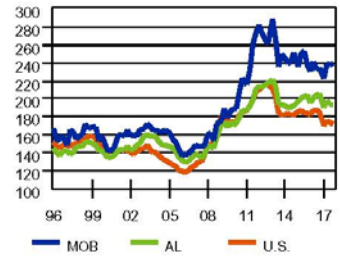
%



Sources: FHFA, Moody's Analytics

HOUSING AFFORDABILITY

GREATER THAN 100=MORE AFFORDABLE



Sources: NAR, Moody's Analytics

MOODY'S ANALYTICS / Précis® U.S. Metro / April 2018

PRÉCIS® U.S. METRO • Corpus Christi TX

EMPLOYMENT AND INDUSTRY

TOP EMPLOYERS

Christus Spohn Hospital	4,033
Corpus Christi Army Depot	3,621
Bay Ltd.	3,200
Driscoll Children's Hospital	2,006
Naval Air Station Corpus Christi	1,700
Corpus Christi Medical Center - Doctors Regional	1,500
H.E.B.	1,498
Del Mar College	1,418
Christus Health	1,364
Flint Hills Resources	1,233
Christus Spohn Cancer Center	1,197
Klewit Offshore Services	1,000
Texas A&M University at Corpus Christi	991
Sam Kane Beef Processors Inc.	950
Sherwin Alumina	900
Affinity Insurance Agency	889
Valero Bill Greehey Oil Refinery	823
H S Constructors Inc.	777
Christus Spohn Hospital South	661
Asset Protection & Security	642

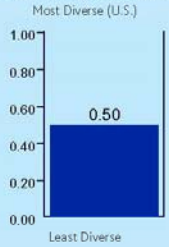
Sources: City of Corpus Christi, 2017, Corpus Christi Regional Economic Development Corp., 2016

PUBLIC

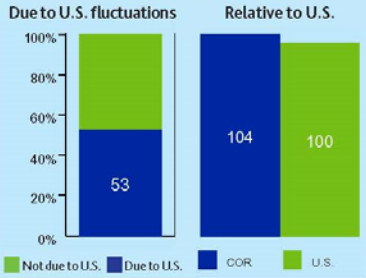
Federal	5,860
State	6,204
Local	22,499

2016

INDUSTRIAL DIVERSITY



EMPLOYMENT VOLATILITY



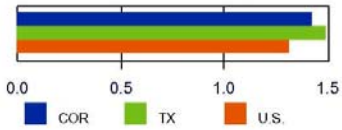
COMPARATIVE EMPLOYMENT AND INCOME

	% OF TOTAL EMPLOYMENT			AVERAGE ANNUAL EARNINGS		
Sector	COR	TX	U.S.	COR	TX	U.S.
Mining	2.4	1.9	0.4	$52,345	$131,814	$90,606
Construction	9.5	5.8	4.7	$71,824	$71,605	$67,379
Manufacturing	4.6	7.1	8.5	$112,370	$89,524	$80,835
Durable	*37.3*	*63.8*	*62.4*	*nd*	*$86,469*	*$83,048*
Nondurable	*62.7*	*36.2*	*37.6*	*nd*	*$94,884*	*$77,168*
Transportation/Utilities	3.4	4.4	3.8	nd	$68,506	$64,189
Wholesale Trade	3.2	4.8	4.0	$67,125	$84,031	$80,930
Retail Trade	11.5	10.8	10.8	$31,942	$35,939	$34,829
Information	0.9	1.6	1.9	$52,076	$81,462	$114,771
Financial Activities	4.0	6.1	5.8	$31,846	$48,217	$53,946
Prof. and Bus. Services	9.0	13.6	14.1	$50,867	$63,923	$68,173
Educ. and Health Services	16.4	13.6	15.8	nd	$53,412	$54,662
Leisure and Hosp. Services	13.5	10.8	10.9	$22,599	$26,370	$27,790
Other Services	3.8	3.6	3.9	$33,446	$34,936	$36,665
Government	18.0	15.9	15.2	$68,270	$69,853	$77,509

Sources: Percent of total employment — BLS, Moody's Analytics, 2017, Average annual earnings — BEA, Moody's Analytics, 2016

ENTREPRENEURSHIP

EMPLOYMENT IN NEW COMPANIES, % OF TOTAL



Sources: Census Bureau, Moody's Analytics, avg 2010-2014

EXPORTS

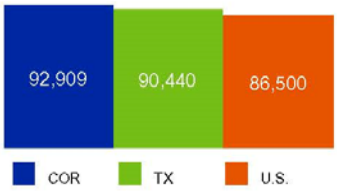
Product	$ mil
Food and kindred products	ND
Chemicals	544.6
Primary metal manufacturing	ND
Fabricated metal products	ND
Machinery, except electrical	ND
Computer and electronic products	ND
Transportation equipment	ND
Miscellaneous manufacturing	ND
Other products	93.1
Total	8,726.0

Destination	$ mil
Africa	401.5
Asia	995.6
European Union	1,641.4
Canada & Mexico	1,517.3
South America	2,590.1
Rest of world	1,580.0
Total	8,726.0
% of GDP	*32.8*
Rank among all metro areas	*10*

Sources: BEA, International Trade Administration, Moody's Analytics, 2016

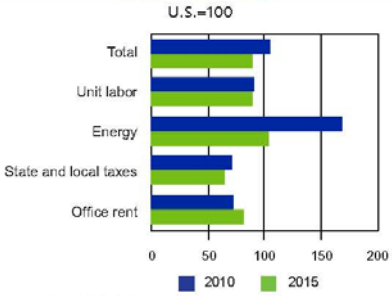
PRODUCTIVITY

REAL OUTPUT PER WORKER, $



Sources: BEA, Moody's Analytics, 2015

BUSINESS COSTS



Source: Moody's Analytics

HIGH-TECH EMPLOYMENT

	Ths	% of total
COR	2.8	1.5
U.S.	6,937.1	4.8

HOUSING-RELATED EMPLOYMENT

	Ths	% of total
COR	17.0	8.9
U.S.	13,565.7	9.4

Source: Moody's Analytics, 2016

LEADING INDUSTRIES BY WAGE TIER

	NAICS	Industry	Location Quotient	Employees (ths)
HIGH	GVF	Federal Government	1.6	5.8
	2131	Support activities for mining	8.1	3.4
	3241	Petroleum and coal products manufacturing	17.4	2.7
	2371	Utility system construction	3.3	2.1
MID	6221	General medical and surgical hospitals	1.1	6.8
	2362	Nonresidential building construction	6.1	6.1
	MIL	Total Military Personnel	1.8	4.6
	6211	Offices of physicians	1.3	4.2
LOW	GVL	Local Government	1.2	22.3
	7225	Restaurants and other eating places	1.4	18.8
	6216	Home health care services	4.3	7.7
	GVS	State Government	0.9	6.1

Source: Moody's Analytics, 2016

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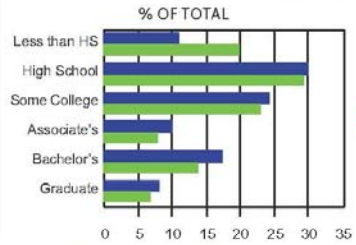
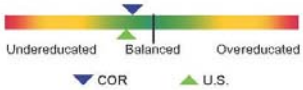
SKILLS MISMATCH



Sources: Census Bureau, ACS, Moody's Analytics, 2015

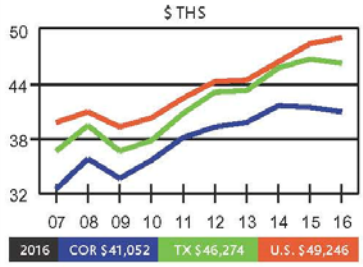


ECONOMIC DISENFRANCHISEMENT

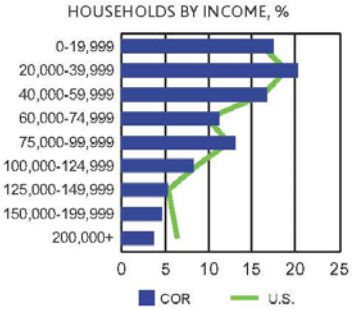
Index	2016	Rank*
Gini coefficient	0.44	282
Palma ratio	3.1	224
Poverty rate	15.0%	180

*Most unequal=1, Most equal=401

PER CAPITA INCOME



Sources: BEA, Moody's Analytics



Sources: Census Bureau, ACS, Moody's Analytics, 2016

MIGRATION FLOWS

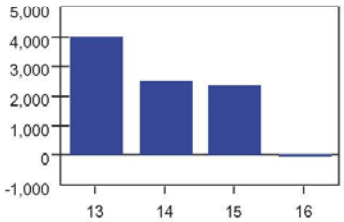
INTO CORPUS CHRISTI TX

	Number of Migrants
San Antonio TX	1,487
Houston TX	1,415
Austin TX	675
Brownsville TX	627
McAllen TX	547
Dallas TX	324
Fort Worth TX	288
Victoria TX	203
San Diego CA	184
Pensacola FL	168
Total in-migration	*17,262*

FROM CORPUS CHRISTI TX

San Antonio TX	2,507
Houston TX	2,075
Austin TX	982
McAllen TX	499
Dallas TX	480
Brownsville TX	398
Fort Worth TX	279
Victoria TX	252
San Diego CA	185
Laredo TX	133
Total out-migration	*18,522*
Net migration	**-1,260**

NET MIGRATION, #



	2013	2014	2015	2016
Domestic	3,304	1,627	1,223	-1,128
Foreign	683	761	826	761
Total	3,987	2,388	2,049	-367

Sources: IRS (top), 2016, Census Bureau, Moody's Analytics

COMMUTER FLOWS

RESIDENTS WHO WORK IN COR

Top Five Outside Sources of Jobs

Corpus Christi TX	Share
Houston TX	0.4
San Antonio TX	0.2
Victoria TX	0.2
Beaumont TX	0.1
Dallas TX	0.1

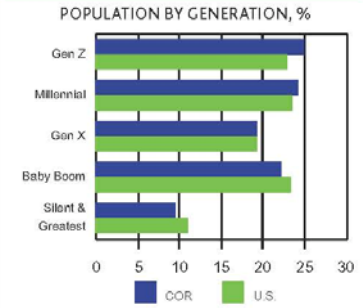
WORKERS WHO LIVE IN COR

Top Five Outside Sources of Workers

Corpus Christi TX	Share
McAllen TX	0.7
Houston TX	0.5
San Antonio TX	0.4
Brownsville TX	0.2
Victoria TX	0.1

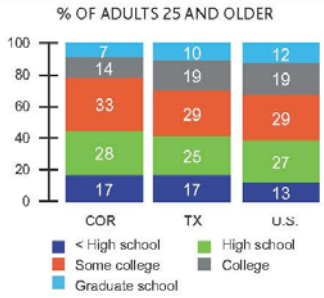
Sources: Census Bureau, Moody's Analytics, avg 2009-2013

GENERATIONAL BREAKDOWN



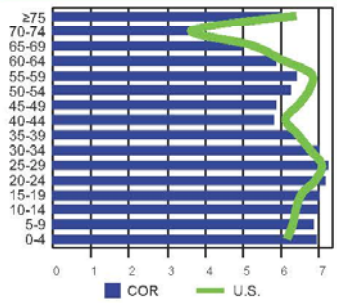
Sources: Census Bureau, Moody's Analytics, 2015

EDUCATIONAL ATTAINMENT



Sources: Census Bureau, ACS, Moody's Analytics, 2016

POPULATION BY AGE, %



Sources: Census Bureau, Moody's Analytics, 2016

MOODY'S ANALYTICS / Précis® U.S. Metro / January 2018

ATMORE ANALYSIS

The Atmore population decreased by 0.24% compounded annually between 2010 and 2018. The 2018 population is estimated at 37,602 and is expected to decrease to 37,509 by 2023 or a decrease of 0.05% compounded annually. The decreasing population is accompanied by an increasing median age within the county. Demographic trend information is summarized in the following table.

Social Demographic Trends

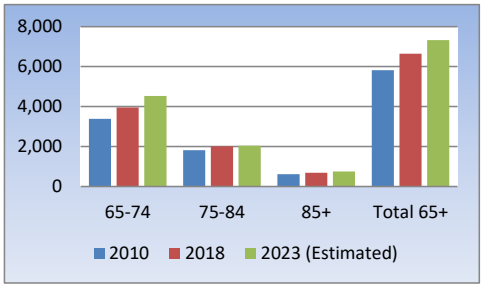
	2010	2018	2023
Total Population	38,319	37,602	37,509
Total Households	14,157	13,815	13,748
Median Age	39.21	39.72	39.82

Source: Claritas, Inc.

Demographic Profile

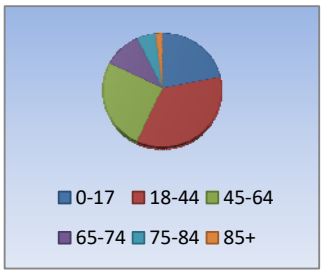
The senior population, 65+, within Atmore has experienced an increasing trend over the past eight years that is expected to continue. The total senior population has increased at a rate of 1.69% compounded annually over the past eight years. We note that the 85+ age group population is expected to grow at an estimated 1.91%, compounded annually, over the next five years. The 75-84 age group is expected to grow at the rate of 0.30%, compounded annually, and the 65-74 age group is estimated to grow at the annual compound rate of 2.77%. These growth rates are indicative that health care needs within the region will increase over the next five years due to an aging senior population.

Senior Population Trends

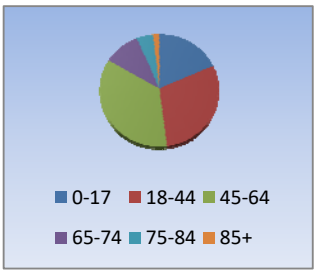


Population % By Age

2018



2023



Labor Force Trends

Year	Total Labor Force	Total Employment	% Change	# Unemployed	% Unemployed
2015	14,597	13,571	N/A	1,026	7.03%
2016	14,550	13,582	0.08%	969	6.66%
2017	14,352	13,630	0.36%	722	5.03%
Apr - 2018	14,557	13,970	2.49%	587	4.03%

Income Estimates

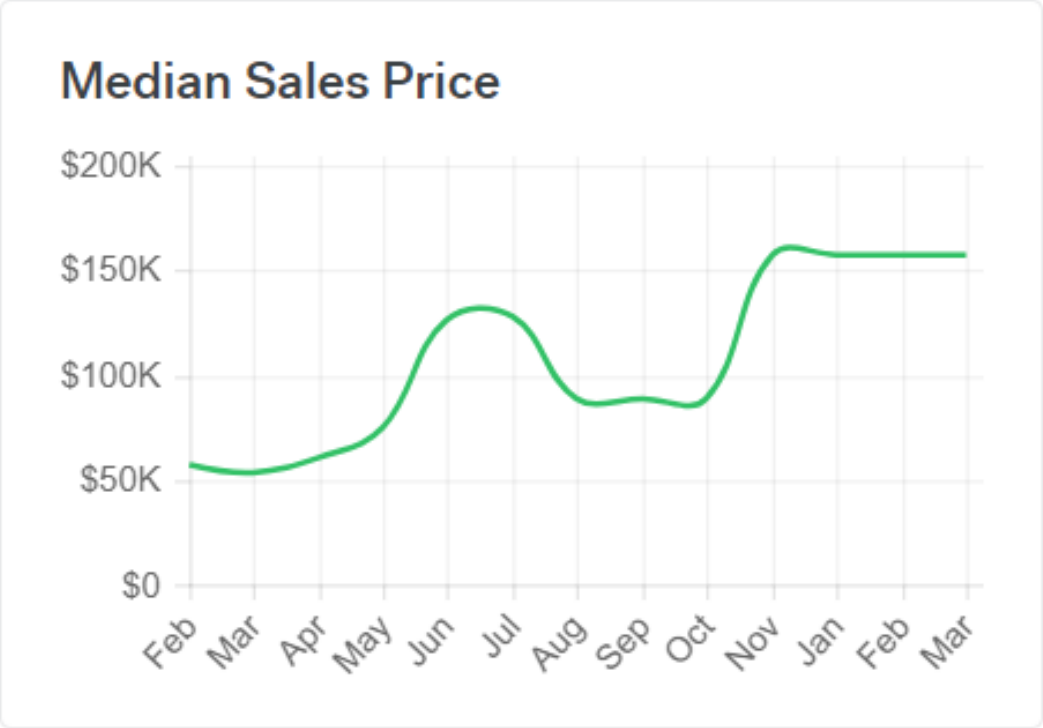
	2018	2023
Median HH Income	$37,172	$39,761
% HH Income Below $25,000	36.70%	34.00%
% HH Income $25,000-$75,000	41.84%	41.55%
% HH Income Over $75,000	21.45%	23.58%

Source: Claritas, Inc.

Regional Analysis Summary

Although outside the Mobile MSA, Atmore is located on the I-65 corridor and reaps many of the benefits of the nearby port city. Atmore is in the planning stages to increase its economic base with additions in its new Rivercane development along the I-65 corridor. Growth has been spurred by the development of the Windcreek Casino. Atmore has completed requirements to be recognized as an Alabama Community of Excellence at the upcoming Alabama League of Municipalities Convention. City officials are also working with the Alabama Historical Commission to have the downtown district listed on the National Register of Historic Places. Overall we find the MSA positively impacts the subject and note anticipated improvement in economic conditions going forward.

Further, we have reviewed data provided by Trulia.com regarding trends in the residential market. Median sale prices have increased over the last year, but the number of transactions is limited. A summary of each is as follows:



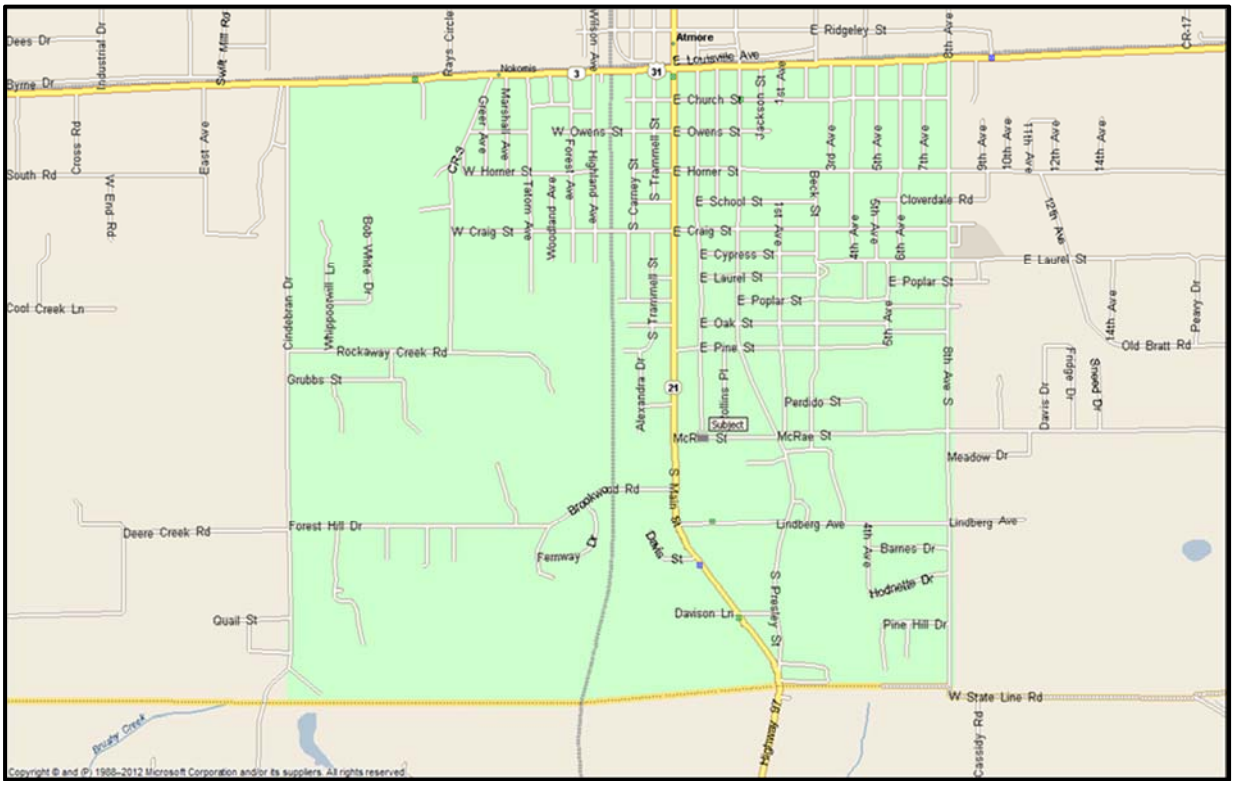
Senior Housing Regional Analysis

The Atmore/Escambia County seniors housing market is lean in terms of supply. There are two facilities in Atmore including the subject and The Meadows at Atmore. Combined they make up 40 beds. The Meadows also has a location in Brewton with 16 beds. Beyond Escambia County, the next closest competition is in the panhandle of Florida, with The Terrace at Ivey offering 57 assisted living units. Presently, there are no memory care (SCALF) beds in Escambia County. Overall, we are unaware of any planned units to enter the market other than the reintroduction of the subject.

Neighborhood Analysis

The key focus of the neighborhood analysis is not as much competition-oriented as it is physical and use oriented. More specifically, this analysis describes the area of generally homogenous uses within which the subject is located. This neighborhood is not intended to reflect the competitive neighborhood of the subject; however, it instead reflects the neighborhood in physical proximity to the subject. Our assessment of the subject neighborhood is presented as follows:

NEIGHBORHOOD MAP



NEIGHBORHOOD TRAITS

Boundaries

	Neighborhood	Abutters
North	US Highway 31	Single Family Residential
East	8th Avenue South	Vacant
South	Alabama/Florida State Line	Retail
West	Cindebran Drive	Retail

Type of Neighborhood	Mixed-use

Composition

	Present	Prevalence
Agriculture	Yes	Low
Community (Recreation)	Yes	Low
Hospitality	Yes	Low
Industrial	Yes	Low
Medical	Yes	Low
Office	Yes	Low
Public/Governmental	Yes	Low
Residential (Single-Family)	Yes	Moderate
Residential (Multi-Family)	Yes	Low
Retail	Yes	Low

Neighborhood Cycle

Demand Generators

Hospital	Yes
Regional Mall	No
Churches	Yes
Seniors Housing	Yes
Adult Children Homes	Yes

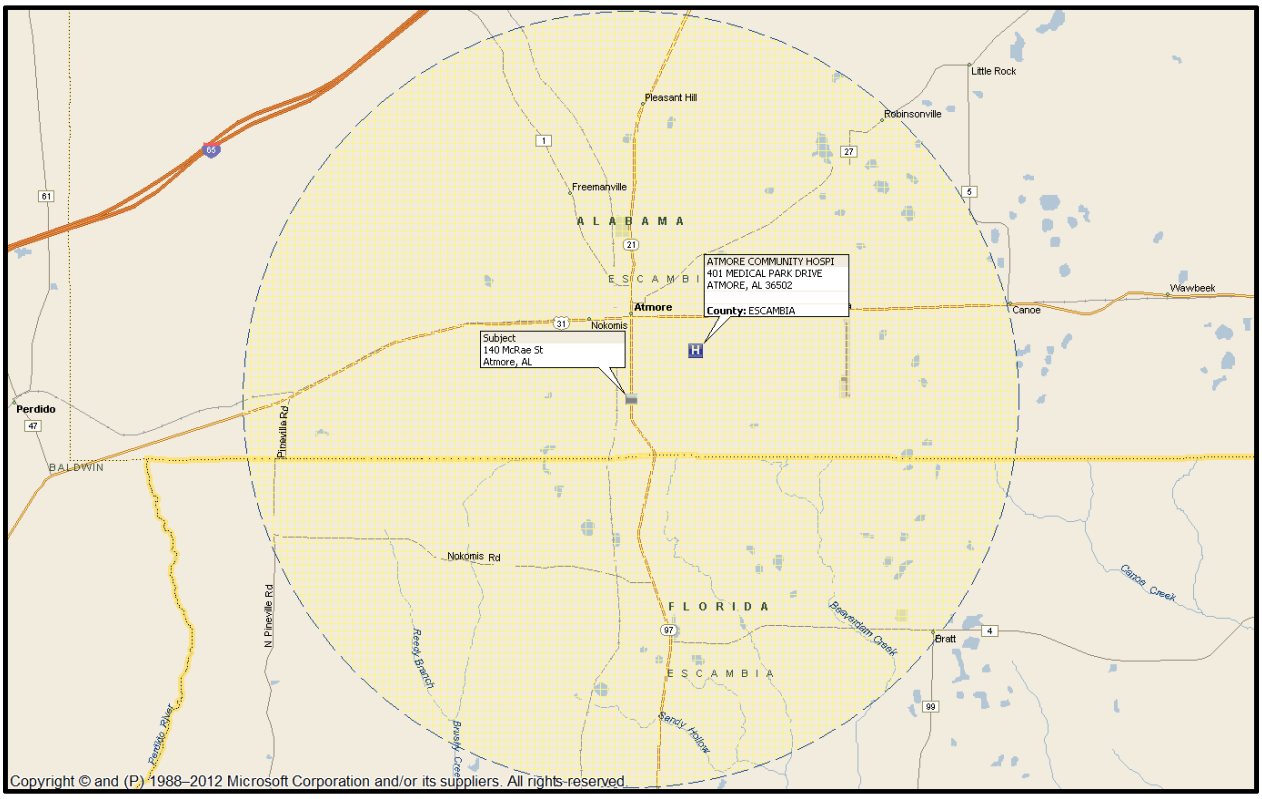
Access/Influences

Local Area Access	US Highway 31
Regional Ingress/Egress	Interstate 65
Neighborhood Cycle	Stability
Neighborhood Influence	Positively impacts the subject

In summary, the subject property has a good location and accessibility near the central business district of Atmore. The subject is proximate to medical facilities and transportation corridors, as well as churches, schools, shopping, banks, and restaurants, which are minutes away. We feel the neighborhood is in the stability stage of the neighborhood cycle with moderate growth in property values into the foreseeable future given the affluence of the local area. We do note a material amount of growth west of the subject near the I-65 interchange due to the Windcreek Casino presence.

Proximity to hospitals is often an important consideration when selecting a seniors housing community. Nearby hospitals are identified in the following map and table:

HOSPITAL MAP



SUMMARY OF NEARBY HOSPITALS	
Hospital	**Beds**
ATMORE COMMUNITY HOSPITAL	49
Source: American Hospital Directory	

COMPETITIVE MARKET ANALYSIS

Regulatory Overview

Assisted Living: State regulations vary considerably for this level of care, ranging from states that have no regulations and classify them as hotel/motel properties to states that are considering some type of CON regulations. It is probable that, in the future, as state reimbursement becomes more common, some type of barrier to entry legislation will become common.

States typically feel that use of CON or similar legislation enhances profitability in that full occupancy is more efficient than partial occupancy, and ruinous competition is a danger to the industry and quality of care overall. As the subject is in Alabama, which has regulatory legislation, at this point it is appropriate to review this legislation and the impact it will have on the subject and residences in the market.

Alabama Assisted Living Legislation: In order to provide specialized health services, a facility must be licensed by the State of Alabama. The state recognized that ALFs need to be operated and regulated as residential environments with supportive services and that they can be cost effective alternatives to nursing care. In November 2000, the state revised the regulations. No facility may admit or retain any resident who requires medical care, skilled nursing care, is severely cognitively impaired, as defined in the rules, or requires care beyond assistance with activities of daily living. A lawsuit under the Americans with Disabilities Act has been filed challenging the limitations.

The November rules created a new category of Specialty Care Assisted Living Facilities that are able to serve residents with dementia. These facilities must have a medical director, at least one registered nurse and minimum staff ratios based on the size of the facility. Residents may have a score on the Physical Self Maintenance Scale of not more than 23 and may not have unmanageable behavior problems. Other rules require assessment, care planning, monitoring functions and staff training topics.

The statute allows residents of regular assisted living facilities to be served who need medical care, medication administration, or skilled care due to an injury as long as the need does not exceed 90 days and arrangements are made for care from “properly licensed individuals.”

ALFs are classified as:

- Family Assisted Living Facility (2-3 adults)
- Group Assisted Living Facility (4-16 adults)
- Congregate Assisted Living Facility (17+ adults)

Physical requirements include at least 80 square feet for private rooms and 130 square feet for semi-private rooms. Furthermore, if sitting areas are included in resident rooms, size requirements increase to 160 square feet for a private and 200 square feet for a semi-private. Services provided must include personal care for bathing and grooming; home health may be provided by a certified agency, but residents requiring hospital or nursing care may not remain in an assisted living facility.

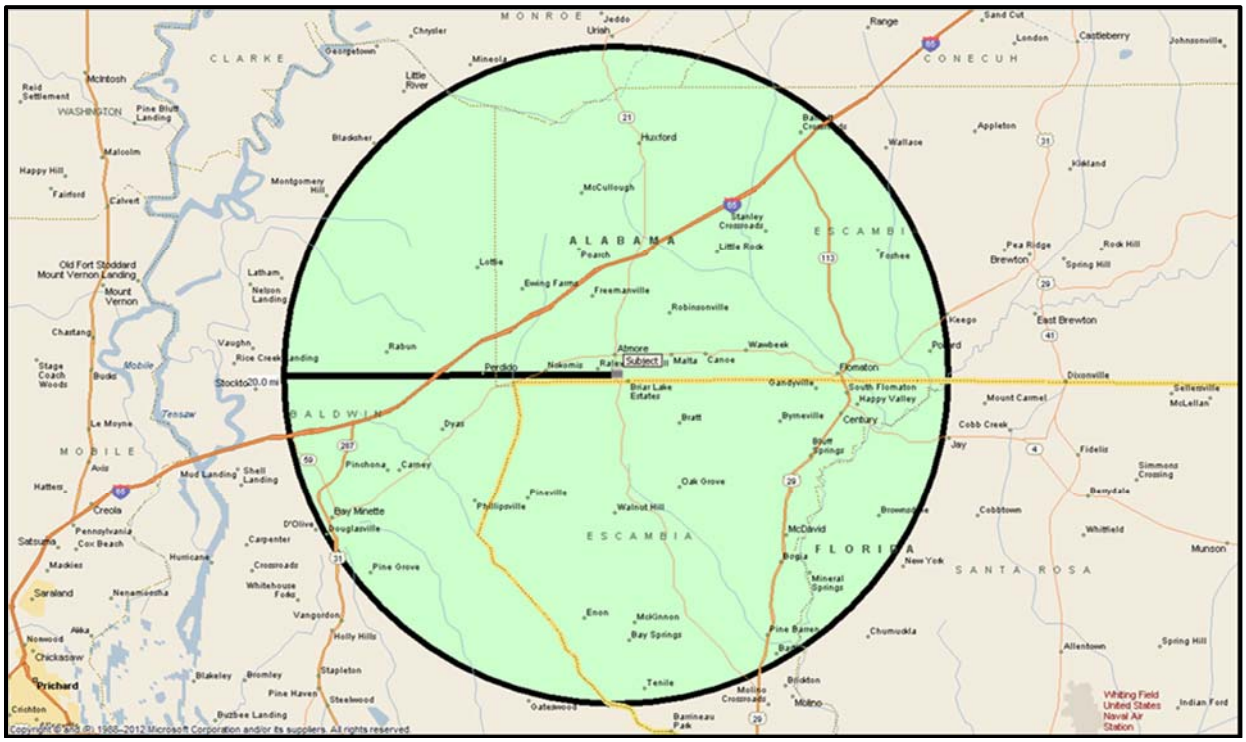
Definition of Primary Market Area

The 2009 Overview of Assisted Living completed by the Assisted Living Federation of America (ALFA), and now known as Argentum, in conjunction with AAHSA, ASHA, NCAl and NIC indicates that typical assisted living residences draw 85% of their residents from within 15 miles, which shows a change from five years earlier when 73% of the demand would emanate from within a 15-mile radius.

In our analysis, we assume that demand for the subject's services emanate from within the PMA. While residents come to a community from outside the primary market, conversely residents will also leave the primary market to reside elsewhere. While we do consider the prevalence of migration in and out of the PMA within our penetration analysis, it is viewed as being anecdotal in nature and difficult to quantify. Moreover, the Nielsen projections serve to estimate the future migration, as it pertains to the subject's PMA. Nonetheless, we will discuss later in the following sections, the prevalence of adult children as a primary indicator of migration.

Based on our interviews with both executive directors and directors of marketing at comparable projects in the area, including the subject's operator, we have determined that the subject's primary market area (PMA) is a twenty-mile radius. A map detailing the primary market is as follows:

PMA MAP



PMA Supply Analysis

In terms of measuring the PMA supply, while we considered management's opinion of primary competition, we have only included units in the PMA that house seniors that are comparable to the subject.

Regarding memory care, we note that most state regulatory agencies do not have licensure separate from assisted living and that many residents with mild dementia can be accommodated in traditional assisted living buildings. Nonetheless, as more developers build memory care-dedicated buildings and recognizing the differences in rates, design and staffing, we have broken out the memory care supply niche from assisted living. We estimate the total number of existing and proposed beds/units in this market as presented in the following table(s):

AL SUPPLY		
Assisted Living Beds		
	PMA	
	2018	2023
The Meadows of Atmore	16	16
The Terrace at Ivey	57	57
Subject	24	24
All Other	0	0
Total	97	97
@ 100% from PMA	97	97

MC SUPPLY		
Memory Care Beds		
	PMA	
	2018	2023
Subject	0	0
All Other	0	0
Total	0	0
@ 100% from PMA	0	0

Characteristics of Pipeline Activity

Based on our discussions with market participants and local zoning officials, we are unaware of any proposed properties being considered in the subject's PMA, with the exception of the reintroduction of the subject itself.

Competitive Market Supply

Additionally, we have more closely examined the following properties that we, and management, have identified as being the subject's primary competition:

- ❒ The Meadows of Atmore
- ❒ Sabal House
- ❒ Baldwin House
- ❒ The Brennity at Daphne
- ❒ The Gardens of Daphne
- ❒ The Terrace at Ivey
- ❒ Country Place Senior Living Foley

We find the following relationship among the subject and its primary competitors:

Notes: Bubble size reflects relative variance of asking private pay rates. Performance Index based on HealthTrust proprietary scoring system.

We have surveyed the following properties that offer services like the subject and note the following observations:

- ❒ The subject is the newest facility of the surveyed comparables
- ❒ Reportedly the subject had 10 residents at closure
- ❒ The buyer estimates rates of $3,000 per month on average plus levels of care

Detailed comparable write-ups of these reports can be found in the Valuation Analysis of this report. A summary of the competitive supply is as follows:

SUMMARY OF COMPETITIVE SUPPLY								
Property	Country Place Assisted Living Facility	The Meadows of Atmore	Sabal House	Baldwin House	The Brennity at Daphne	The Gardens of Daphne	The Terrace at Ivey	Country Place Senior Living Foley
Location	Atmore	Atmore	Cantonment	Daphne	Daphne	Daphne	Jay	Foley
Year Opened	2015	1998	1999	2000	2005	1998	2011	2011
Quality	Above Average	Average	Above Average	Above Average	Good	Average	Good	Good
Condition	Good	Average	Average	Good	Good	Average	Good	Good
Unit/Bed Mix								
AL Units/Beds	24/24	16/16	39/44	30/30	60/60	16/16	53/70	28/28
Occupancy								
AL	0%	88%	95%	97%	93%	88%	95%	64%
Rate Range								
AL	$3,000 - $3,000	$2,265 - $2,315	$3,600 - $4,500	$3,450 - $3,760	$3,500 - $3,995	$2,490 - $2,990	$2,735 - $4,500	$3,295 - $3,995
Level of Care								
AL Type	Levels	All-inclusive	All-inclusive	Levels	Levels	All-inclusive	Levels	Levels
AL Range	$300 - $1,200	-- - --	-- - --	$200 - $200	-- - --	-- - --	$500 - $2,000	$200 - $400
MC Type	---	---	---	---	---	---	---	---
MC Range	-- - --	-- - --	-- - --	-- - --	-- - --	-- - --	-- - --	-- - --

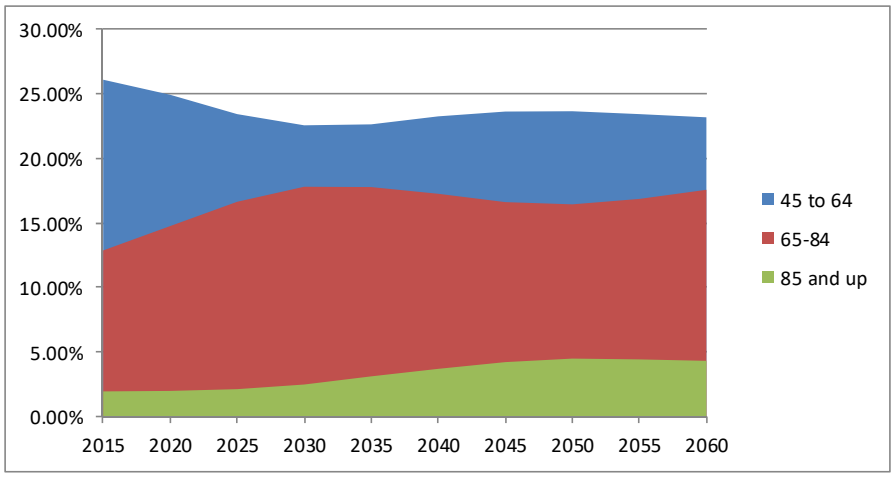
Source: HealthTrust, LLC

Demand Analysis

A major factor in estimating potential market demand for communities such as the subject involves an analysis of the number of residents within the primary market area that are qualified for residency in terms of age and income level. Prospective residents for a seniors housing community such as the subject are typically at least 75 years of age or older, have sufficient income to cover monthly rental fees and other living expenses. Historical and anticipated growth in the senior age groups, nationally, is presented in the following table:

US POPULATION PROJECTIONS - % OF TOTAL BY AGE										
	2015	2020	2025	2030	2035	2040	2045	2050	2055	2060
45 to 64	26.09%	24.93%	23.43%	22.56%	22.64%	23.26%	23.63%	23.65%	23.43%	23.18%
65-84	12.88%	14.76%	16.65%	17.81%	17.78%	17.26%	16.61%	16.45%	16.86%	17.57%
85 and up	1.96%	2.00%	2.13%	2.50%	3.13%	3.71%	4.23%	4.50%	4.44%	4.33%

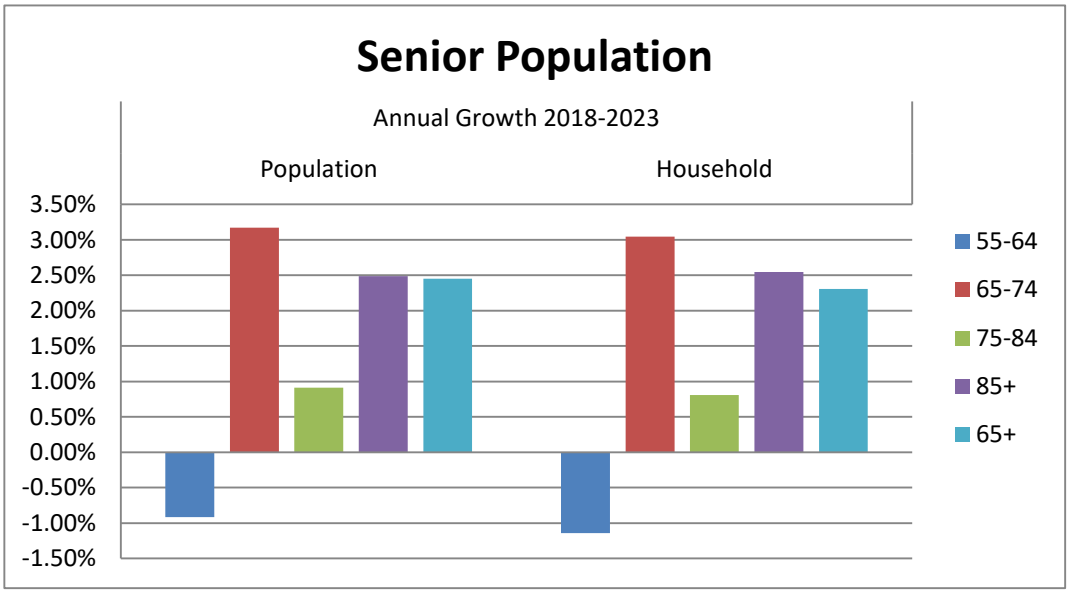
Source: US Census Bureau; 2012 National Population Projections



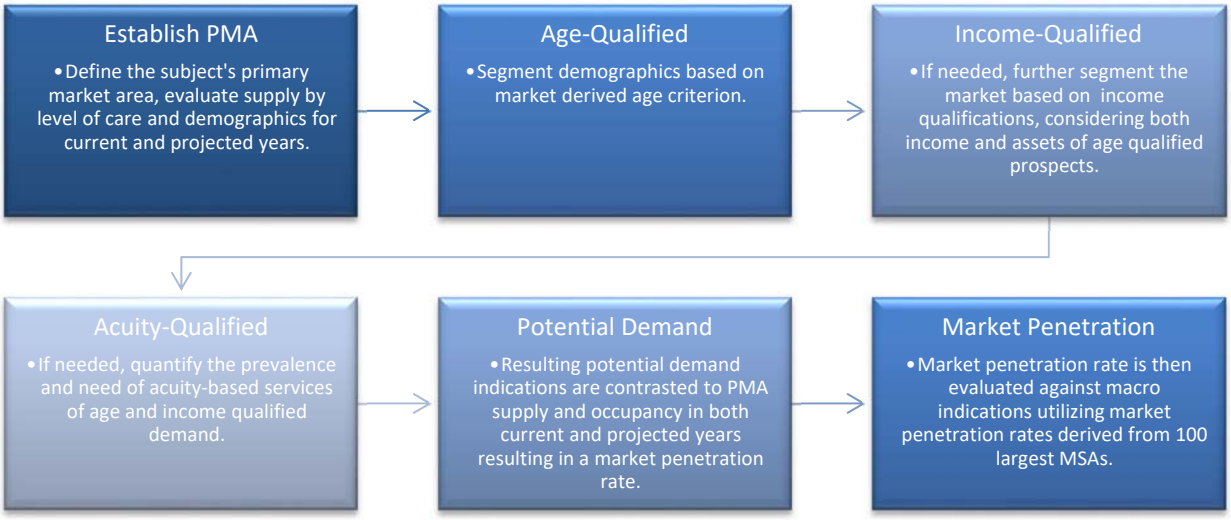
The elderly group age 85 and over represents the fastest-growing segment of the U.S. population. According to the US Census Bureau, there were 4.3 million seniors aged 85+ in 2000 and this segment will swell to 18.0 million by 2050. This is a key market for the seniors housing industry because 44% of those over 85 need long-term care or assistance with activities of daily living. As a result, industry analysts project strong growth in seniors housing revenue through the end of the decade and beyond.

In terms of identifying potential demand, we have begun with the examination of the number of households with persons at least 75 years of age. While we note that residents residing in senior housing communities are generally much older than 75 years of age, we have used this cohort as a minimum standard for residency to better reflect potential demand source across all product types.

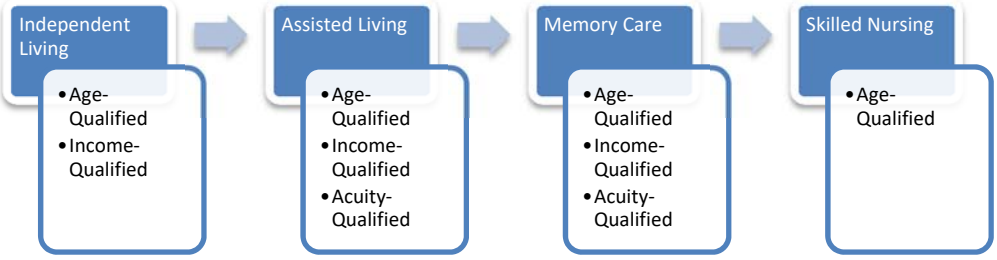
Please note that the senior population estimates and projections prepared by Nielsen are presented in the addenda of this report. A summary of the estimated senior population and growth rates for the PMA are presented in the following chart:



To test the viability of the market, we have surveyed current and future supply pattern, analyzing age, size, amenities and service package. Moreover, we have analyzed market occupancy, current and future penetration rates, historical rate growth, development interest and the geographic composition. We firmly believe that characterizing a market based on any single factor can be inaccurate and misleading. Overall, we follow this process in identifying demand for seniors housing communities in a market:



In terms of care levels, the following criterion is used by level of care:



In addition to reviewing the demographics, it is important to account for the potential resident's location prior to moving to seniors housing. ALFA's 2009 *Overview of Assisted Living* indicates the following prior residences before moving into an assisted living residence:

RESIDENCE PRIOR TO MOVING INTO AN ALR		
	AL/MC	**IL/AL**
Private Home	71.6%	70.1%
Family Residence	9.5%	6.9%
Different ALR	6.1%	6.9%
Independent Living Community	6.8%	13.8%
Nursing Home	6.1%	2.3%
Source: 2009 Overview of Assisted Living		

As previously mentioned, we have relied on estimates and projections of senior population in the subject PMA prepared by Nielsen. During discussions with senior management at Nielsen, we learned that per census procedures, Nielsen household estimates only reflect seniors living in their primary residence acting as head of household. Therefore, the income statistics will not reflect that portion of the demand that emanates from nursing homes (institutionalized population) or in a family residence not acting as head of household. Thus, we have calculated a factor for each level of care to more accurately reflect demand sources not captured in the household data provided by Nielsen. Based on this premise, we have adjusted the household numbers, which we refer to as a Nielsen Factor, as follows:

DEMAND CAPTURED BY NIELSEN		
	AL/MC	**IL/AL**
Private Home	71.6%	70.1%
Different ALR	6.1%	6.9%
Independent Living Community	6.8%	13.8%
Total	84.5%	90.8%
Corresponding Nielsen Factor (Inverse of Total)	1.18	1.10
Source: 2009 Overview of Assisted Living		

Thus, we can, nonetheless, reasonably estimate total demand in the PMA by using the information prepared by Nielsen and dividing it by the ratio of total demand the private residence component

represents. For example, for independent living, if we calculated the current total of age/need/income-qualified households in the market, we can divide it by 90.8% to reach an estimate of total private pay demand:

Nielsen Household Demand/90.8%	= 100% of IL demand
	= 1/0.908
	= 1.10

Please note that for the purposes of this analysis, we have also applied the relevant factors for the AL and memory care populations of 1.18.

Additionally, we need to adjust the household data in order for it to be viewed in terms of population. This is only done for assisted living and memory care, as independent living communities generally only attract the entire household, and rarely use semi-private accommodations of unrelated individuals. Accordingly, on the supply side, we only view the number of units as opposed to the number of residents or beds.

Therefore for assisted living and memory care, we have adjusted the household figures by dividing the adjusted 75 and up population by the number of 75 and up households. The adjusted population is calculated by subtracting the institutionalized nursing home population from the overall population. This is referred to as the Household/Population Factor in the following tables.

Independent Living

According to the American Seniors Housing Association (ASHA) 2009 study *The Independent Living Report* surveyed residents of independent living communities, and found the following conclusions and key findings:

- ❒ Only 6% of new independent living residents reported having difficulty with an Activity of Daily Living (ADL).
- ❒ A statistically greater proportion of ILC residents have long term care insurance when compared to those not residing in an ILC.
- ❒ 20% of independent living residents reported incomes of less than $25,000.
- ❒ Smaller communities were more likely to attract an older clientele who are single. Conversely, larger residences tend to attract a younger, wealthier and married clientele.
- ❒ More than 50% of new residents had been hospitalized in the previous two years prior to moving in to the independent living community.

Additionally, a previous ASHA study in 2003, *The Benefits of Independent Living Communities,* which surveyed both residents and non-residents, found the following:

- ❒ Residents and non-residents view their health status equally, despite residents having been more likely to have been in a hospital, used an assistive device, report difficulty in climbing stairs and lift heavy objects in the previous two years.

- ❒ There were no differences between the abilities of residents of an ILC and those who are not in walking, getting out of bed, bathing, dressing, or toileting.

The 2009 report goes on to survey the primary reasons for residents choosing a specific community, which included:

- ❒ Community was close to their family and friends
- ❒ Unit they wanted was available
- ❒ Safety, security decisions were made
- ❒ To be with people
- ❒ Easy lifestyle

Primary reasons for residents moving out of their primary residence include:

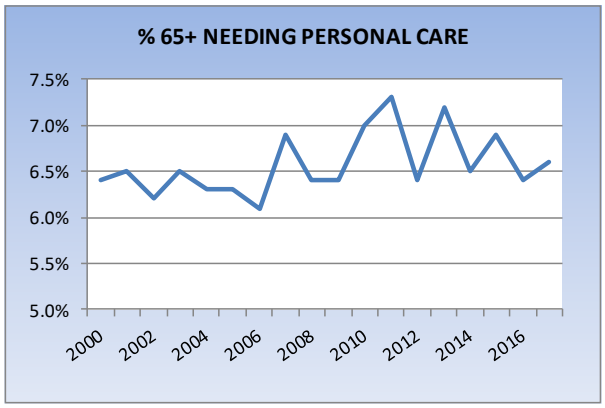
- ❒ Deterioration of health
- ❒ Unable to manage by themselves
- ❒ Death of a spouse
- ❒ Deterioration of their spouses' health
- ❒ Old age

Overall, independent living is ultimately viewed as a lifestyle choice, as opposed to a need based service. Consequently, we have only viewed the age and income criterion as driving factors for residency at these communities.

Assisted Living

The *National Health Interview Survey* is conducted by the Center for Disease Control *and* uses data based on household interviews of a sample of the civilian non-institutionalized population identifying personal care needs among those aged 65 and up. Personal care needs are defined as requiring assistance with any Activity of Daily Living (ADL). The NHIS has been conducted continuously since 1957, with the primary objective of monitoring the health of the United States population. The cross-sectional study includes a sample size of approximately 35,000 households and 87,500 persons, allowing for the valid reporting of health status and limitations, injuries, healthcare access and utilization in the US. The publication is widely accepted throughout the industry, including the American Seniors Housing Association. Over the last several years the survey has found the following, though we note that while there are variances year to year, they have not been defined as statistically significant:

% 65+ NEEDING PERSONAL CARE		
Year	%	95% CI Interval
2000	6.4%	5.9% - 6.9%
2001	6.5%	6.0% - 7.0%
2002	6.2%	5.7% - 6.7%
2003	6.5%	6.0% - 7.1%
2004	6.3%	5.8% - 6.8%
2005	6.3%	5.8% - 6.8%
2006	6.1%	5.4% - 6.7%
2007	6.9%	6.2% - 7.6%
2008	6.4%	5.8% - 7.0%
2009	6.4%	5.8% - 6.9%
2010	7.0%	6.4% - 7.6%
2011	7.3%	6.8% - 7.8%
2012	6.4%	5.9% - 6.8%
2013	7.2%	6.7% - 7.8%
2014	6.5%	6.0% - 6.9%
2015	6.9%	6.4% - 7.5%
2016	6.4%	5.9% - 6.9%
Through 9/2017	6.6%	6.1% - 7.1%
Source: NHIS		



Thus, to estimate potential demand for assisted living services we have applied the following personal care factors to the respective age groups:

PERSONAL CARE NEEDS	
Age Group	Percent
65-74	3.2%
75-84	7.9%
85+	21.6%

Source: CDC National Health Interview Survey United States 9/2017

Memory Care

In estimating potential demand for memory care, we have surveyed the *Prevalence of Dementia in the United States: The Aging, Demographics and Memory Study* published in October 2007 and performed by Plassman, et al. for Duke University Medical Center in which a nationally representative sample of individuals 71 and older from the *Health and Retirement Study* were evaluated for dementia via a comprehensive in-home examination. This is the first nationally representative population-based study of dementia in the United States. Based on the study the prevalence of Alzheimer's Dementia among those 71 and older was 9.7%; however, this statistic does not differentiate between the level of Alzheimer's Dementia, thus not all would be candidates for traditional memory care units. The most recent data we have found on prevalence of moderate and severe dementia is from a study released by the GAO in 1998, which found the following prevalence rates:

ALZHEIMER'S PREVALENCE RATES		
	Mild, Moderate & Severe	Moderate or Severe
65-74	1.63%	0.92%
75-84	6.45%	3.53%
85+	24.58%	14.54%

Source: GAO Alzheimer's Disease

Accordingly, we have only considered the statistics relevant to moderate or severe dementia to be eligible for occupancy in memory care units.

Income-Qualifications (Seniors Housing)

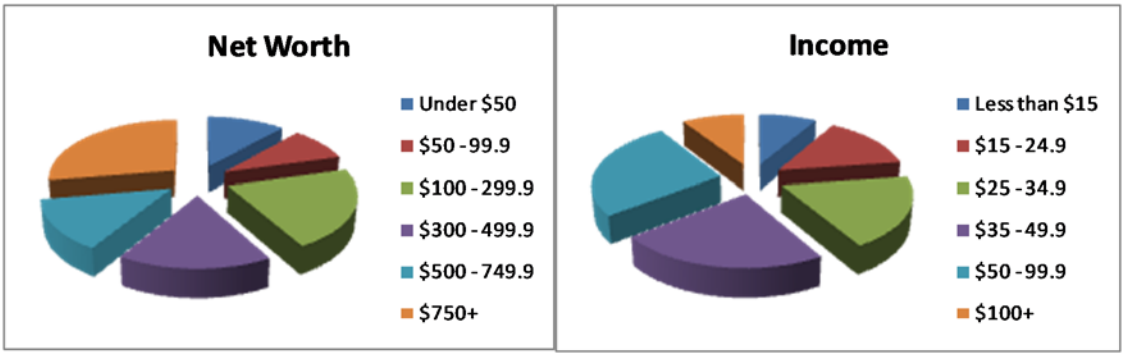
Based on the subject's in-place rents and rental comparables, we have estimated a minimum monthly fee for the subject, multiplied by 12 months and assuming the rental fee would account for 75% of all living expenses. We note it is inappropriate to use an average rent as we are estimating the actual demand for units in the subject's price range. Additionally, based on *The Independent Living Report*, the resident's monthly fee accounts for 59% to 88% of a resident's spending in a month. Therefore, the following annual minimum incomes (rounded) would be required:

ANNUAL INCOME THRESHOLD		
Level of Care	Minimum Monthly Rate	Income Threshold
Assisted Living	$3,000	$48,000

Nielsen household income demographics are compiled from census data, which generally defines income as receipts for the previous year. Consequently, we find that while household income is generally a good indicator of affordability for the subject's services, it does not necessarily correlate into a prospective resident's ability to pay for services. Moreover, in terms of affordability a prospective resident's net worth must be considered as assets are often spent down and home equity is tapped to meet housing and expense obligations. As provided in the *2008 Seniors Housing Statistical Handbook,* the following income vs. net worth characteristics reflect residents of independent, assisted and CCRC residents:

INCOME AND NET WORTH OF RESIDENTS					
		Overall	Independent Living*	Assisted Living	CCRC
Income					
In Thousands	Less than $15	8.4%	8%	$11.5 Lower Quartile	
	$15 - 24.9	14.3%	13%	$18.9 Median	$21 Median for AL
	$25 - 34.9	18.8%	16%		$27.5 Median for SNF
	$35 - 49.9	22.9%	17%	$36.0 Upper Quartile	$48.8 Median for IL
	$50 - 99.9	26.4%	32%		
	$100+	9.1%	14%		
Net Worth					
In Thousands	Under $50	11.5%	9%		
	$50 - 99.9	9.1%	9%	$62 Lower Quartile	$250 Median for SNF
	$100 - 299.9	21.3%	18%	$205 Median	$281 Median for AL
	$300 - 499.9	16.8%	15%		
	$500 - 749.9	13.6%	15%	$564 Upper Quartile	$569 Median for IL
	$750+	27.7%	33%		

*Source: American Seniors Housing Association The Independent Living Report, 2009; *Inclusive of IL Entrance Fee residents*
Assisted Living Federation of America, with AAHSA, ASHA, NCAL< and NIC, Overview of Assisted Living, 2009.
American Association of Homes and Services for the Aging, with ASHA and NIC, Continuing Care Retirement Communities: 2005 Profile



The 2006 and 2009 Overview of Assisted Living indicated the following sources of primary payment:

PRIMARY PAYMENT SOURCE				
	2006	2009	2006	2009
	AL/MC		IL/AL	
Self	57.9%	63.5%	66.3%	82.6%
Family	30.9%	14.7%	14.7%	7.0%
Insurance	4.7%	7.1%	3.3%	3.5%
Medicaid	2.6%	12.2%	13.6%	5.8%
SSI	1.3%	1.9%	2.2%	1.2%
VA	2.6%	0.0%	0.0%	0.0%
Unknown	0.0%	0.6%	0.0%	0.0%

Source: 2006 and 2009 Overview of Assisted Living

As seen in the foregoing, residents are not typically responsible for their entire fee in senior housing communities. Further, if we view typical incomes of residents with current average fees, it is apparent that a resident's income is not the primary source of funds:

INCOME TO CHARGE COMPARISON					
	Average Monthly Rate^	**Annual Income Threshold***	**Median Income of Resident****	**$ Surplus/ Shortfall**	**% Shortfall/ Surplus**
Independent Living	$2,904	$46,464	$40,500	$-6,464	-13.91%
Assisted Living	$4,367	$69,866	$19,425	$-50,966	-72.95%

^NIC MAP Q1 2018 2018

*Average Monthly Rate/75%*12

**The Benefits of Independent Living Communities, 2003 & Overview of Assisted Living, 2009 both trended to current dollars.

Therefore, while our analysis will focus on the income-qualified senior, we must recognize that for private pay communities, adult children and long-term care insurance policies are often covering a senior who has lower than required annual income and resources. Moreover, residents are also likely to spend down their assets to fund care, particularly for higher levels of care (assisted living and memory care). Because household income statistics provided by Nielsen only include money receipts (pension income, social security income, etc.) for a specific year, they do not include the following sources that could also fund residency:

- ❒ Stocks, bonds and other liquid assets
- ❒ Assistance from family
- ❒ Home equity
- ❒ Medicaid Waivers

Consequently, we have adjusted our income-qualifications below that of the income threshold calculated previously to account for these additional sources of income. We have viewed those residents indicating $35,000 and up for assisted living. We note that the difference between the required minimal income and the concluded income qualification used reflects spending down of assets associated with a resident's net worth, assistance from adult children and other sources including long-term care insurance.

Finally, based on the foregoing, we have calculated the potential demand for seniors housing as shown:

DEMAND INDICATIONS		
Assisted Living		
	PMA	
	2018	2023
75+ Population	3,432	3,664
Nursing Home Population	190	191
Adjusted 75+ Population^	3,242	3,473
75+ Households	2,445	2,603
Annual Minimum Income Threshold	$48,000	
Median Owner-Occupied House Value	$119,556	$125,899
Income Qualification:	$35,000 and up	
Age and Income Qualified Households		
75-84	727	799
85+	192	242
Personal Care Factor by Age		
75-84	7.90%	7.90%
85+	21.60%	21.60%
Households Meeting Income and Acuity	99	115
Household/Population Factor*	1.33	1.33
Nielsen Factor	1.18	1.18
Potential Assisted Living Demand	155	182
*Adjusted Population/Households		
^General Population less Nursing Home Population		
Source: Nielsen GAO, CDC, HealthTrust, LLC		

Penetration Analysis

For the purpose of this analysis, the market penetration rate is measured as the number of residents from the PMA living in seniors housing communities divided by the total number of age/income/need qualified households. It can be expressed as:

[Market Occupancy x Supply x Ratio from the PMA]/Income-Qualified Demand

The market penetration rate is viewed as a comparison of supply and demand relative to a snapshot in time for both the current year and projected year based on information available as of the date of the inspection. Based on the PMA average occupancy level, we find that the market is currently demonstrating the following penetration level:

PENETRATION ANALYSIS		
Assisted Living		
	PMA	
	2018	2023
Total Supply	97	97
Market Occupancy	87%	92%
Total Potential Demand	155	182
Penetration Rate	54.52%	48.92%
Source: HealthTrust, LLC		

Penetration rates are indices that represent the relationship between supply and demand, which allow for meaningful comparison to the broader market. Unlike other real estate asset classes, penetration rates are not to be analyzed based on their absolute value, but rather used for their relative values when compared to the larger market. Due to the imperfect nature of the available data, resulting penetration rates can sometimes lead to indications that could be construed as being misleading. For example, a penetration rate over 100% is not necessarily indicative of a saturated market, but only to the extent of how it relates to other market derived penetration rates using identical methodology. In doing hundreds of appraisals and market studies annually of senior housing properties, we have found the following significant trends and conclusions:

- ❒ Markets with high penetration rates have better-educated populations with regards to the seniors housing product type. Further, among the 140 MSAs, there is a positive correlation between penetration rates and occupancy levels. Conversely, as penetration rates increase, average rents decrease, indicative of a competitive market.

- ❒ Based on our analysis of the 140 largest MSAs, we find a significant variance in assisted living and memory care penetration rates for the largest 31 MSAs (primary markets) relative to that of the smaller MSAs (32-100, or secondary and 101-140, additional). Generally, the latter indicates on average, 25% to 35% higher penetration rates, depending on age and income qualifications. Further, in our experience, we find this variance to be even more pronounced in tertiary markets. While, it is anecdotal, we attribute this to the following:

    - o Greater in-migration from rural out-bounding areas due to availability of healthcare resources.
    - o Fewer living options available in the secondary markets relative to the larger, metropolitan markets.
    - o Smaller sized markets require increased education and product awareness.

- ❒ Adult Children (45-64 age cohorts) play a primary role in the decision process for a prospective resident with regard to assisted living and even more so to memory care. Higher prevalence rates among adult children generate net-in migration for care and result in increased penetration. This is not necessarily the case for independent living, where no correlation is found among adult children.

- ❒ Availability of State Assistance (Medicaid) is a driving demand force for senior housing properties. The use of such programs allows for increased access to residents who could otherwise not afford the product, thereby resulting in higher penetration rates. States with high utilization of State Assistance include North Carolina, Oregon and Washington.

Overall, while penetration rates provide a barometer for the makeup of a specific market, in analyzing any market, primary weight is placed on market occupancy levels, once adjusted for variances among the age and quality of assets available.

Market Categorization

To categorize the market, we have compared the subject's PMA against the 140 largest MSAs. To provide for industry benchmarks, we have used supply estimates from Q1 2018 NIC MAP and applied our supply

and demand methodology previously described. Please note that the NIC MAP indications are based exclusively on the specific level of care. The subject's PMA relative to the broader market is as follows:

ASSISTED LIVING					
	Top 140 MSA Benchmark			Subject PMA	
	Median	Lower Quartile	Upper Quartile	2018	2023
Average Occupancy	87.30%	83.98%	90.33%	87.33%	92.00%
Average Monthly Rent	$4,367	$4,116	$4,877	N/A	N/A
Median House Value	$194,664	$160,136	$254,375	$119,556	$125,899
Adult Child Prevalence	3.20%	2.15%	4.84%	6.57%	5.76%
AL Percentage	73.89%	70.21%	79.62%	100.00%	100.00%
Penetration Rates					
$35,000 and up	45.7%	31.6%	61.0%	54.5%	48.9%

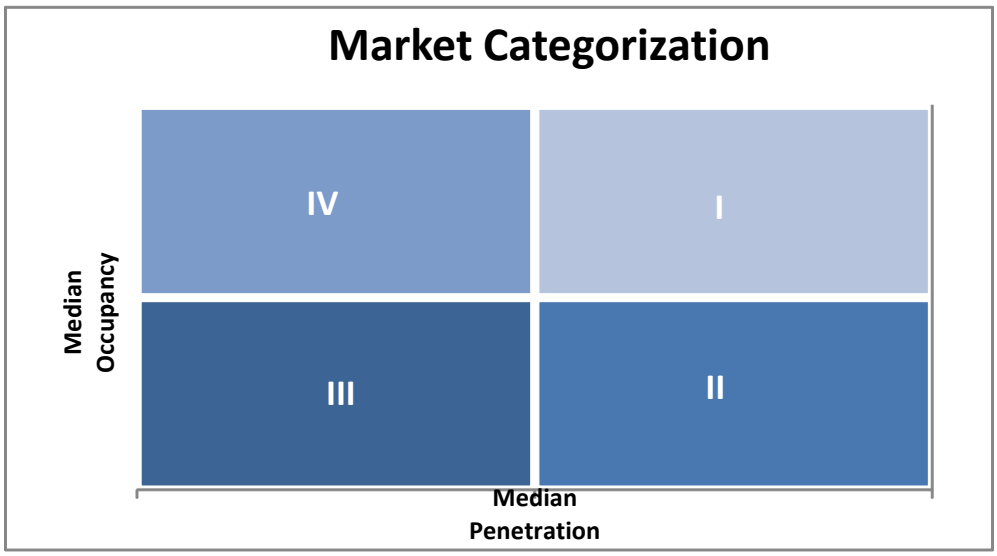
Conclusions

Based on its estimated stabilized occupancy level, we find the market's AL penetration rate is above the median of the 140 MSAs.

Our observations of hundreds of markets annually resulted in the following general interpretation of market indicators:

MARKET ANALYSIS INTERPRETATION			
Category	**Occupancy**	**Penetration**	**Market Conclusion**
I	PMA > NIC MAP Median	& PMA > Median	PMA has positive rate growth and absorption. May have net in-migration and/or prevalence of state assistance. Experienced and highly competitive market with potential of moving into II or IV depending on demographic growth and/or proposed supply.
II	PMA < NIC MAP Median	& PMA > Median	PMA is overbuilt, low/negative rate growth and low/negative absorption. Market may be skewed by dated, uncompetitive communities.
III	PMA < NIC MAP Median	& PMA < Median	PMA's consumers are not fully accepting or are inexperienced with seniors housing and/or market has net out-migration
IV	PMA > NIC MAP Median	& PMA < Median	PMA has significant potential and is under-served with high rate growth and occupancy, indicating unmet demand.

Source: HealthTrust, LLC



The subject's PMA is best characterized as a Type I market, and penetration rates are anticipated to decline over the next five years suggesting occupancy levels can rise as demand outpaces supply. While this model is not an indicator of outright feasibility for the subject, this does suggest that at present, and over the next five years, the market risk will not increase significantly enough to offset demand and that were the subject introduced during this period, it would not cause a significant change in the current balance between supply and demand. Therefore, our review of the local market indicates that there is positive demand for seniors housing properties to support development of the subject. Furthermore, the following valuation analysis suggests that it is feasible as well.

SWOT Analysis

At this point, we have developed a SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis for the subject identifying internal strengths and weakness as well as external opportunities and threats, as follows:

SWOT ANALYSIS		
	Strengths:	**Weaknesses:**
Internal	➢ Newest community in county and PMA ➢ Modern design for small facility	➢ No memory care units at subject or in county ➢ No aging in place ➢ Lack economies of scale
	Opportunities:	**Threats:**
External	➢ Subject will be premier choice in market ➢ Surplus land available for additions at rear of property ➢ Casino draws in seniors	➢ New supply ➢ Semi-rural market ➢ Stigma associated with closure

Source: HealthTrust, LLC

HIGHEST AND BEST USE

Highest and best use is an appraisal concept defined as that use of many possible and legally allowable alternative uses, which may reasonably be expected to produce the greatest net return to the property in the foreseeable future. To estimate the highest and best use of the subject property, we have considered the possible and most probable uses of the site, including those uses for which the land is adapted with respect to size, configuration, contour, and location. We considered those uses that are legally permissible, physically possible, and in conformity with existing improvements in the area, and which result in the highest economic return to the land. Legal uses permitted under local zoning ordinances have been analyzed as well as probable uses stemming from an analysis of economic aspects affecting the use of the land. This analysis is conducted as if the site were vacant to identify the ideal improvements for the site, and then as improved to compare the existing improvements to the ideal improvements.

As If Vacant

Physically Possible: The site is comprised of one parcel containing a gross land area of 4.90 acres. The site's shape is irregular and its terrain is level. The building site lies in an X flood zone, and drainage is adequate. All utilities are available to the site and we are unaware of any soil conditions that may hinder development. Hence, the site appears to be readily developable from a physical standpoint.

The subject's immediate vicinity is developed with single family residential, vacant land and retail. In summary, the site “as vacant” has few physical restrictions that would impact development of the site.

Legally Permissible: The subject is zoned B-2 - General Business. Permitted uses include Hospital, clinic, convalescent or nursing home, extended care facility, sanitarium for humans, institutions for the aged. The subject property is permitted as a legally conforming use. Therefore, we believe that the subject would likely be approved if the site were currently vacant.

Economic Feasibility: Based on the subject’s permitted uses and good market conditions, we have focused the remainder of our efforts on seniors housing, particularly an Assisted Living Residence. As mentioned in the preceding Competitive Market Analysis, the subject’s primary market area (PMA) is a twenty-mile radius. Further, our supply and demand analysis indicates positive demand for the subject property, while the following valuation analysis suggests it is feasible as well. Therefore, we have concluded the subject is economically feasible.

Maximally Productive: We have identified a seniors housing development as the only use which is immediately financially feasible and would therefore provide the greatest return to the site. Hence, we have concluded that a seniors housing use is the highest and best use of the property, as vacant.

As Currently Improved

Financially Feasible: Both physical and legal issues were discussed previously in the highest and best use, as if vacant scenario. Demand in the subject's market area is adequate for the existing units, as presented in the previous analysis. Hence, we feel that continued operation of the subject is economically feasible.

Maximally Productive: It is clearly apparent that the subject is worth more as an operational enterprise than it would be were the improvements demolished and the land sold separately. As previously

discussed, no other uses were considered feasible. The subject's existing improvements do meet the first three criteria for highest and best use; hence, they are also considered to represent the maximally productive use of the site. Therefore, we conclude that the subject's highest and best use “as currently improved,” is to continue operation of the Assisted Living Residence.

We conclude that reopening as an assisted living results in a maximally productive use and values that exceed other alternative uses.

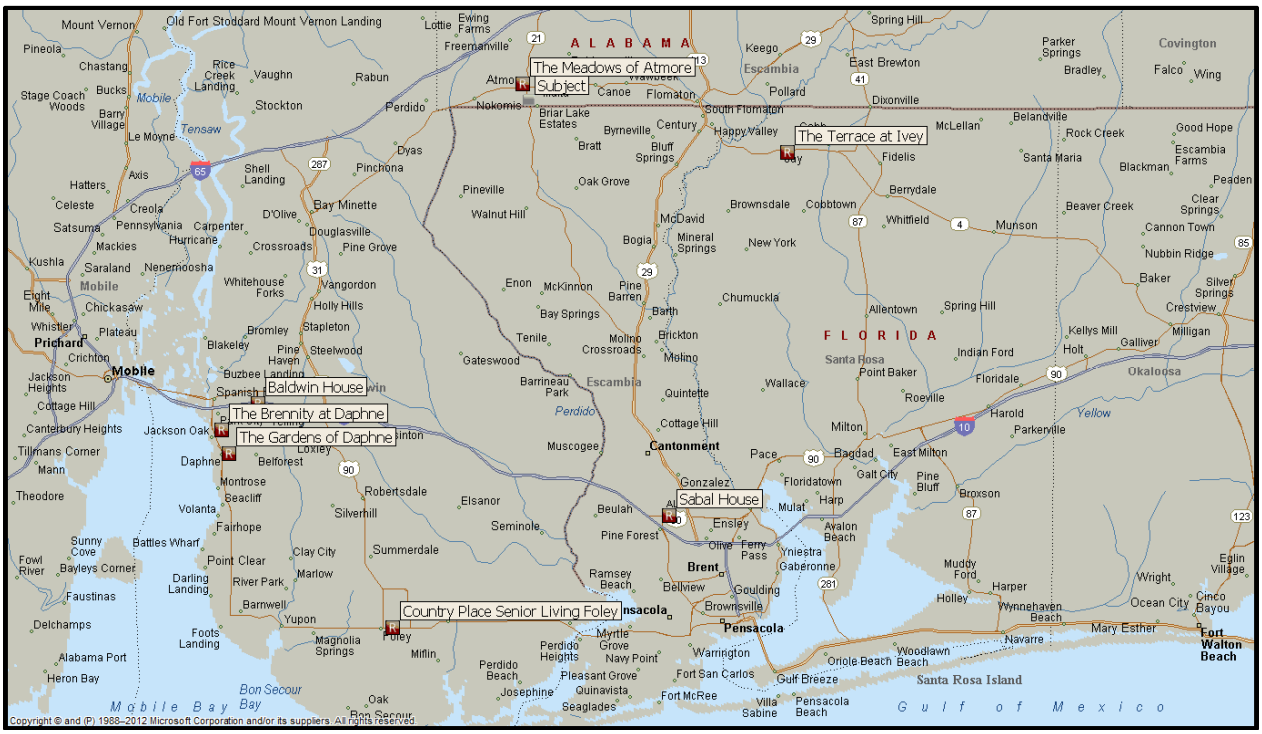
VALUATION ANALYSIS

INCOME APPROACH

We have been provided with the income and expense data for the subject. A copy of these statements may be found in the addenda of this report. We have carefully examined the data, deducted expenses that are not associated with the operation of an Assisted Living Residence and compared the adjusted totals with the experience of other communities. The resulting net income estimates are the basis for our valuation of the subject.

We have surveyed comparable and competitive communities in and near the subject's primary market area. These communities are described on the following pages:

RENT COMPARABLE MAP



SUBJECT

Record ID:	201806050
Property Type:	Assisted Living Residence
Name:	Country Place Assisted Living Facility
Address:	140 McRae Street, Atmore, Escambia, FL, 36502
Verification:	
With:	Jack Floyd, Buyer at 850-336-1127
Management:	Closed Facility

BUILDING CHARACTERISTICS

Year Opened:	2015	**Quality:**	Above Average
Number Of Buildings:	1	**Condition:**	Good
Number Of Stories:	1	**Construction Type:**	Wood Frame
Land Area:	4.90 acres	**Gross Building Area:**	18,288

PROPERTY MIX

Level	Capacity	% Occupancy	Meals
IL	---	---	---
AL	24 units	0%	3 daily
ALZ	---	---	---
SN	---	---	---

LEVEL OF CARE TYPE

Level	Type	Min	Max
AL	Levels	$300	$1,200
ALZ - AL	---	---	---
Other	---	---	---

PROJECT AMENITIES

- Activity rooms
- Assistance w/ ADLs
- Beauty/barber shop
- Courtyard
- Dining room - main
- Housekeeping
- Laundry facilities
- Library
- Linen Service
- Lounge areas
- Medications
- Postal services
- Reception Area
- Scheduled transportation
- Social activities
- Utilities

UNIT AMENITIES

- Cable/satellite TV
- Emergency pull-cords
- Fire/smoke detectors
- High-speed internet
- Individually controlled HVAC
- Kitchenettes
- Private baths

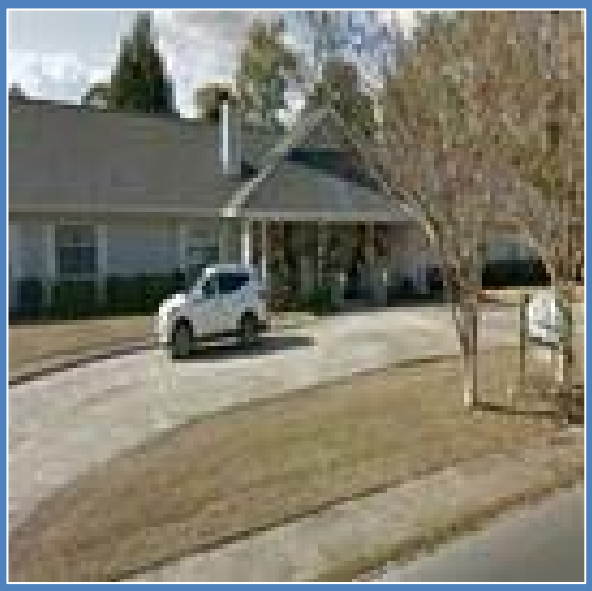
SERVICE PACKAGE

- Water/Sewer
- Electricity
- Housekeeping

ASSISTED LIVING RENTAL ANALYSIS

Unit Type	Fee basis	Min Fee	Max Fee	Community Fee Min	Community Fee Max	Beds	Units	Min Size	Max Size
Studio	Monthly	$3,000	---	$500	---	24	24	298	332

REMARKS: The rates above are estimates provided by the buyer. The community is presently closed.



RENTAL COMPARABLE #1

Record ID: 8121359
Property Type: Assisted Living Residence
Name: The Meadows of Atmore
Address: 202 Medical Park Dr, Atmore, Escambia, AL, 36502

Verification:
With: Melinda at 251-446-9317

BUILDING CHARACTERISTICS

Year Opened:	1998	**Quality:**	Average
Number Of Buildings:	1	**Condition:**	Average
Number Of Stories:	1	**Construction Type:**	Wood Frame
Land Area:	---	**Gross Building Area:**	---

PROPERTY MIX

Level	Capacity	% Occupancy	Meals
IL	---	---	---
AL	16 units	88%	3 daily
ALZ	---	---	---
SN	---	---	---

LEVEL OF CARE TYPE

Level	Type	Min	Max
AL	All-inclusive	---	---
ALZ - AL	---	---	---
Other	---	---	---

PROJECT AMENITIES

- Activity rooms
- Assistance w/ ADLs
- Beauty/barber shop
- Dining room - main
- Linen Service
- Lounge areas
- Medications
- Postal services
- Reception Area
- Scheduled transportation
- Social activities
- Utilities

UNIT AMENITIES

- Cable/satellite TV
- Emergency pull-cords
- Fire/smoke detectors
- Individually controlled HVAC
- Private baths

SERVICE PACKAGE

- Water/Sewer
- Cable/Satellite TV
- Electricity
- Housekeeping

ASSISTED LIVING RENTAL ANALYSIS

Unit Type	Fee basis	Min Fee	Max Fee	Community Fee Min	Community Fee Max	Beds	Units	Min Size	Max Size
Studio	Monthly	$2,265	$2,315	---	---	---	---	---	---

REMARKS: The Meadows of Atmore is licensed for 16 beds. The facility offers private rooms and rates vary based on if they are furnished or not. Rates are all inclusive of care and include utilities and cable tv. There is a $500 deposit and a $250 pet deposit.

RENTAL COMPARABLE #2

Record ID:	8117750
Property Type:	Assisted Living Residence
Name:	Sabal House
Address:	150 Crossville Street, Cantonment, Escambia, FL, 32533
Verification: With:	Cheryl at 850-477-1312
Management:	Alliance Senior Services

BUILDING CHARACTERISTICS

Year Opened:	1999	**Quality:**	Above Average
Number Of Buildings:	1	**Condition:**	Average
Number Of Stories:	1	**Construction Type:**	Wood Frame
Land Area:	3.00 acres	**Gross Building Area:**	27,132

PROPERTY MIX

Level	Capacity	% Occupancy	Meals
IL	---	---	---
AL	44 beds	95%	3 daily
ALZ	---	---	---
SN	---	---	---

LEVEL OF CARE TYPE

Level	Type	Min	Max
AL	All-inclusive	---	---
ALZ - AL	---	---	---
Other	---	---	---

PROJECT AMENITIES

- Activity rooms
- Assistance w/ ADLs
- Beauty/barber shop
- Courtyard
- Dining room - main
- Housekeeping
- Laundry facilities
- Linen Service
- Lounge areas
- Medications
- Pharmacy
- Postal services
- Reception Area
- Scheduled transportation
- Security 24 hour
- Social activities
- Spa/Whirlpool
- Utilities

UNIT AMENITIES

- Cable/satellite TV
- Emergency pull-cords
- Fire/smoke detectors
- Individually controlled HVAC
- Kitchenettes
- Private baths

SERVICE PACKAGE

- Water/Sewer
- Electricity
- Housekeeping

ASSISTED LIVING RENTAL ANALYSIS

Unit Type	Fee basis	Min Fee	Max Fee	Community Fee Min	Community Fee Max	Beds	Units	Min Size	Max Size
Studio	Monthly	$3,600	$3,900	$500	---	---	---	430	430
1-Bedroom	Monthly	$4,200	$4,500	$500	---	---	---	320	320
Extra Person	Monthly	$1,400	---	---	---	---	---	---	---

RENTAL COMPARABLE #2

CENSUS		
Care Level	**Payor Type**	**% of Current Census**
AL	Private pay	100.0%

REMARKS: The facility is licensed for 44 beds but has 39 units. There are extra beds available for couples. There is a $500 community fee and a $200 application fee. Rates are all inclusive of care. The only extra charges are for phone and beauty salon services.

RENTAL COMPARABLE #3

Record ID: 8121360
Property Type: Assisted Living Residence
Name: Baldwin House
Address: 10171 Papa George Street, Daphne, Baldwin, AL, 36526

Verification:
With: Jamie at 251-621-1717

BUILDING CHARACTERISTICS

Year Opened:	2000	**Quality:**	Above Average
Number Of Buildings:	1	**Condition:**	Good
Number Of Stories:	1	**Construction Type:**	Wood Frame
Land Area:	1.50 acres	**Gross Building Area:**	20,931

PROPERTY MIX

Level	Capacity	% Occupancy	Meals
IL	---	---	---
AL	30 units	97%	3 daily
ALZ	---	---	---
SN	---	---	---

LEVEL OF CARE TYPE

Level	Type	Min	Max
AL	Levels	$200	---
ALZ - AL	---	---	---
Other	---	---	---

PROJECT AMENITIES

- Assistance w/ ADLs
- Beauty/barber shop
- Courtyard
- Dining room - main
- Housekeeping
- Laundry facilities
- Linen Service
- Lounge areas
- Medications
- Reception Area
- Social activities
- Utilities

UNIT AMENITIES

- Emergency pull-cords
- Fire/smoke detectors
- Individually controlled HVAC
- Kitchenettes
- Private baths

SERVICE PACKAGE

- Water/Sewer
- Electricity
- Housekeeping

ASSISTED LIVING RENTAL ANALYSIS

Unit Type	Fee basis	Min Fee	Max Fee	Community Fee Min	Community Fee Max	Beds	Units	Min Size	Max Size
Studio	Monthly	$3,450	---	$1,200	---	30	30	445	557
1-Bedroom	Monthly	$3,760	---	$1,200	---	---	---	---	---
Extra Person	Monthly	$1,000	---	---	---	---	---	---	---

REMARKS: There are additional levels of care that can be added from $200. There is a community fee of $1200 and an extra person fee of $1000. The property contact indicated that the facility typically maintains a 90% to 100% occupancy rate. The facility has 30 units and in licensed for 44 beds, 12 of the rooms can be utilized for double occupancy. The Baldwin house is family owned and operated. There is currently one studio available.

RENTAL COMPARABLE #4

Record ID:	8121307
Property Type:	Assisted Living/Memory Care Residence
Name:	The Brennity at Daphne
Address:	27440 County Road 13, Daphne, Baldwin, AL, 36526
Verification: With:	Jamie at 251-626-9000
Management:	Sagora

BUILDING CHARACTERISTICS

Year Opened:	2005	**Quality:**	Good
Number Of Buildings:	1	**Condition:**	Good
Number Of Stories:	2	**Construction Type:**	Wood Frame
Land Area:	37.00 acres	**Gross Building Area:**	92,647

PROPERTY MIX

Level	Capacity	% Occupancy	Meals
IL	---	---	---
AL	60 units	93%	3 daily
ALZ	---	---	---
SN	---	---	---

LEVEL OF CARE TYPE

Level	Type	Min	Max
AL	Levels	---	---
ALZ - AL	---	---	---
Other	---	---	---

PROJECT AMENITIES

- Activity rooms
- Assistance w/ ADLs
- Beauty/barber shop
- Courtyard
- Dining room - main
- Housekeeping
- Laundry facilities
- Linen Service
- Lounge areas
- Medications
- Postal services
- Reception Area
- Scheduled transportation
- Social activities
- Utilities

UNIT AMENITIES

- Cable/satellite TV
- Emergency pull-cords
- Fire/smoke detectors
- Individually controlled HVAC
- Kitchenettes
- Private baths

SERVICE PACKAGE

- Water/Sewer
- Electricity
- Housekeeping

ASSISTED LIVING RENTAL ANALYSIS

Unit Type	Fee basis	Min Fee	Max Fee	Community Fee Min	Community Fee Max	Beds	Units	Min Size	Max Size
Studio	Monthly	$3,500	---	$1,600	---	---	---	---	---
1-Bedroom	Monthly	$3,995	---	$1,600	---	---	---	---	---

REMARKS: There is a community fee of $1600. The rates are all inclusive of care. A pendant is $150.

RENTAL COMPARABLE #5

Record ID:	8121362
Property Type:	Assisted Living Residence
Name:	The Gardens of Daphne
Address:	1307 Daphne Ave, Daphne, Baldwin, AL, 36526
Verification: With:	Ellen at 251-625-0802

BUILDING CHARACTERISTICS

Year Opened:	1998	**Quality:**	Average
Number Of Buildings:	1	**Condition:**	Average
Number Of Stories:	1	**Construction Type:**	Wood Frame
Land Area:	---	**Gross Building Area:**	---

PROPERTY MIX

Level	Capacity	% Occupancy	Meals
IL	---	---	---
AL	16 units	88%	3 daily
ALZ	---	---	---
SN	---	---	---

LEVEL OF CARE TYPE

Level	Type	Min	Max
AL	All-inclusive	---	---
ALZ - AL	---	---	---
Other	---	---	---

PROJECT AMENITIES

- Activity rooms
- Assistance w/ ADLs
- Courtyard
- Housekeeping
- Linen Service
- Lounge areas
- Medications
- Scheduled transportation
- Social activities
- Utilities

UNIT AMENITIES

- Cable/satellite TV
- Emergency pull-cords
- Fire/smoke detectors
- Individually controlled HVAC
- Private baths

SERVICE PACKAGE

- Water/Sewer
- Cable/Satellite TV
- Electricity
- Housekeeping

ASSISTED LIVING RENTAL ANALYSIS

Unit Type	Fee basis	Min Fee	Max Fee	Community Fee Min	Community Fee Max	Beds	Units	Min Size	Max Size
Studio	Monthly	$2,490	$2,990	$750	---	---	---	---	---
1-Bedroom	Monthly	$2,890	---	$750	---	---	---	---	---

REMARKS: The Gardens of Daphne offers studio and one bedroom floor plans. There is a $750 community fee. Rates are all inclusive and include all utilities except phone. Management stated that they are running a special right now for $500 each month for a year.

RENTAL COMPARABLE #6

Record ID:	8121627
Property Type:	Assisted Living Residence
Name:	The Terrace at Ivey
Address:	3964 Florida Avenue, Jay, Santa Rosa, FL, 32565
Verification:	
With:	Debbie Godwin at 850-675-4000
Management:	N/A

BUILDING CHARACTERISTICS

Year Opened:	2011	**Quality:**	Good
Number Of Buildings:	1	**Condition:**	Good
Number Of Stories:	1	**Construction Type:**	Wood Frame
Land Area:	6.78 acres	**Gross Building Area:**	27,626

PROPERTY MIX

Level	Capacity	% Occupancy	Meals
IL	---	---	---
AL	70 beds	95%	3 daily
ALZ	---	---	---
SN	---	---	---

LEVEL OF CARE TYPE

Level	Type	Min	Max
AL	Levels	$500	$2,000
ALZ - AL	---	---	---
Other	---	---	---

PROJECT AMENITIES

- Activity rooms
- Assistance w/ ADLs
- Beauty/barber shop
- Courtyard
- Dining room - main
- Housekeeping
- Laundry facilities
- Linen Service
- Lounge areas
- Medications
- Postal services
- Reception Area
- Scheduled transportation
- Social activities
- Utilities

UNIT AMENITIES

- Cable/satellite TV
- Emergency pull-cords
- Fire/smoke detectors
- High-speed internet
- Individually controlled HVAC
- Kitchenettes
- Private baths

SERVICE PACKAGE

- Water/Sewer
- Electricity
- High Speed Internet
- Housekeeping

ASSISTED LIVING RENTAL ANALYSIS

Unit Type	Fee basis	Min Fee	Max Fee	Community Fee Min	Community Fee Max	Beds	Units	Min Size	Max Size
Studio	Monthly	$2,735	$3,035	$500	---	---	44	220	250
1-Bedroom	Monthly	$4,500	---	$500	---	---	13	440	---

REMARKS: This facility has 57 units and licensed for 70 beds allowing for some companion units. The administrator noted that they are close to full with 61 residents presently. We have estimated 95%. Also, four residents have deposits at the facility for future move ins.

There are four additional levels of care in addition to the base rates at $500 per level.

RENTAL COMPARABLE #7

Record ID:	8121628
Property Type:	Assisted Living Residence
Name:	Country Place Senior Living Foley
Address:	615 East Laurel Avenue, Foley, Baldwin, AL, 36535
Verification: With:	Linda at 214-347-7140
Management:	CP Homes

BUILDING CHARACTERISTICS

Year Opened:	2011	**Quality:**	Good
Number Of Buildings:	1	**Condition:**	Good
Number Of Stories:	1	**Construction Type:**	Wood Frame
Land Area:	3.27 acres	**Gross Building Area:**	16,020

PROPERTY MIX

Level	Capacity	% Occupancy	Meals
IL	---	---	---
AL	28 units	64%	3 daily
ALZ	---	---	---
SN	---	---	---

LEVEL OF CARE TYPE

Level	Type	Min	Max
AL	Levels	$200	$400
ALZ - AL	---	---	---
Other	---	---	---

PROJECT AMENITIES

- Activity rooms
- Arts & crafts rooms
- Assistance w/ ADLs
- Beauty/barber shop
- Courtyard
- Dining room - main
- Dining room - private
- Exercise facilities
- Guest Accommodations
- Housekeeping
- Laundry facilities
- Library
- Linen Service
- Lounge areas
- Medications
- Postal services
- Reception Area
- Scheduled transportation
- Security 24 hour
- Social activities
- Utilities
- Walking/nature trails

UNIT AMENITIES

- Balconies/porches
- Cable/satellite TV
- Emergency pull-cords
- Fire/smoke detectors
- High-speed internet
- Individually controlled HVAC
- Kitchenettes
- Private baths
- Walk-in closets

SERVICE PACKAGE

- Water/Sewer
- Electricity
- High Speed Internet
- Housekeeping

RENTAL COMPARABLE #7

ASSISTED LIVING RENTAL ANALYSIS									
Unit Type	**Fee basis**	**Min Fee**	**Max Fee**	**Community Fee Min**	**Community Fee Max**	**Beds**	**Units**	**Min Size**	**Max Size**
Studio	Monthly	$3,295	$3,995	$500	---	24	24	376	405

REMARKS: The subject is a purpose-built, one level assisted living facility. The "H" shaped design includes resident units on each side of the centrally located common areas and entrance. The common areas include a dining room, living room, library, exercise rooms and reception area. The kitchen is located adjacent to the dining room. There is also a laundry room and dedicated nurse station. Each resident room offers a private, three-fixture bathroom and kitchenette. There are additional levels of care available from $200 to $400 per month.

Estimates of Market Rent - Seniors Housing

ASSISTED LIVING ASKING RENTAL ANALYSIS		
	Studio	
Property	**Min**	**Max**
Country Place Assisted Living Facility	$3,000	--
The Meadows of Atmore	$2,265	$2,315
Sabal House	$3,600	$3,900
Baldwin House	$3,450	--
The Brennity at Daphne	$3,500	--
The Gardens of Daphne	$2,490	$2,990
The Terrace at Ivey	$2,735	$3,035
Country Place Senior Living Foley	$3,295	$3,995
Median		$3,035
Average		$3,121
Mode		--
Range	$2,265 - $3,995	
Standard Deviation		$566

Source: HealthTrust, LLC

In addition to the base rates, assisted living services are provided via a variety of pricing models, the most common being:

- All-inclusive, whereby all services, including personal care and assistance with activities of daily living, are included in the monthly fee.
- Levels or point systems, where the base rent includes meals, housekeeping, activities, maintenance and security, but assistance with ADLs and personal care are charged based on the health assessment of each resident.
- Ala carte, where the base rent includes meals, housekeeping, activities, maintenance and security, but every need (toileting, incontinence, medication reminders, showers) has a separate charge.

Thus, adjusted for level of care pricing, the subject's rates fall within the comparable range. In this market, the comparables report the following care pricing:

SUMMARY OF CARE PRICING - AL			
Community	**Service Type**	**Min Fee**	**Max Fee**
Country Place Assisted Living Facility	Levels	$300	$1,200
The Meadows of Atmore	All-inclusive	--	--
Sabal House	All-inclusive	--	--
Baldwin House	Levels	$200	$200
The Brennity at Daphne	Levels	--	--
The Gardens of Daphne	All-inclusive	--	--
The Terrace at Ivey	Levels	$500	$2,000
Country Place Senior Living Foley	Levels	$200	$400

The subject's rental rates above are estimates provided by the potential buyer. Although a smaller community, the subject is one of the more superior products in the primary and secondary markets being built in 2015. In our opinion, the subject is the one of the higher quality properties in the market and warrants rents in the upper half of the market asking range. However, given the recent closure and stigma in the community, we have reconciled to the buyer's estimate which appears reasonable and well bracketed.

ASSISTED LIVING MARKET SUMMARY					
	Reconciled	Average	Median	Mode	Street Rate Range*
Studio	**$3,000**	$3,121	$3,035	--	$2,265 - $3,995

Source:HealthTrust LLC; *Unadjusted Market Range

Stabilized Occupancy

The subject and comparables indicate the following as of the day of the most recent inspection:

OCCUPANCY ANALYSIS	
Property	**AL**
Country Place Assisted Living Facility	0%
The Meadows of Atmore	88%
Sabal House	95%
Baldwin House	97%
The Brennity at Daphne	93%
The Gardens of Daphne	88%
The Terrace at Ivey	95%
Country Place Senior Living Foley	64%
Median	91%
Average	91%
Mode	88%
Range	0% - 97%
PMA Average Occupancy	87%

Overall, the subject's occupancy history and projections (based on set-up capacity) are summarized as follows:

OPERATIONAL SUMMARY		
Level of Care	**Appraisal - Stabilized**	
	Occ %	Total/RD
AL	92%	$98.63
Average Occupancy	92%	
Total Revenues		$113.67
Profit Margin		25.4%

Source: HealthTrust LLC and Closed Facility

With no additions entering the market and average market occupancy at 87%, we have estimated a stabilized occupancy level for the subject of 92%, reconciling between historical levels, market indications and current occupancy. We note that demand is increasing over the next five years and the subject should outperform the market as whole with its superior physical plant.

Absorption

For the purposes of this discussion, we have defined absorption as the move-in rate (net number of units filled divided by the number of months open) at which a property fills to stabilized occupancy. We have used these four recently developed residences in the southeast region, which indicated the following absorption rates:

ABSORPTION COMPS						
Property	**Open Date**	**Occupancy**	**IL**	**AL**	**MC**	**SNF**
Discovery Village Tampa Palms	Apr-17	77%	3.6	3.5	1.2	0.0
Symphony at St. Augustine	Mar-17	60%	0.0	0.0	3.2	0.0
Gold Choice Deltona	Oct-17	60%	0.0	9.0	5.0	0.0
The Fountains of Hope	Jan-16	77%	0.0	2.5	1.7	0.0

Source: HealthTrust, LLC

In the subject's PMA, we note that the Terrace at Ivey maintains a waiting list. The comparables above suggest move-in rates of 2.5 to 9 units per month for assisted living. However, given the subject's small size, rural location and stigma we have reconciled to 1 unit per month out of an abundance of caution. Please note that the indicated average annual occupancy reflects the lease-up; by the end of two years, we expect the subject to have 22.1 units occupied, or 92%:

ABSORPTION ANALYSIS					
		Net Move-Ins		Occupied	
	Period	AL	Total	AL	Total
Inspection	Jun-18			0.0	0.0
Year 1	Jun-18	0.0	0.0	0.0	0.0
	Jul-18	0.0	0.0	0.0	0.0
	Aug-18	0.0	0.0	0.0	0.0
	Sep-18	6.1	6.1	3.0	3.0
	Oct-18	3.0	3.0	7.6	7.6
	Nov-18	1.0	1.0	9.6	9.6
	Dec-18	1.0	1.0	10.6	10.6
	Jan-19	1.0	1.0	11.6	11.6
	Feb-19	1.0	1.0	12.6	12.6
	Mar-19	1.0	1.0	13.6	13.6
	Apr-19	1.0	1.0	14.6	14.6
	May-19	1.0	1.0	15.6	15.6
	Annual Avg.			**8.2**	**8.2**
	Avg Occupancy			**34%**	**34%**
	Total RD			**2,994**	**2,994**
Year 2	Jun-19	1.0	1.0	16.6	16.6
	Jul-19	1.0	1.0	17.6	17.6
	Aug-19	1.0	1.0	18.6	18.6
	Sep-19	1.0	1.0	19.6	19.6
	Oct-19	1.0	1.0	20.6	20.6
	Nov-19	1.0	1.0	21.6	21.6
	Dec-19	0.0	0.0	22.1	22.1
	Jan-20	0.0	0.0	22.1	22.1
	Feb-20	0.0	0.0	22.1	22.1
	Mar-20	0.0	0.0	22.1	22.1
	Apr-20	0.0	0.0	22.1	22.1
	May-20	0.0	0.0	22.1	22.1
	Annual Avg.			**20.6**	**20.6**
	Avg Occupancy			**86%**	**86%**
	Total RD			**7,510**	**7,510**
Year 3	Jun-20	0.0	0.0	22.1	22.1
	Jul-20	0.0	0.0	22.1	22.1
	Aug-20	0.0	0.0	22.1	22.1
	Sep-20	0.0	0.0	22.1	22.1
	Oct-20	0.0	0.0	22.1	22.1
	Nov-20	0.0	0.0	22.1	22.1
	Dec-20	0.0	0.0	22.1	22.1
	Jan-21	0.0	0.0	22.1	22.1
	Feb-21	0.0	0.0	22.1	22.1
	Mar-21	0.0	0.0	22.1	22.1
	Apr-21	0.0	0.0	22.1	22.1
	May-21	0.0	0.0	22.1	22.1
	Annual Avg.			**22.1**	**22.1**
	Avg Occupancy			**92%**	**92%**
	Total RD			**8,059**	**8,059**

Source: HealthTrust, LLC

Following our estimates of rental levels and occupancy, we have estimated the subject's effective gross rental income as shown:

SUMMARY OF REVENUE PROJECTIONS				
			Year:	**1**	**Stabilized**
	No. Units/Beds	Monthly Rent		
AL Revenues				
Studio	24	$3,000	$864,000	$864,000
Total Potential AL Base Fee Income	24		$864,000	$864,000
Less AL Vacancy	@		65.82%	8.00%
			-$568,688	-$69,120
Lifecare Utilization Discount			$0	$0
Effective Gross AL Base Fee Income			$295,312	$794,880

Source: HealthTrust, LLC

Ancillary and Other Revenue Sources

Ancillary revenues at the subject include additional services, level of care income, guest meals, parking revenues, therapies and non-routine services for private pay, Medicaid and other payors. These services include injections, medical supplies, rehabilitative therapy, drugs, blood, intravenous feedings and tubes. As therapy is the most labor-intensive of these non-routine services, this component has the largest impact on a property's ancillary revenues. The amount of ancillary services that a property can generate is a function of the amount of therapy space provided and quality of the therapy program in place at the property. Generally, properties with a strong Medicare census have these components in place and are best able to provide ancillary services to private pay, Medicaid and managed care residents. Nonetheless, we find that space-limited properties can still generate ancillary revenue by providing therapy service in the resident's room, albeit at a higher cost due to the inherent inefficiency.

Each year, we appraise hundreds of seniors housing and see ancillary services vary from as little as less than a dollar per resident day to over $10.00 per resident day. Most properties report ancillary/other revenues between $1.00 and $4.00 per resident day. We have incorporated $2.00 per day into our rent estimates.

The subject will and its competitors offer care on a personalized basis with fees in addition to the base rates. Based on the subject's expected level of care fees and market ranges, we have included level of care income for all residents in the amount of $100,740. Our estimate equates to $380 per AL resident per month which will fall as the low end of the subject's proposed four-level of care system ranging from $300-1,200 per month. The market ranges from $200 to $2,000.

The operator requests a one-time community fee, as do most of the competitors. The subject's history clearly illustrates that management is successful in collecting these fees and our appraisals of competitive properties in the subject's market indicates that market accepts these fees and collection is commonplace. While the current housing market has only a minor impact on assisted living occupancy levels, we do know of some instances where waiving or reducing the community fee enticed a prospective resident to move

prior to selling his or her home. Therefore, we have incorporated total community fees of $4,380. At a 40.0% ratio (based on the most current edition of *The State of Seniors Housing*), our estimate implies an average community fee of $496 per new entrant. This amount is supported by the market asking fees:

SUMMARY OF ASKING COMMUNITY FEES		
Property	**Min**	**Max**
Country Place Assisted Living Facility	$500	$500
The Meadows of Atmore	--	--
Sabal House	$500	$500
Baldwin House	$1,200	$1,200
The Brennity at Daphne	$1,600	$1,600
The Gardens of Daphne	$750	$750
The Terrace at Ivey	$500	$500
Country Place Senior Living Foley	$500	$500
Median		$500
Average		$793
Mode		$500
Range	$500 - $1,600	
Standard Deviation		$423

Source: HealthTrust, LLC

Total Revenue Estimates

Incorporating the estimates of market rents, stabilized occupancies, and ancillary income, we have prepared the following statements of estimated revenues for the subject. To determine an inflationary factor, we have reviewed the consumer price index trends over the past ten years, as shown in the following table:

10-YEAR CONSUMER PRICE INDEX TRENDS		
Year	**CPI**	**Ann. Increase**
2008	215.3	--
2009	214.5	-0.4%
2010	218.1	1.6%
2011	224.9	3.2%
2012	229.6	2.1%
2013	233.0	1.5%
2014	236.7	1.6%
2015	237.0	0.1%
2016	240.0	1.3%
2017	245.1	2.1%
10-Year Average		1.4%
10-Year Compound Annual Change		1.1%

Source: US Department of Labor

Considering the rate increases evident in the market and the CPI changes above, we have incorporated an annual rate of increase for revenues of 2.00%.

SUMMARY OF REVENUE PROJECTIONS			
		1	Stabilized
Summary of Effective Gross Fee Income			
AL Revenues		$295,312	$794,880
Total Effective Gross Base Fee Income		$295,312	$794,880
Ancillary and Other Fees			
Other Revenues	$2.00 /RD	$5,988	$16,117
Community Fees	$365 /month	$4,380	$4,380
Prior Period Adjustments	$0 /month	$0	$0
Assisted Living Level of Care Income	$12.50 /RD	$37,427	$100,740
Total Effective Gross Income		$343,107	$916,117
EGI/Unit (Bed)		$14,296	$38,172
EGI/Resident Day		$114.59	$113.67
Change % (per resident day)			

Source: HealthTrust, LLC

Operating Expenses

Operating expenses are based upon an analysis of historical operating expense data of the subject, as well as those of comparable properties. Based upon our careful analysis of these data and our judgment and experience, we have estimated operating expenses and staffing at what we considered reasonable and customary levels for the subject property.

Real Estate Taxes

Fixed expenses include liability insurance and property taxes. In addition to the tax comparables presented earlier in the PMA, we have examined tax levels at comparable properties in the region. Placing most weight on the subject's current assessment and likely changes, we have estimated property taxes at $19,622 annually.

REAL ESTATE TAXES TREND AND FORECAST	
	HT Stabilized
Total	$19,622
Per Unit/Bed	$818
Per Resident Day	$2.43
Ratio of EGI	2.14%

Source: HealthTrust, LLC

Overall, on a per unit/bed basis, our concluded Stabilized expense is higher than the median expense comparable indication, and above the comparable range.

REAL ESTATE TAXES COMP COMPARISON					
	HT Stabilized	HT Year 1	Comp Min	Comp Max	Comp Median
Total	$19,622	$19,622			
Per Unit/Bed	$818	$818	$392	$479	$471
Per Resident Day	$2.43	$6.55	$1.33	$1.52	$1.52
Ratio of EGI	2.14%	5.72%	1.15%	1.55%	1.40%

Source: HealthTrust, LLC

Insurance

Building and liability insurance is estimated based primarily on national and regional comparables. The insurance expense does not reflect an umbrella insurance program but does include general and professional liability as well as worker's comp.

INSURANCE TREND AND FORECAST	
	HT Stabilized
Insurance (General, Professional)	$33,197
Worker's Comp	$6,270
Total Insurance	$39,466
Per Unit/Bed	$1,644
Per Resident Day	$4.90
Ratio of EGI	4.31%

Source: HealthTrust, LLC

On a per unit/bed basis, our concluded Stabilized expense is higher than the median expense comparable indication, and within the comparable range.

INSURANCE COMP COMPARISON					
	HT Stabilized	HT Year 1	Comp Min	Comp Max	Comp Median
Insurance (General, Professional)	$33,197	$33,197			
Worker's Comp	$6,270	$4,575			
Total Insurance	$39,466	$37,771			
Per Unit/Bed	$1,644	$1,574	$753	$1,878	$1,128
Per Resident Day	$4.90	$12.62	$2.29	$6.05	$3.09
Ratio of EGI	4.31%	11.01%	2.16%	5.58%	3.18%

Source: HealthTrust, LLC

Utilities

We have estimated utilities expenses including water, gas, trash, electricity and sewer as shown, noting that this amount falls as shown relative to the comparable properties.

UTILITIES TREND AND FORECAST	
	HT Stabilized
Water	$3,496
Gas	$5,104
Trash	$1,556
Electricity	$37,464
Total Utilities	$47,619
Per Unit/Bed	$1,984
Per Resident Day	$5.91
Ratio of EGI	5.20%

Source: HealthTrust, LLC

Overall, on a per unit/bed basis, our concluded Stabilized expense is higher than the median expense comparable indication, and within the comparable range.

UTILITIES COMP COMPARISON					
	HT Stabilized	HT Year 1	Comp Min	Comp Max	Comp Median
Water	$3,496	$3,496			
Gas	$5,104	$5,104			
Trash	$1,556	$1,556			
Electricity	$37,464	$37,464			
Total Utilities	$47,619	$47,619			
Per Unit/Bed	$1,984	$1,984	$1,288	$2,701	$1,858
Per Resident Day	$5.91	$15.90	$3.92	$8.22	$5.79
Ratio of EGI	5.20%	13.88%	4.17%	7.75%	5.45%

Source: HealthTrust, LLC

Maintenance Department

The maintenance department includes salaries for the maintenance administration, grounds, security personnel, maintenance crew and clerical support. In addition, the department includes the supplies and repairs and purchased services.

MAINTENANCE TREND AND FORECAST	
	HT Stabilized
Repairs and Supplies	$27,735
Maintenance Salaries	$8,429
Total Maintenance	$36,164
Per Unit/Bed	$1,507
Per Resident Day	$4.49
Ratio of EGI	3.95%

Source: HealthTrust, LLC

Overall, on a per unit/bed basis, our concluded Stabilized expense is higher than the median expense comparable indication, and within the comparable range. Our estimate relative to the comparables is shown:

MAINTENANCE COMP COMPARISON					
	HT Stabilized	HT Year 1	Comp Min	Comp Max	Comp Median
Repairs and Supplies	$27,735	$10,304			
Maintenance Salaries	$8,429	$8,429			
Total Maintenance	$36,164	$18,733			
Per Unit/Bed	$1,507	$781	$794	$1,621	$1,451
Per Resident Day	$4.49	$6.26	$2.42	$4.67	$4.44
Ratio of EGI	3.95%	5.46%	2.28%	4.83%	4.31%

Source: HealthTrust, LLC

Marketing Department

MARKETING TREND AND FORECAST	
	HT Stabilized
Advertising and Media	$16,118
Marketing Salaries	$26,000
Total Marketing	$42,118
Per Unit/Bed	$1,755
Per Resident Day	$5.23
Ratio of EGI	4.60%

Source: HealthTrust, LLC

Overall, on a per resident day basis, our concluded Stabilized expense is higher than the median expense comparable indication, and within the comparable range. The subject's advertising and marketing expenses, including payroll, is estimated as follows:

MARKETING COMP COMPARISON					
	HT Stabilized	HT Year 1	Comp Min	Comp Max	Comp Median
Advertising and Media	$16,118	$5,988			
Marketing Salaries	$26,000	$26,000			
Total Marketing	$42,118	$31,988			
Per Unit/Bed	$1,755	$1,333	$74	$1,831	$1,170
Per Resident Day	$5.23	$10.68	$0.20	$6.22	$3.69
Ratio of EGI	4.60%	9.32%	0.21%	5.37%	3.60%

Source: HealthTrust, LLC

Admin and General Department

The administration department includes supplies, telephone, bad debt and office expenses required to operate the administrative office. Other expenses reflect market comparables.

ADMINISTRATIVE AND GENERAL TREND AND FORECAST	
	HT Stabilized
Admin Supplies & Other Admin	$48,355
Admin Salaries	$67,801
Total Administrative	$116,157
Per Unit/Bed	$4,840
Per Resident Day	$14.41
Ratio of EGI	12.68%

Source: HealthTrust, LLC

Overall, on a per resident day basis, our concluded Stabilized expense is higher than the median expense comparable indication, and within the comparable range. We note that some of the expense comparables account for all their payroll and related costs in this department. A summary of our estimate compared to the subject's performance and regional trends is presented; please note that some of the comparables may include payroll in this category, whereas the subject's history and our projections break that expense out departmentally:

ADMINISTRATIVE AND GENERAL COMP COMPARISON					
	HT Stabilized	HT Year 1	Comp Min	Comp Max	Comp Median
Admin Supplies & Other Admin	$48,355	$17,965			
Admin Salaries	$67,801	$67,801			
Total Administrative	$116,157	$85,766			
Per Unit/Bed	$4,840	$3,574	$596	$4,535	$2,377
Per Resident Day	$14.41	$28.64	$1.81	$14.60	$6.51
Ratio of EGI	12.68%	25.00%	1.93%	13.47%	6.70%

Source: HealthTrust, LLC

Housekeeping/Laundry Department

Housekeeping and laundry expenses include both staffing and miscellaneous supply expenses. The subject contains in-house laundry facilities.

HOUSEKEEPING AND LAUNDRY TREND AND FORECAST	
	HT Stabilized
Housekeeping and Laundry Supplies	$4,030
Housekeeping and Laundry Salaries	$15,080
Total Housekeeping and Laundry	$19,110
Per Unit/Bed	$796
Per Resident Day	$2.37
Ratio of EGI	2.09%

Source: HealthTrust, LLC

Overall, on a per resident day basis, our concluded Stabilized expense is higher than the median expense comparable indication, and above the comparable range.

HOUSEKEEPING AND LAUNDRY COMP COMPARISON					
	HT Stabilized	HT Year 1	Comp Min	Comp Max	Comp Median
Housekeeping and Laundry Supplies	$4,030	$1,497			
Housekeeping and Laundry Salaries	$15,080	$15,080			
Total Housekeeping and Laundry	$19,110	$16,577			
Per Unit/Bed	$796	$691	$341	$675	$530
Per Resident Day	$2.37	$5.54	$1.04	$2.29	$1.67
Ratio of EGI	2.09%	4.83%	0.98%	1.98%	1.63%

Source: HealthTrust, LLC

Dietary Department

One of the three major departmental expenses is the dietary department, which provides food service for the residents and employees. Good quality food and service are priority considerations in seniors housing communities.

Our analysis of this department is based on the staffing levels at this property type in general and information provided by other national and regional operators. Based upon the estimated occupancy ratios, we have estimated a raw food cost of $6.30 per resident day, which within the comparable range.

DIETARY TREND AND FORECAST	
	HT Stabilized
Food Cost	$50,812
Supplies & Other Dietary Costs	$3,260
Dietary Salaries	$33,801
Total Dietary	$87,874
Per Unit/Bed	$3,661
Per Resident Day	$10.90
Ratio of EGI	9.59%

Source: HealthTrust, LLC

Overall, on a per resident day basis, our concluded Stabilized expense is lower than the median expense comparable indication, and within the comparable range. Our estimate, relative to comparable properties and the subject's performance, is summarized as follows:

DIETARY COMP COMPARISON					
	HT Stabilized	HT Year 1	Comp Min	Comp Max	Comp Median
Food Cost	$50,812	$18,878			
Supplies & Other Dietary Costs	$3,260	$1,211			
Dietary Salaries	$33,801	$16,901			
Total Dietary	$87,874	$36,990			
Per Unit/Bed	$3,661	$1,541	$3,132	$4,424	$4,019
Per Resident Day	$10.90	$12.35	$8.58	$14.25	$13.35
Ratio of EGI	9.59%	10.78%	8.83%	14.20%	11.79%

Source: HealthTrust, LLC

Nursing/Personal Care Department

One of the costliest services provided by the subject property is nursing care. Staffing requirements are estimated based on the subject's current staffing and our experience with comparable communities.

NURSING TREND AND FORECAST	
	HT Stabilized
Nursing Supplies & Other	$5,992
Nursing/Personal Care Salaries	$140,650
Total Nursing	$146,642
Per Unit/Bed	$6,110
Per Resident Day	$18.20
Ratio of EGI	16.01%

Source: HealthTrust, LLC

Overall, on a per resident day basis, our concluded Stabilized expense is lower than the median expense comparable indication, and within the comparable range.

NURSING COMPARISON					
	HT Stabilized	HT Year 1	Comp Min	Comp Max	Comp Median
Nursing Supplies & Other	$5,992	$2,226			
Nursing/Personal Care Salaries	$140,650	$72,800			
Total Nursing	$146,642	$75,026			
Per Unit/Bed	$6,110	$3,126	$3,587	$7,548	$7,340
Per Resident Day	$18.20	$25.06	$10.92	$24.92	$24.31
Ratio of EGI	16.01%	21.87%	11.61%	22.42%	21.53%

Source: HealthTrust, LLC

Activities/Social Services Department

Activities and social expenses include entertainment, transportation expenses, supplies and associated salaries.

ACTIVITIES/SOCIAL TREND AND FORECAST	
	HT Stabilized
Activities/Social Supplies	$5,492
Activities/Social Salaries	$21,715
Total Activities/Social	$27,207
Per Unit/Bed	$1,134
Per Resident Day	$3.38
Ratio of EGI	2.97%

Source: HealthTrust, LLC

Overall, on a per resident day basis, our concluded Stabilized expense is lower than the median expense comparable indication, and Our estimate, in comparison to the comparable properties, is as follows:

ACTIVITIES/SOCIAL COMP COMPARISON					
	HT Stabilized	HT Year 1	Comp Min	Comp Max	Comp Median
Activities/Social Supplies	$5,492	$2,040			
Activities/Social Salaries	$21,715	$21,715			
Total Activities/Social	$27,207	$23,755			
Per Unit/Bed	$1,134	$990	$99	$1,748	$1,222
Per Resident Day	$3.38	$7.93	$0.27	$5.32	$3.94
Ratio of EGI	2.97%	6.92%	0.28%	5.66%	3.63%

Source: HealthTrust, LLC

All Other Payroll and Employee Overhead

Typically, seniors housing communities will either charge these expenses to the staffed departments (i.e., administrative, dietary, nursing, housekeeping, and maintenance) or charge them all to administrative. We have allocated these expenses to each operated department.

Nationally, we have seen a predominant range of payroll taxes and benefits of 18-40% of wages and salaries, depending on how holiday, vacation and sick time are accounted. Some regions, notably the Northeast, will produce higher payroll taxes and benefits. Additionally, not-for-profit operations typically report higher levels of payroll taxes and benefits. For the purposes of this appraisal, we have estimated payroll taxes of 9% of payroll with a benefit load of 5%, incorporating the subject's trend and market parameters. Our payroll tax and benefit load is within the range exhibited by the comparables.

Payroll taxes and benefits may be greater for salaried and full-time staff and lower for part-time staff and those at lower wage levels. Although expenses are estimated by department, staff employed in one department may occasionally perform other duties on an as needed basis, to maintain efficient operation of the property.

OTHER PAYROLL TREND AND FORECAST	
	HT Stabilized
Payroll Taxes	$28,213
Benefits	$15,674
Total Other Payroll Costs	$43,887
Per Unit/Bed	$1,829
Per Resident Day	$5.45
Ratio of EGI	4.79%

Source: HealthTrust, LLC

With respect to salary and wage expenses, as noted we have allocated staffing to each department departmentally/separately. Consequently, these amounts are included above. However, we have total wages expenses for comparison purposes between the comparable properties. A summary of our conclusions relative to the subject's history is as follows:

SALARIES AND WAGE EXPENSES TREND AND FORECAST	
	HT Stabilized
Total	$313,477
Per Unit/Bed	$13,062
Per Resident Day	$38.90
Ratio of EGI	34.22%

Source: HealthTrust, LLC

To estimate staffing for the subject, we have relied on actual staffing patterns presently exhibited by the operator and have tempered that staffing schedule with patterns presented by the expense comparables later in this section as well as our experience with comparable operations. A summary of our staffing forecast by department is as follows:

STAFFING INDICATIONS - FTEs/RD										
Year	HealthTrust				SOSH 2017 Average					
Department	1	2	3	Stabilized	IL	IL/AL	IL/AL/ALZ	AL	AL/ALZ	CCRC
Admin & General	0.12	0.05	0.05	0.05	0.04	0.04	0.04	0.04	0.05	0.02
Marketing	0.06	0.02	0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.01
Dietary	0.12	0.10	0.09	0.09	0.09	0.13	0.13	0.09	0.11	0.12
Housekeeping/Laundry	0.12	0.05	0.05	0.05	0.03	0.04	0.04	0.03	0.03	0.04
Nursing/Personal Care	0.49	0.38	0.35	0.35	0.12	0.12	0.27	0.32	0.39	0.15
Activities/Social	0.12	0.05	0.05	0.05	0.01	0.02	0.02	0.02	0.02	0.01
Maintenance	0.06	0.02	0.02	0.02	0.01	0.02	0.02	0.02	0.02	0.02
Total	1.10	0.67	0.62	0.62	0.21	0.38	0.48	0.42	0.57	0.45

Source: HealthTrust LLC and State of Seniors Housing 2017 Sum of the parts may not equal the whole

Management Fee

Management fees are estimated at 5.0% of effective gross income, primarily based on our experience with comparable properties. Management fees also include general bookkeeping and various incidental and legal consultation fees. This amount falls in the range of 3.5% to 7.0% that we see at most communities.

Replacement Reserves

Finally, we have also allocated a reserve for replacement fund used to replace short-lived items such as appliances, furniture, fixtures, equipment, roofing, and carpeting. Most lenders and agencies with whom we have spoken use between $300 and $600 per unit (and per bed for skilled nursing). We have used $500 per unit for the estimate of replacement reserve.

Operating Expense Summary

Total Stabilized forecasted operating expenses, exclusive of management fee and reserves are estimated at $625,866 on a stabilized basis. Including management fees and reserves, we estimate operating expenses to be $683,672 for the same period. A summary of our total expense forecasts relative to the subject's performance and the expense comparables is as follows:

OPERATING EXPENSES TREND AND FORECAST	
	HT Stabilized
Total	$683,672
Per Unit/Bed	$28,486
Per Resident Day	$84.83
Ratio of EGI	74.63%

Source: HealthTrust, LLC

EXPENSE COMPARABLE SUMMARY

Property	Subject			1			2			3			4			5		
State	Alabama			AL			AL			AL			AL			AL		
No. IL	0			0			0			0			0			0		
No. AL	24			24			24			45			16			40		
No. ALZ	0			0			0			0			16			0		
No. SN	0			0			0			0			0			0		
Total Units/Beds	24			24			24			45			32			40		
Year	Stabilized			12/31/15			12/31/15			12/31/15			6/30/16			9/9/16		
Year Built	2015			2013			2011			2009			1990			1974, 2012		
GBA	18,288			16,865			16,020			31,514			14,247			29,699		
Occupancy	92%			81%			85%			90%			100%			90%		
Total Resident Days	8,059			7,069			7,452			14,782			11,680			13,140		
EGI/RD	$113.67			$115.74			$108.42			$106.08			$97.19			$94.04		
EXPENSES	$/RD	$/Unit	%EGI	$/RD	$/Unit	%EGI	$/RD	$/Unit	%EGI	$/RD	$/Unit	%EGI	$/RD	$/Unit	%EGI	$/RD	$/Unit	%EGI
Real Estate Taxes	$2.43	$818	2.1%	$1.33	$392	1.2%	$1.52	$471	1.4%	$0.00	$0	0.0%	$0.00	$0	0.0%	$1.46	$479	1.6%
Insurance	$4.90	$1,644	4.3%	$5.84	$1,722	5.1%	$6.05	$1,878	5.6%	$2.29	$753	2.2%	$3.09	$1,128	3.2%	$2.90	$951	3.1%
Utilities	$5.91	$1,984	5.2%	$6.31	$1,858	5.5%	$5.64	$1,751	5.2%	$8.22	$2,701	7.8%	$5.79	$2,114	6.0%	$3.92	$1,288	4.2%
Maintenance	$4.49	$1,507	3.9%	$3.89	$1,145	3.4%	$4.67	$1,451	4.3%	$2.42	$794	2.3%	$4.44	$1,621	4.6%	$4.54	$1,492	4.8%
Marketing	$5.23	$1,755	4.6%	$6.22	$1,831	5.4%	$4.66	$1,448	4.3%	$0.00	$0	0.0%	$0.20	$74	0.2%	$2.72	$893	2.9%
Administrative	$14.41	$4,840	12.7%	$12.30	$3,624	10.6%	$14.60	$4,535	13.5%	$4.26	$1,401	4.0%	$6.51	$2,377	6.7%	$1.81	$596	1.9%
Dietary	$10.90	$3,661	9.6%	$13.65	$4,019	11.8%	$14.25	$4,424	13.1%	$9.66	$3,174	9.1%	$8.58	$3,132	8.8%	$13.35	$4,387	14.2%
Housekeeping/Laundry	$2.37	$796	2.1%	$2.29	$675	2.0%	$2.05	$636	1.9%	$1.04	$341	1.0%	$0.00	$0	0.0%	$1.29	$423	1.4%
Nursing/Personal Care	$18.20	$6,110	16.0%	$24.92	$7,340	21.5%	$24.31	$7,548	22.4%	$0.00	$0	0.0%	$0.00	$0	0.0%	$10.92	$3,587	11.6%
Activities	$3.38	$1,134	3.0%	$5.07	$1,493	4.4%	$3.94	$1,222	3.6%	$0.73	$240	0.7%	$0.27	$99	0.3%	$5.32	$1,748	5.7%
Other Payroll, Taxes & Benefits	$5.45	$1,829	4.8%	$5.65	$1,664	4.9%	$6.29	$1,953	5.8%	$52.86	$17,364	49.8%	$37.74	$13,775	38.8%	$4.08	$1,341	4.3%
Management Fees	$5.68	$1,909	5.0%	$5.79	$1,705	5.0%	$5.42	$1,683	5.0%	$5.30	$1,742	5.0%	$4.86	$1,774	5.0%	$4.70	$1,545	5.0%
Reserves	$1.49	$500	1.3%	$1.02	$300	0.9%	$0.96	$300	0.9%	$0.91	$300	0.9%	$0.82	$298	0.8%	$0.91	$300	1.0%
Total	$84.83	$28,486	74.6%	$94.27	$27,767	81.5%	$94.36	$29,298	87.0%	$87.71	$28,811	82.7%	$72.31	$26,393	74.4%	$57.93	$19,030	61.6%
Key Categories (Included Above)																		
Wages	$38.90	$13,062	34.2%	$45.00	$13,254	38.9%	$41.65	$12,934	38.4%	$46.81	$15,378	44.1%	$34.76	$12,689	35.8%	$22.78	$7,482	24.2%
Other PR Tax & Ben (as % of Wages)			*14.0%*			*12.6%*			*15.1%*									*17.9%*
Worker's Comp	$0.78	$261	0.7%	$1.37	$402	1.2%	$1.89	$586	1.7%	$0.76	$251	0.7%				$0.99	$324	1.1%
Food Cost	$6.30	$2,117	5.5%	$6.61	$1,947	5.7%	$7.16	$2,222	6.6%	$9.66	$3,174	9.1%	$8.58	$3,132	8.8%	$6.05	$1,986	6.4%

Source: HealthTrust, LLC

In selecting expense comparables, we chose properties serving similar levels of care in the subject's state. Further, we chose the most recent periods of the financial data we had for each comparable. We have attempted to reconcile our estimates with the market while considering the subject's actual performance. Our estimate for the subject lies within the comparable range both based on an amount per resident per day and as a ratio of revenues. Consequently, we find our estimates reasonable.

Net Operating Income Estimate

In terms of net operating income (NOI), our estimated Stabilized NOI totals $232,445. No history or projections were provided for the subject. Thus, we relied heavily on market comparables to develop a reasonable margin for the subject. Overall, our estimate falls at the middle of the range on percentage of revenues as well as a per resident day basis. A summary of our forecasts relative to the subject's performance is as follows:

NET OPERATING INCOME TREND AND FORECAST	
	HT Stabilized
Total	$232,445
Per Unit/Bed	$9,685
Per Resident Day	$28.84
Ratio of EGI	25.37%

Source: HealthTrust, LLC

Our year estimates are presented on the following page juxtaposed with the subject's adjusted budget:

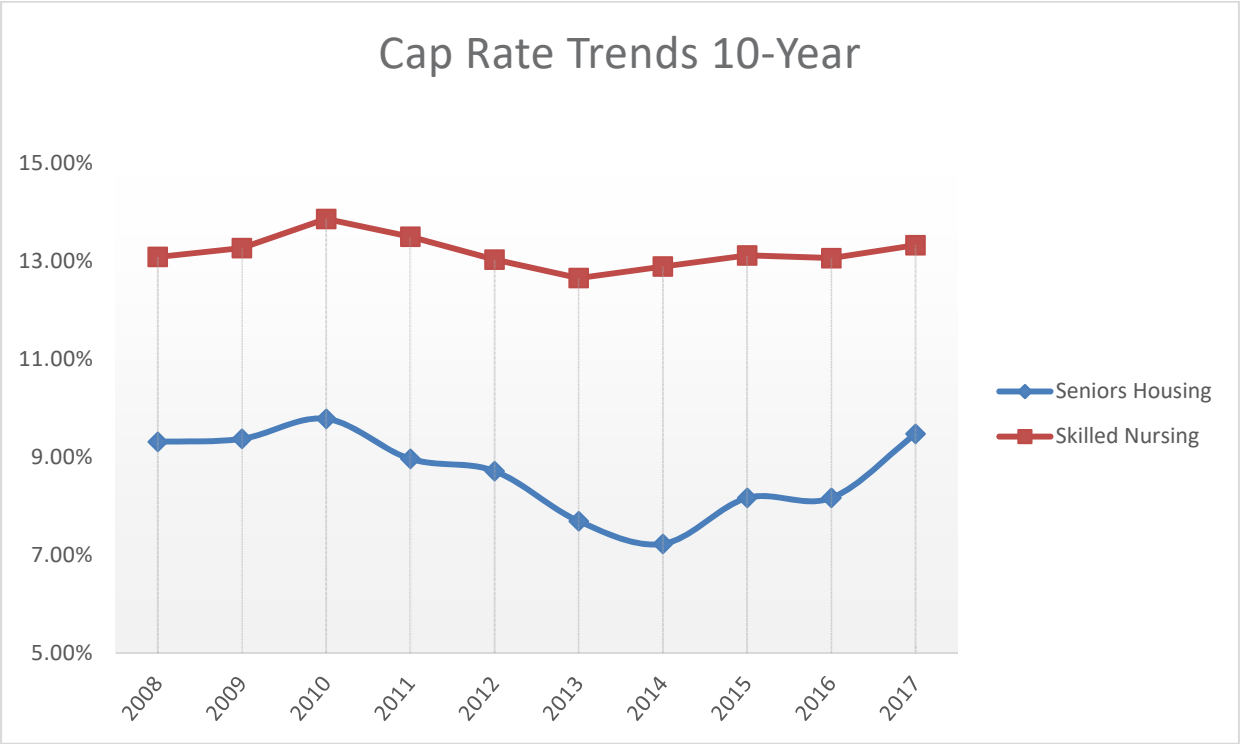
SUMMARY OF APPRAISAL ESTIMATES				
Year		**HT Stabilized**		
Days/Rates		Days	Rate	
Assisted Living		8,059	$98.63	
Total Resident Days		8,059		
Total Units/Beds		24		
Occupancy		92%		
	Total $	$/Unit	$/RD	% EGI
Revenues				
AL Rental Revenues	$794,880	$33,120	$98.63	86.8%
Other Revenues	$16,117	$672	$2.00	1.8%
Community Fees	$4,380	$183	$0.54	0.5%
Level of Care Income	$100,740	$4,198	$12.50	11.0%
Total Effective Gross Revenue	$916,117	$38,172	$113.67	100.0%
Expenses				
Real Estate Taxes	$19,622	$818	$2.43	2.1%
Insurance	$39,466	$1,644	$4.90	4.3%
Utilities	$47,619	$1,984	$5.91	5.2%
Maintenance	$36,164	$1,507	$4.49	3.9%
Marketing	$42,118	$1,755	$5.23	4.6%
Administrative/General	$116,157	$4,840	$14.41	12.7%
Housekeeping/Laundry	$19,110	$796	$2.37	2.1%
Dietary	$87,874	$3,661	$10.90	9.6%
Nursing/Personal Care	$146,642	$6,110	$18.20	16.0%
Activities/Social	$27,207	$1,134	$3.38	3.0%
Other Payroll, Payroll Taxes and Benefits	$43,887	$1,829	$5.45	4.8%
Total Operating Expenses	$625,866	$26,078	$77.66	68.3%
Management Fee	$45,806	$1,909	$5.68	5.0%
Reserve for Replacement	$12,000	$500	$1.49	1.3%
Total Expenses	$683,672	$28,486	$84.83	74.6%
Net Operating Income (EBITDAR)	$232,445	$9,685	$28.84	25.4%

Source: HealthTrust, LLC

Capitalization Rate Derivation

In selecting an appropriate capitalization rate for the subject property, we conducted an investor survey and considered indications provided by the comparable sales, the Band of Investment, Mortgage-Equity Method, and the Debt Coverage Ratio.

Overall, rates will be higher than more traditional multifamily property types. In fact, as care level increases, rates generally increase. Our analysis of cap rate trends shows general stabilized over the last few years, with a slight uptick for skilled nursing to-date this year:



We have also consulted the *2018 Senior Housing Investment Survey*. This publication includes the participation of owner/operators, financial institutions/investors, brokers/mortgage bankers, and appraisers/consultants. Our largest concern with this survey, however, is that there appears to be no uniform handling of management fees and reserves. As only 26% of the respondents were appraisers, we assume that most of the participants did not include reserves and may or may not have included management fees. Furthermore, there is no distinction between for-profit and not-for-profit properties. As not-for-profit properties have little or no real estate and personal property taxes and a different cost of capital, we question the reliability of these indications but will at least review them for this analysis.

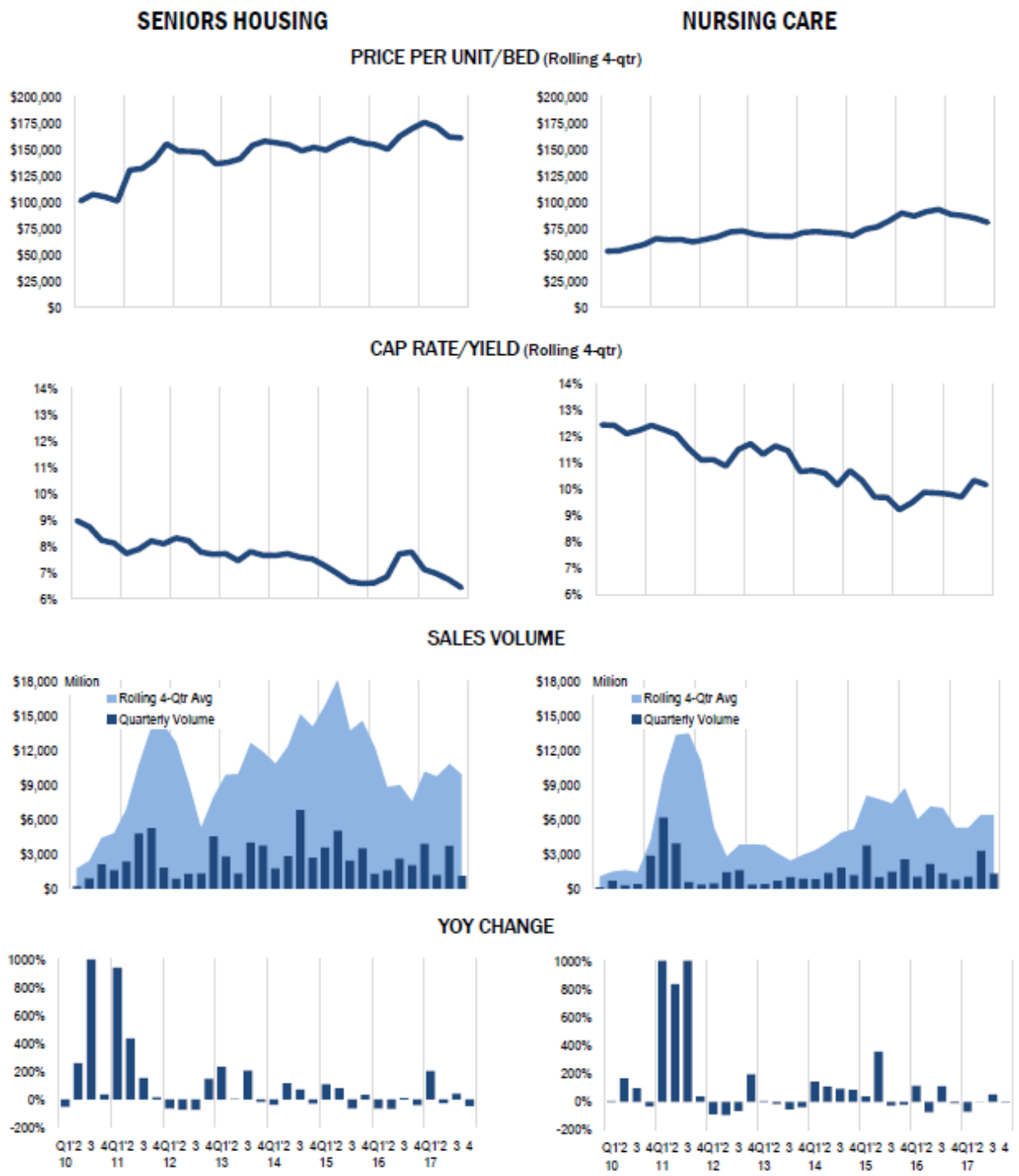
OVERALL CAPITALIZATION RATE					
	2018 All Responses		2018 Adjusted Responses		Basis Point Change
	Range	Average	Range	Average	From 2017
Unlicensed Congregate Care (IL)	5.5-7.5%	6.50%	6.0-7.0%	6.50%	-30
Licensed Assisted Living	6.3-9.8%	7.60%	7.0-8.0%	7.50%	+20
Licensed Memory Care	6.3-10.0%	8.00%	7.0-9.0%	8.00%	+10
Licensed Skilled Nursing-Long Term Care	10.0-13.1%	11.80%	10.0-12.5%	11.80%	+10
Licensed Skilled Nursing-Subacute Care	11.0-14.0%	12.30%	11.0-13.1%	12.30%	+30
Continuing Care Retirement Community	7.0-12.0%	8.80%	7.5-10.0%	8.70%	-10

Source: *Senior Housing Investment Survey,* 2018

The exclusion of the expenses would yield higher capitalization rates than if the expenses were deducted.

Capitalization rates measure risk. One of the challenges of the valuation process is to insulate the process against short term fluctuations and insure that longer-term trends are adequately reported. To the extent that a temporary decrease or imbalance exists, valuation theory should dilute this in favor of the longer-term value trends, much like the stock market and the valuation of individual stocks. Thus, the temporary low level of long term interest rates is not perceived to be long lasting by the market participants, hence has not affected cap rates as significantly as one would expect. Other factors (operational and market risk) mitigate the impact below a certain threshold.

The National Investment Center and Real Capital Analytics collects capitalization rate from regional and national appraisal firms who work on all seniors housing properties types. Over the last twelve months, indications for seniors housing and NIC sectors have varied as follows:



Of note, over the last year, transaction volume has increased, while prices have slowly declined. Nursing care has dipped below $90,000 per bed in the trailing 12 months with seniors housing averaging $161,032 per unit over the last 12 months. Values for both seniors housing and nursing care are down with a compression of cap rates as well. From the past year senior housing cap rates are down, while skilled nursing caps are up, averaging 10.2% over the past year; we note that the latter seems to include a mix of leased fee transfers and are not comparable to the interest we are appraising for the subject.

Summary of Investment

		SENIORS HOUSING		NURSING CARE		TOTAL	
		Actual	YOY Chg	Actual	YOY Chg	Actual	YOY Chg
Volume ($M)	past 12 months	$9,884.5	31%	$6,378.3	-9%	$16,262.8	12%
	Q4 '17	$1,120.0	-45%	$1,307.5	-2%	$2,427.5	-28%
# Props	past 12 months	764	49%	665	16%	1,429	32%
	Q4 '17	72	-47%	96	-15%	168	-32%
Total Units/beds	past 12 months	58,258	26%	80,650	15%	138,908	19%
	Q4 '17	6,358	-47%	12,154	-10%	18,512	-27%
Price per unit/bed	past 12 months	$161,032	-5%	$80,756	-13%	$121,493	-4%
	Q4 '17	$170,714	0%	$69,302	-21%	$116,983	-11%
Avg Cap Rate	past 12 months	6.4%	-135 bps	10.2%	32 bps	6.6%	-152 bps
	Q4 '17	6.5%	-130 bps	-	-	6.5%	-155 bps

For seniors housing product over the last year, we have seen REITs return to the sidelines following a two-year buying spree. With a lack of available product, the market has now shifted to Class B assets and opportunistic buyers waiting for poorly executed new construction deals to come onto the market. Nonetheless, to the extent that quality product in barriers-to-entry markets become available, we are seeing very high per-unit prices (more than $400,000 per unit) and sub-6.00% capitalization rates.

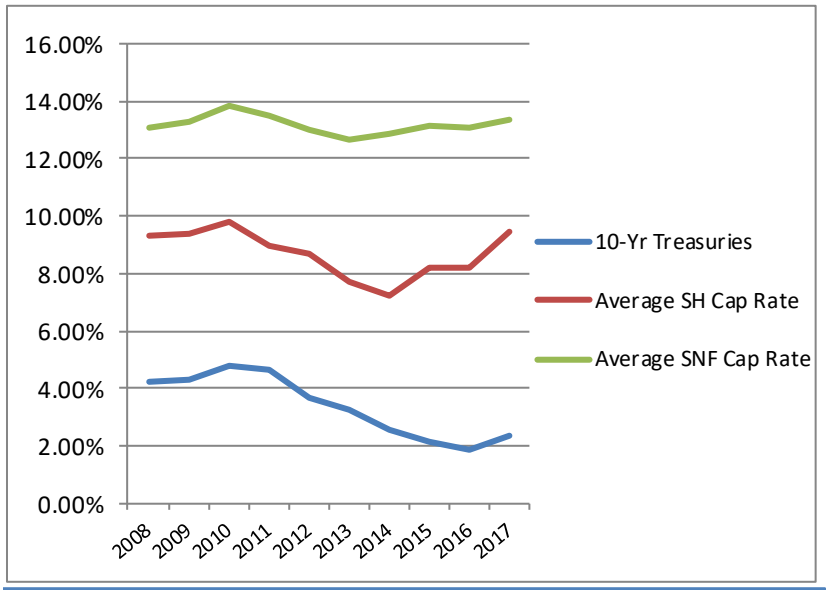
However, the combination of legislative risk and the higher acuity of the residents leading to increased liability risk has resulted in capitalization rates largely averaging 12.00% to 13.50% since the housing crisis. Unlike other asset classes, that have seen precipitous declines in their investment rates, skilled nursing has remained high. The higher averages are in part attributed to a significant amount of non-stabilized skilled nursing assets trading, particularly in the northeast. These transactions often involved government, individual or not-for-profit ownership interests. Stabilized assets will tend to trade at investment rates at the low end, or below the indicated averages.

As with all real estate, good quality assets will retain value (location, operations, physical, plant) better than second or third tier assets. Since fundamentals are still very strong in the skilled nursing industry, we expect rates will stay where they are, with higher tier and portfolio assets seeing compression and investors continue to chase yield.

We have seen the Big-3 REITs move away from skilled nursing and other non-private pay revenue sources since HCP and HealthCare REIT purchased ManorCare and Genesis, respectively. However, several REITs are still very active in the sector, including Omega and Sabra.

In terms of spreads with other investments, such as the 10-Year Treasuries Notes, we find that capitalization rates of skilled nursing facilities typically suggest a 900- to 1,100-basis-point spread while seniors housing suggests a 400- to 600-point variance:

CAPITALIZATION RATE SPREADS			
Year	10-Yr Treasuries	Average SH Cap Rate	Average SNF Cap Rate
2008	4.27%	9.31%	13.08%
2009	4.29%	9.37%	13.26%
2010	4.80%	9.78%	13.86%
2011	4.63%	8.97%	13.49%
2012	3.66%	8.72%	13.03%
2013	3.26%	7.70%	12.65%
2014	2.54%	7.23%	12.88%
2015	2.14%	8.17%	13.11%
2016	1.84%	8.17%	13.06%
2017	2.33%	9.47%	13.32%
10-yr Avg	3.38%	8.69%	13.17%



Source: HealthTrust, LLC and Federal Reserve

Finally, although we place primary weight on actual sales transactions and investor surveys, we have employed standard appraisal methodology to abstract capitalization rates. Each of the abstracted rates considers the requirement of debt and equity to reach an appropriate capitalization rate. To that end, we have incorporated an industry typical weighted-average interest rate of 4.50%, a 75% loan-to-value ratio, an amortization period of 25 years, and a debt coverage ratio of 1.40. Equity requirements include an equity dividend (cash on cash) rate of 8.00% and an equity yield rate of 15.00%.

The comparable sales presented in the following section of this report suggest a range of 8.07% to 15.84% in overall capitalization rates, summarized as follows:

SENIOR HOUSING/HEALTHCARE TRANSACTIONS									
Sale No.	Name/Location	Date	No. Units/Beds	Year Built	Sale Price	$/Unit	NOI/Unit	Occ.	OAR
1	Park at Riverchase Hoover, Alabama	Nov-15	104	1998	$6,900,000	$66,346	$6,728	45%	10.14%
2	Country Cottage Montgomery, Alabama	Jun-16	64	1994	$4,750,000	$74,219	$7,964	93%	10.73%
3	Greensprings Assisted Living Prattville, Alabama	Aug-16	32	1990	$2,250,000	$70,313	$11,138	100%	15.84%
4	Sunrise Ridge Trussville, Alabama	Nov-16	45	2009	$4,500,000	$100,000	$8,070	90%	8.07%
5	Brookside Retirement Community Mobile, Alabama	Dec-16	116	1999	$9,650,000	$83,190	$8,668	88%	10.42%

Source: HealthTrust, LLC

Overall, we anticipate an appropriate cap rate range for the subject to vary between 8.00% and 11.00%. Factors that ultimately influence the selection of the subject's capitalization rate include:

Lower end of the range:

- ❒ Low acuity services offered
- ❒ New quality
- ❒ Ideal local market conditions

Upper end of the range:

- ❒ High acuity services offered
- ❒ Stigma associated with closure
- ❒ Significant increase in occupancy forecasted over estimated historical performance

Therefore, we have reconciled to a going-in rate above the middle of the expected range, or 10.00% for the as-is scenario. However, after the subject is relicensed and stabilized, we conclude that a lower capitalization rate is warranted. At stabilization, we have employed an 8.50% cap rate. The difference in the two rates is intended to reflect the stigma associated with the community's recent closure. To account for the greater risk involved with the property at the time of reversion due to unknown factors of the market and the condition of the buildings at that time, an additional 50 basis points have been added to the overall capitalization rate to derive a terminal capitalization rate of 10.50%.

SUMMARY OF CAPITALIZATION RATE INDICATIONS							
MORTGAGE INTEREST RATE							4.50%
AMORTIZATION TERM							25
LOAN TO VALUE RATIO							75.00%
DEBT COVERAGE RATIO							140.00%
EQUITY DIVIDEND RATE							8.00%
EQUITY YIELD RATE							15.00%
BAND OF INVESTMENT							
DEBT COMPONENT:	75%	x	0.0667			=	0.0500
EQUITY COMPONENT:	25%	x	0.0800			=	0.0200
							0.070024923
ROUNDED TO:							7.00%
DEBT COVERAGE	75%	x	1.4	x	0.0667		0.0700
ROUNDED TO:							7.00%
MORTGAGE-EQUITY							
DEBT COMPONENT:	75%	x	0.0667			=	0.0500
EQUITY COMPONENT:	25%	x	0.1500			=	0.0375
							0.0875
LESS PRINCIPAL REDUCTION:							0.0012
BASIC RATE							0.0887
PROPERTY VALUE CHANGE							-0.0012
OVERALL CAPITALIZATION RATE							0.0875
ROUNDED TO:							8.75%
IMPROVED SALE INDICATIONS						8.07% to	15.84%
SELECTED OVERALL CAPITALIZATION RATE:							**10.00%**
Source: HealthTrust, LLC							

Discount Rate Derivation

The *2018 Senior Housing Investment Survey* suggests the following ranges for discount rates in the seniors housing and nursing markets.

INTERNAL RATE OF RETURN / (DISCOUNT RATE)					
	2018 All Responses		2018 Adjusted Responses		Basis Point Change
	Range	Average	Range	Average	From 2017
Unlicensed Congregate Care (IL)	6.0-18.0%	10.20%	8.0-15.0%	9.80%	+60
Licensed Assisted Living	7.0-18.0%	11.40%	8.3-16.0%	11.20%	+90
Licensed Memory Care	8.0-18.0%	11.70%	8.3-17.0%	11.50%	+110
Licensed Skilled Nursing-Long Term Care	8.0-24.0%	13.90%	11.0-15.5%	13.50%	-10
Licensed Skilled Nursing-Subacute Care	8.0-30.0%	14.80%	11.0-16.0%	14.20%	-10
Continuing Care Retirement Community	5.5-18.0%	11.20%	8.0-15.0%	11.10%	+10
Source: *Senior Housing Investment Survey*, 2018					

Based on our estimated cash flows, growth rates and capitalization rate, the sensitivity analysis for the subject's discount rate is as follows:

RATE ANALYSIS

Country Place Assisted Living Facility
June 5, 2018

K = [1 - (1 + C)^n / S^n] / (Y - C) * An

Ro = [(Y - D*1/Sn) / K]

where:

K = factor
C = constant ratio change in income
S = future value factor
An = present value factor for ordinary level annuity
Y = yield rate, or discount rate
D = total change in property value over holding period

Inferred Change Components of DCF:

	# of Years	Amount	Change		
Change Attributable to Net Operating Income:					
Period 1 Stabilized NOI		$232,445			
Terminal Year Stabilized NOI	10	$283,349			
Annualized Constant Ratio Change (C)			2.00%		
Inferred Change in Property Value:					
Current Stabilized Property Value		$2,332,975			
Terminal Net Sale Proceeds	10	$2,644,595			
Change in Property Value (D)			13.36%		
Inferred Stabilized Ro for Individual Y Estimates:					
Discount Rate Assumptions (Y)	10.50%	11.00%	11.50%	12.00%	12.50%
K-factor	1.077470	1.076709	1.075955	1.075208	1.074468
Annualized Change in Property Value	0.82%	0.80%	0.78%	0.76%	0.74%
Inferred Stabilized Overall Cap. Rate (Ro)	8.99%	9.47%	9.96%	10.45%	10.94%
Discounted Cash Flow Anaysis	$2,130,815	$2,055,318	$1,984,726	$1,913,632	$1,847,144
Direct Capitalization Analysis	$1,974,452	$1,974,452	$1,974,452	$1,974,452	$1,974,452
Stabilized Ro Selection	10.00%	10.00%	10.00%	10.00%	10.00%
Value Differential	-7.92%	-4.10%	-0.52%	3.08%	6.45%
Rate Differential (basis points)	-101	-53	-4	45	94

Source: HealthTrust, LLC

Considering the calculation-derived indications and investor surveys, we have used a 11.50% discount rate in this analysis.

Rent Loss Conclusion

Rent Loss is a value loss that is attributed to non-stabilized properties representing the discount an investor would apply to achieve stabilization. Based on our analysis, we have determined that the subject is not stabilized and a rent loss deduction is warranted. To calculate this deduction, we have used the variance in EBITDAR between our DCF analysis and a Current Stabilized DCF analysis over the holding period. The latter is a DCF under the premise that the subject was operating at stabilization at the outset. Both schedules can be found on the following pages. The variance was then discounted at the discount rate. The Rent Loss deduction has been applied to the relevant approaches, including Direct Capitalization, Sales Comparison and Cost Approach (if applicable). A summary of the calculations are as follows:

RENT LOSS CALCULATION					
Year	DCF	Current Stabilized DCF	Variance	Discount Factor	NPV
1	-$111,919	$232,445	-$344,364	0.8969	-$308,847
2	$188,109	$237,094	-$48,986	0.8044	-$39,402
3	$241,836	$241,836	$0	0.7214	$0
4	$246,673	$246,673	$0	0.6470	$0
5	$251,606	$251,606	$0	0.5803	$0
6	$256,638	$256,638	$0	0.5204	$0
7	$261,771	$261,771	$0	0.4667	$0
8	$267,007	$267,007	$0	0.4186	$0
9	$272,347	$272,347	$0	0.3754	$0
10	$277,794	$277,794	$0	0.3367	$0
Reversion	$2,644,595	$2,644,595	$0	0.3367	$0
Total					-$348,249
Rounded					-$350,000

Income Approach Conclusion

Our assumptions for the discounted cash flow analysis and direct capitalization are as follows:

GLOBAL VALUATION ASSUMPTIONS	
Country Place Assisted Living Facility	
Revenue Growth Rate	2.00%
Expense Growth Rate	2.00%
Management Fee	5.00%
Reserves (Capex) Per Unit	$500
Stabilized Occupancy	92%
Rent Loss	-$350,000
Projection Period (Yrs)	10
Capitalization Rate	10.00%
Terminal Capitalization Rate	10.50%
Discount Rate	11.50%
Sale Costs	2.00%
Source: HealthTrust, LLC	

As Is: Applying a reversion capitalization rate of 10.50% and a discount rate of 11.50% to the estimated cash flows developed in this report results in a total estimated "as is" value for the subject (after deducting 2% from the reversion value for sale costs) of $1,980,000, rounded. The current stabilized DCF that assumes that the subject is already at stabilized occupancy indicates a$2,330,000 value, suggesting a rent loss deduction of $350,000.

Alternatively, direct capitalization suggests a value of $1,970,000, rounded. Overall, we have more confidence in the market support for the direct capitalization rate than the discount rate and have placed more weight on its indication. Therefore, we have reconciled to the direct capitalization indication of $1,970,000.

Prospective Stabilized: To estimate the subject's prospective stabilized market value, we have capitalized the third year's (which is the first stabilized year) net operating income of $241,836 at 8.50% results in a value indication of $2,850,000, rounded.

The discount cash flow analysis is presented on the following page followed by the direct capitalization.

DISCOUNTED CASH FLOW ANALYSIS

		1	2	3	4	5	6	7	8	9	10	Reversion
REVENUES												
Effective Gross Rental Revenues		$295,312	$755,496	$826,993	$843,533	$860,404	$877,612	$895,164	$913,067	$931,329	$949,955	$968,954
Entrance Fee Revenues		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Ancillary Revenues		$47,794	$115,535	$126,135	$128,657	$131,231	$133,855	$136,532	$139,263	$142,048	$144,889	$147,787
TOTAL EFFECTIVE GROSS REVENUE		$343,107	$871,031	$953,128	$972,190	$991,634	$1,011,467	$1,031,696	$1,052,330	$1,073,377	$1,094,844	$1,116,741
EXPENSES												
Real Estate Taxes		$19,622	$20,014	$20,414	$20,823	$21,239	$21,664	$22,097	$22,539	$22,990	$23,450	$23,919
Insurance		$37,771	$40,256	$41,061	$41,882	$42,720	$43,574	$44,445	$45,334	$46,241	$47,166	$48,109
Utilities		$47,619	$48,572	$49,543	$50,534	$51,545	$52,576	$53,627	$54,700	$55,794	$56,910	$58,048
Maintenance		$18,733	$34,959	$37,625	$38,378	$39,146	$39,928	$40,727	$41,542	$42,372	$43,220	$44,084
Marketing		$31,988	$41,840	$43,820	$44,696	$45,590	$46,502	$47,432	$48,381	$49,348	$50,335	$51,342
Bad Debt		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Administrative/General		$85,766	$115,117	$120,849	$123,266	$125,732	$128,246	$130,811	$133,428	$136,096	$138,818	$141,594
Housekeeping/Laundry		$16,577	$19,212	$19,882	$20,279	$20,685	$21,099	$21,521	$21,951	$22,390	$22,838	$23,294
Dietary		$36,990	$85,871	$91,424	$93,253	$95,118	$97,020	$98,960	$100,940	$102,958	$105,018	$107,118
Nursing/Personal Care		$75,026	$149,158	$152,566	$155,617	$158,730	$161,904	$165,142	$168,445	$171,814	$175,250	$178,755
Activities/Social		$23,755	$27,369	$28,306	$28,872	$29,450	$30,039	$30,639	$31,252	$31,877	$32,515	$33,165
Other Payroll, Payroll Taxes and Benefits		$32,022	$44,764	$45,660	$46,573	$47,504	$48,455	$49,424	$50,412	$51,420	$52,449	$53,498
SUB-TOTAL OPERATING EXPENSES		$425,870	$627,131	$651,151	$664,174	$677,457	$691,006	$704,826	$718,923	$733,301	$747,967	$762,927
Management Fee		$17,155	$43,552	$47,656	$48,610	$49,582	$50,573	$51,585	$52,617	$53,669	$54,742	$55,837
Reserve for Replacement		$12,000	$12,240	$12,485	$12,734	$12,989	$13,249	$13,514	$13,784	$14,060	$14,341	$14,628
TOTAL EXPENSES		$455,026	$682,922	$711,292	$725,518	$740,028	$754,829	$769,925	$785,324	$801,030	$817,051	$833,392
NET OPERATING INCOME (EBITDAR)		-$111,919	$188,109	$241,836	$246,673	$251,606	$256,638	$261,771	$267,007	$272,347	$277,794	$283,349
												$2,698,566
												-$53,971
												$2,644,595
DISCOUNTED @	11.50%	0.896860987	0.804359629	0.721398771	0.646994413	0.580264048	0.520416186	0.466740974	0.418601771	0.375427597	0.336706365	0.336706365
NPV SUMMARY		-$100,376	$151,307	$174,460	$159,596	$145,998	$133,559	$122,179	$111,769	$102,246	$93,535	$890,452

Reversion Revenue	$1,116,741
Reversion Expenses	$833,392
Reversion NOI	$283,349
Terminal Rate	10.50%
Reversion Value	2698566.283
Less: Broker Fee (2.00%)	-$53,971
Total Reversion	$2,644,595

NPV Cash Flows	**$1,984,726**
Less Deferred Maintenance:	$0
Plus Excess Land/CON:	$0
Discounted Cash Flow Value:	$1,984,726
Rounded to:	**$1,980,000**

Source: HealthTrust, LLC

DIRECT CAPITALIZATION

REVENUES			
Effective Gross Rental Revenues		$794,880	
Entrance Fee Revenues		$0	
Ancillary Revenues		$121,237	
Total Effective Gross Revenue			$916,117
EXPENSES			
Real Estate Taxes		$19,622	
Insurance		$39,466	
Utilities		$47,619	
Maintenance		$36,164	
Marketing		$42,118	
Administrative/General		$116,157	
Housekeeping/Laundry		$19,110	
Dietary		$87,874	
Nursing/Personal Care		$146,642	
Activities/Social		$27,207	
Other Payroll, Payroll Taxes and Benefits		$43,887	
SUB-TOTAL OPERATING EXPENSES			$625,866
Management Fee			$45,806
Reserve for Replacement			$12,000
TOTAL EXPENSES	74.63%		$683,672
NET OPERATING INCOME (EBITDAR)			$232,445
Capitalized @		10.00%	$2,324,452
Less Deferred Maintenance:			$0
Plus Excess Land/CON:			$0
Less Rent Loss			-$350,000
Direct Capitalization Value:			$1,974,452
Rounded to:			**$1,970,000**

Source: HealthTrust, LLC

CURRENT STABILIZED DISCOUNTED CASH FLOW ANALYSIS

		1	2	3	4	5	6	7	8	9	10	Reversion
REVENUES												
Effective Gross Rental Revenues		$794,880	$810,778	$826,993	$843,533	$860,404	$877,612	$895,164	$913,067	$931,329	$949,955	$968,954
Entrance Fee Revenues		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Ancillary Revenues		$121,237	$123,662	$126,135	$128,657	$131,231	$133,855	$136,532	$139,263	$142,048	$144,889	$147,787
TOTAL EFFECTIVE GROSS REVENUE		$916,117	$934,439	$953,128	$972,190	$991,634	$1,011,467	$1,031,696	$1,052,330	$1,073,377	$1,094,844	$1,116,741
EXPENSES												
Real Estate Taxes		$19,622	$20,014	$20,414	$20,823	$21,239	$21,664	$22,097	$22,539	$22,990	$23,450	$23,919
Insurance		$39,466	$40,256	$41,061	$41,882	$42,720	$43,574	$44,445	$45,334	$46,241	$47,166	$48,109
Utilities		$47,619	$48,572	$49,543	$50,534	$51,545	$52,576	$53,627	$54,700	$55,794	$56,910	$58,048
Maintenance		$36,164	$36,888	$37,625	$38,378	$39,146	$39,928	$40,727	$41,542	$42,372	$43,220	$44,084
Marketing		$42,118	$42,961	$43,820	$44,696	$45,590	$46,502	$47,432	$48,381	$49,348	$50,335	$51,342
Bad Debt		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Administrative/General		$116,157	$118,480	$120,849	$123,266	$125,732	$128,246	$130,811	$133,428	$136,096	$138,818	$141,594
Housekeeping/Laundry		$19,110	$19,492	$19,882	$20,279	$20,685	$21,099	$21,521	$21,951	$22,390	$22,838	$23,294
Dietary		$87,874	$89,631	$91,424	$93,253	$95,118	$97,020	$98,960	$100,940	$102,958	$105,018	$107,118
Nursing/Personal Care		$146,642	$149,574	$152,566	$155,617	$158,730	$161,904	$165,142	$168,445	$171,814	$175,250	$178,755
Activities/Social		$27,207	$27,751	$28,306	$28,872	$29,450	$30,039	$30,639	$31,252	$31,877	$32,515	$33,165
Other Payroll, Payroll Taxes and Benefits		$43,887	$44,764	$45,660	$46,573	$47,504	$48,455	$49,424	$50,412	$51,420	$52,449	$53,498
SUB-TOTAL OPERATING EXPENSES		$625,866	$638,383	$651,151	$664,174	$677,457	$691,006	$704,826	$718,923	$733,301	$747,967	$762,927
Management Fee		$45,806	$46,722	$47,656	$48,610	$49,582	$50,573	$51,585	$52,617	$53,669	$54,742	$55,837
Reserve for Replacement		$12,000	$12,240	$12,485	$12,734	$12,989	$13,249	$13,514	$13,784	$14,060	$14,341	$14,628
TOTAL EXPENSES		$683,672	$697,345	$711,292	$725,518	$740,028	$754,829	$769,925	$785,324	$801,030	$817,051	$833,392
NET OPERATING INCOME (EBITDAR)		$232,445	$237,094	$241,836	$246,673	$251,606	$256,638	$261,771	$267,007	$272,347	$277,794	$283,349
												$2,698,566
												-$53,971
												$2,644,595
DISCOUNTED @	11.50%	0.896860987	0.804359629	0.721398771	0.646994413	0.580264048	0.520416186	0.466740974	0.418601771	0.375427597	0.336706365	0.336706365
NPV SUMMARY		$208,471	$190,709	$174,460	$159,596	$145,998	$133,559	$122,179	$111,769	$102,246	$93,535	$890,452

Reversion Revenue	$1,116,741
Reversion Expenses	$833,392
Reversion NOI	$283,349
Terminal Rate	10.50%
Reversion Value	$2,698,566
Less: Broker Fee (2.00%)	-$53,971
Total Reversion	$2,644,595

NPV Cash Flows:	**$2,332,975**
Less Deferred Maintenance:	$0
Plus Excess Land/CON:	$0
Discounted Cash Flow Value:	$2,332,975
Rounded to:	**$2,330,000**

Source: HealthTrust, LLC

PROSPECTIVE DIRECT CAPITALIZATION

REVENUES			
Effective Gross Rental Revenues		$826,993	
Entrance Fee Revenues		$0	
Ancillary Revenues		$126,135	
Total Effective Gross Revenue			$953,128
EXPENSES			
Real Estate Taxes		$20,414	
Insurance		$41,061	
Utilities		$49,543	
Maintenance		$37,625	
Marketing		$43,820	
Administrative/General		$120,849	
Housekeeping/Laundry		$19,882	
Dietary		$91,424	
Nursing/Personal Care		$152,566	
Activities/Social		$28,306	
Other Payroll, Payroll Taxes and Benefits		$45,660	
Sub-Total Operating Expenses			$651,151
Management Fee			$47,656
Reserve for Replacement			$12,485
TOTAL EXPENSES	74.63%		$711,292
NET OPERATING INCOME (EBITDAR)			$241,836
Capitalized @		8.50%	$2,845,130
Plus Excess Land/CON:			$0
Direct Capitalization Value:			$2,845,130
Rounded to:			$2,850,000

Source: HealthTrust, LLC

SALES COMPARISON APPROACH

The sales comparison approach is predicated upon the principle of substitution that asserts that the amount a buyer will pay for a property is limited by the cost of comparable properties with similar utility. To apply this approach in the analysis, we have selected sales of communities throughout the nation, as this type of property (senior housing or healthcare usage) does not transfer frequently. Further, given the changes in market conditions over the last few years and the increasing consolidation of the industry causing players to look nationally for product, we have attempted to use the most recent and pertinent transactions, ultimately resulting in a larger geographic area.

We have attempted to select sales that are operationally as like the subject as possible. "Operationally" is more a matter of the quality of care and community (i.e., no mom and pops or troubled properties which would trade for under $50,000 per unit/bed) than ILC versus ALR as anymore these distinctions can change rapidly; in fact, many ILCs are purchased for ALR use. As the pool of institutional grade communities is limited; few transactions (less than 75) occur annually and are not necessarily geographically dispersed. Therefore, every time we find ourselves outside of pockets of recent activity, we must stretch for "comparable" sales. The sales selected from a database including hundreds of transactions are deemed most comparable to the subject.

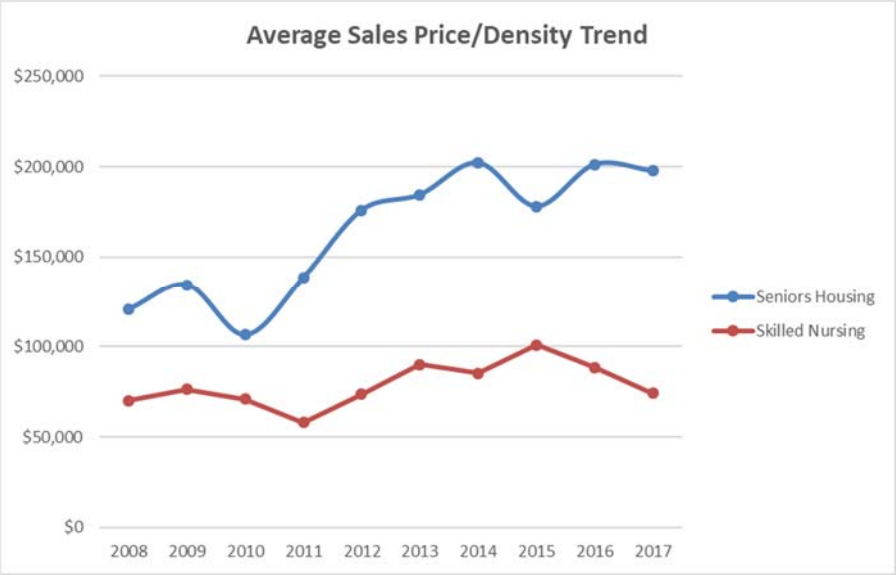
Overall, we have focused our search and selected properties based on the following criteria:

- ❒ Geography: southeastern United States
- ❒ Property Type: assisted living only
- ❒ Asset Class: Class B to Class C properties
- ❒ Property Age: 15 years or less at the time of sale
- ❒ Sale Date: Transaction closed in the previous three years

Although we have attempted to select sales most like the subject, significant differences remain between the subject and these properties. Consequently, when comparing the sales based on price per bed, or unit (the most consistent unit of measure), transaction prices will be affected by many variables such as:

Financing/Conditions of Sale: Favorable financing or unusual conditions of sale (such as assemblage, seller duress, related parties, sale lease- or sale management-back, etc.) can impact the sales price of a property.

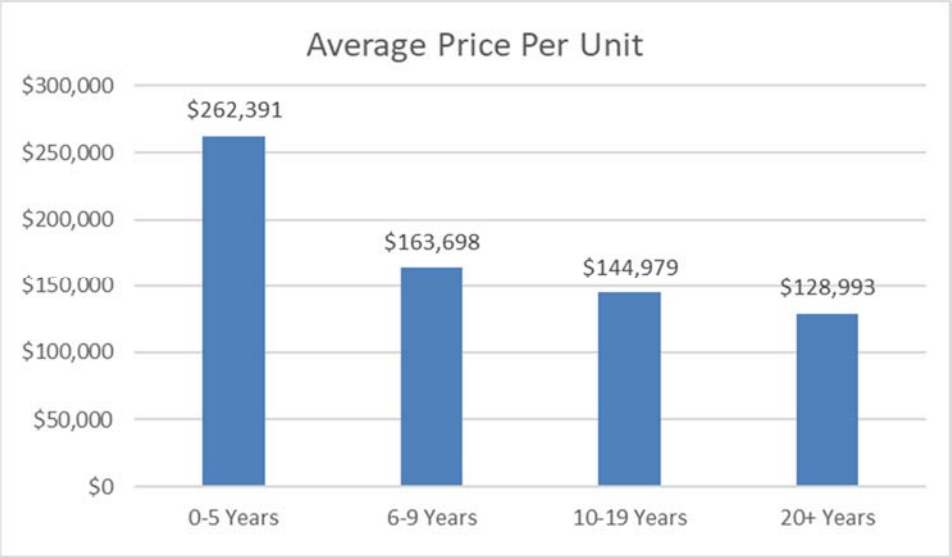
Time/Market Conditions: The time adjustment reflects changes in market conditions (e.g., supply, demand, macroeconomic conditions) between those existing at the time of sale and those as of the effective date of appraisal. Statistical data gathered and contained in our proprietary database (HealthComps©) has been tracked over the past 10 years is presented below.



Location: Location factors such as visibility, access, size of market (including regional, local, rural, metropolitan buyer perceptions) and neighborhood composition often will impact the selling price.

Occupancy: Effective gross income and profit margins will be directly impacted by a property's historical, and potential occupancy levels. Whether a property has maintained a stabilized occupancy at the time of sale will have a material impact on a selling price.

Age: As part of a research project we were engaged for by the American Senior Housing Association, HealthTrust found that the age of a physical plant has a significant impact on sale price and capitalization rates. Next, as the remaining economic life of an asset decreases, the capitalization rate typically increases reflecting the higher risk associated with an older property that may suffer competitive disadvantages due to its failure to keep up with recent development trends. Seniors housing communities demonstrate the following relationship as evidenced by transactions database:



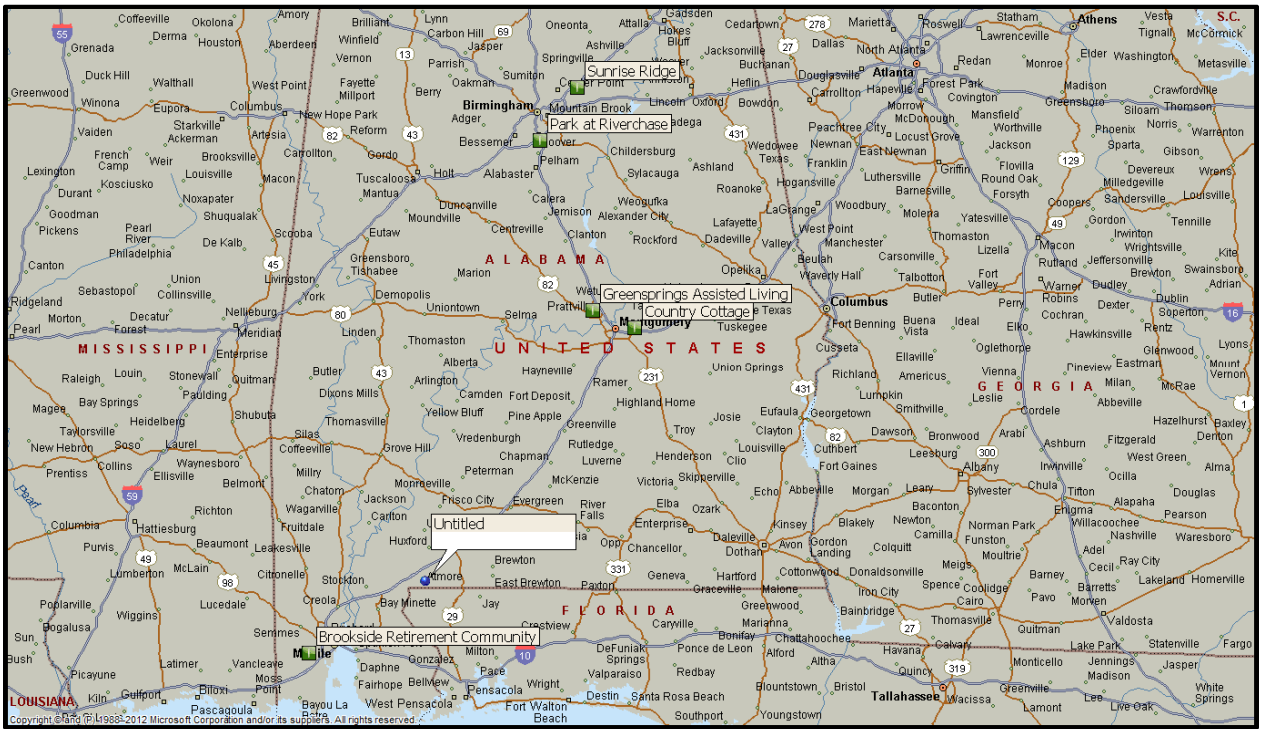
Census: Properties that sell with a high ratio of private pay residents are typically more desirable than those with low quality mixes due to profitability margins. Census is more relevant when analyzing long term care, and to some extent assisted living transactions.

Size: The relative size of a property (total number of units/beds) should be considered relative to the economies of scale, or the tendency for larger assets to sell for less than smaller assets on a price per square foot, or per unit/bed basis.

For our valuation analysis, we adjusted the sales via a Sales Grid Analysis accounting for the NOI per Unit/Bed and prepared a second matrix that explicitly shows adjustments for the factors above. In addition to the sales grid, we have developed an EGIM analysis to support, and or contrast the value indication via the comparison grid.

The selected sales are described in summary on the following pages along with a map identifying the location of each property. Complete detailed sale information has been provided in the Addenda of this report.

IMPROVED SALES MAP



SENIOR HOUSING/HEALTHCARE TRANSACTIONS									
Sale No.	**Name/Location**	**Date**	**No. Units/Beds**	**Year Built**	**Sale Price**	**$/Unit**	**NOI/Unit**	**Occ.**	**OAR**
1	Park at Riverchase Hoover, Alabama	Nov-15	104	1998	$6,900,000	$66,346	$6,728	45%	10.14%
2	Country Cottage Montgomery, Alabama	Jun-16	64	1994	$4,750,000	$74,219	$7,964	93%	10.73%
3	Greensprings Assisted Living Prattville, Alabama	Aug-16	32	1990	$2,250,000	$70,313	$11,138	100%	15.84%
4	Sunrise Ridge Trussville, Alabama	Nov-16	45	2009	$4,500,000	$100,000	$8,070	90%	8.07%
5	Brookside Retirement Community Mobile, Alabama	Dec-16	116	1999	$9,650,000	$83,190	$8,668	88%	10.42%

Source: HealthTrust, LLC

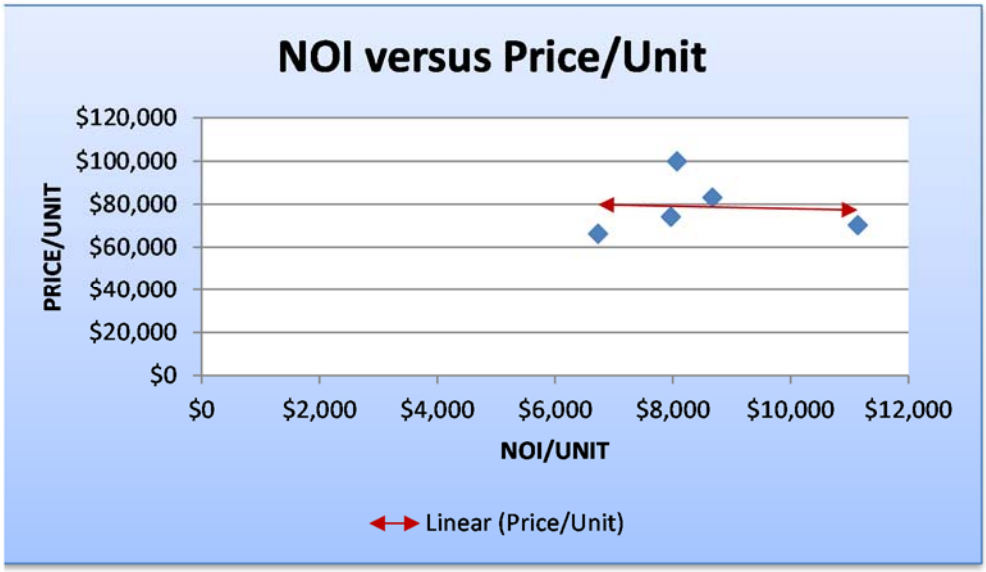
Sales Grid Analysis – NOI/Unit

The transactions selected and the subject will vary in terms of conditions of sale, date, location, size, age and condition, census and construction quality. In addition, market factors - especially those involving the market's supply and demand - are important as they have a material impact on a property's ability to generate income. Another major influence on the value of a seniors housing community is the management characteristics of the owner. All these factors directly relate to the property's ability to produce profits, the motivation of the sale.

We have adjusted the sales to account for these differences. A property exhibiting superiority to the subject receives an overall downward adjustment while one that is inferior receives an overall upward adjustment. The adjustment formula is as follows:

Subject NOI per unit/bed MINUS Comparable NOI per unit/bed

DIVIDED BY Comparable NOI per unit/bed EQUALS Percent of Adjustment



We have operating data on most of the sale properties. To account for all the differences between the comparables and the subject, we have examined these communities based on net operating income per unit/bed. This analysis will enable us to make a single adjustment that will inherently recognize all the differences between the subject and the comparables. This comparison analysis produces a considerably tighter range of adjustments allowing for a more reasonable range to reconcile a probable value for the subject via the Sales Grid Analysis.

We have reconciled to a value estimate within the range, following any rent loss deductions, or adjustments for excess land as presented in the following table:

IMPROVED SALES GRID ANALYSIS

	SUBJECT	1	2	3	4	5
NAME/LOCATION/ATTRIBUTES	Country Place Assisted Living Facility Atmore,Alabama	Park at Riverchase Hoover, Alabama	Country Cottage Montgomery, Alabama	Greensprings Assisted Living Prattville, Alabama	Sunrise Ridge Trussville, Alabama	Brookside Retirement Community Mobile, Alabama
YEAR BUILT	2015	1998	1994	1990	2009	1999
OCCUPANCY @ SALE	92%	45%	93%	100%	90%	88%
OVERALL CAPITALIZATION RATE	- - -	10.14%	10.73%	15.84%	8.07%	10.42%
EGIM	- - -	2.65	1.58	1.98	2.87	3.59
EXPENSE RATIO	75%	73%	83%	69%	77%	63%
NO. IL UNITS	0	0	0	0	0	84
NO. AL UNITS	24	104	0	16	45	16
NO. ALZ UNITS	0	0	64	16	0	16
NO. SN BEDS	0	0	0	0	0	0
TOTAL DENSITY	24	104	64	32	45	116
LAND AREA (AC)	4.9	6	4.25	4.58	4.84	30
GROSS BUILDING AREA (SF)	18,288	0	39,882	14,247	31,514	100,750
GBA per UNIT/BED	762	0	623	445	700	869
SALE DATE	- - -	Nov-15	Jun-16	Aug-16	Nov-16	Dec-16
SALE PRICE	- - -	$6,900,000	$4,750,000	$2,250,000	$4,500,000	$9,650,000
PRICE PER DENSITY	- - -	$66,346	$74,219	$70,313	$100,000	$83,190
PRICE PER SF	- - -	N/A	$119.10	$157.93	$142.79	$95.78
NOI/DENSITY	$9,685	$6,728	$7,964	$11,138	$8,070	$8,668
ADJUSTMENTS (SALE CONDITIONS)						
FINANCING		0%	0%	0%	0%	0%
ADJUSTED INDICATION		$66,346	$74,219	$70,313	$100,000	$83,190
CONDITIONS OF SALE		0%	0%	0%	0%	0%
ADJUSTED INDICATION		$66,346	$74,219	$70,313	$100,000	$83,190
MARKET CONDITIONS		0%	0%	0%	0%	0%
ADJUSTED INDICATION		$66,346	$74,219	$70,313	$100,000	$83,190
ADJUSTMENTS						
NOI PER UNIT		44%	22%	-13%	20%	12%
OTHER		0%	0%	0%	0%	0%
NET ADJUSTMENT		44%	22%	-13%	20%	12%
INDICATED VALUE		$95,515	$90,263	$61,144	$120,015	$92,948

TREND INDICATOR TOOLS	
AVERAGE SIZE OF ADJUSTMENT:	17%
MINIMUM:	$61,144
MAXIMUM:	$120,015
MEDIAN:	$92,948
AVERAGE:	$91,977
STD. DEVIATION:	$20,936
RECONCILED VALUE:	**$95,000**

VALUATION SUMMARY	
24	DENSITY
$95,000	TIMES $/UNIT
$2,280,000	EQUALS
$2,300,000	**ROUNDED**

Source: HealthTrust, LLC

Sales Comparison Approach – Matrix Adjustments

While we find that the foregoing NOI/Unit adjustment analysis provides a reasonable indication of the subject's value via a Sales Comparison Approach, we have also used an additional Sales Grid Analysis, applying adjustments to the comparables based on various elements of comparison, including: Size, location, quality, and economic characteristics. In each category various adjustments were considered based on differences between the subject and the comparable properties. The direction and magnitude of adjustments in this approach are based on either a comparison of published indices or via a matrix analysis predicated on a review of transaction included in our database, HealthComps, which includes over 2,000 transactions that have occurred over the last 20 years. The basis for the adjustments is arm's length transactions that have occurred since January 1, 2009, which exceeds 400 sales across all levels of care. This evidence-based analysis of the sales data permits supported adjustments to the comparable sales with respect to the subject property.

Size Adjustments

Density

Size adjustments are predicated on the theory that smaller properties will sell for more than larger properties on a per unit/bed basis. Note units are the basis of comparison for independent living, assisted living and memory care, where beds are the traditional unit of comparison for skilled nursing facilities. When considered together, we refer to the total unit/bed basis as density. Overall, based on our analysis of single asset transactions over the last two years, average price per density indications and resulting adjustment are as follows:

PRICE/DENSITY MATRIX					
Sales Data		***Comparables***			
Price/Density	***Subject***	*Size*	*Less than 60*	*60 - 180*	*More than 180*
$125,728		*Less than 60*	0%	5%	5%
$121,518		*60 - 180*	-5%	0%	5%
$117,875		*More than 180*	-5%	-5%	0%

Source: HealthComps; indications rounded to nearest 5%

Transaction Type

Transaction Type adjustments consider the disposition of the actual sale, and whether it occurred as a single-asset transaction (SAT) or a multiple asset transaction (MAT). Based on our analysis of the prevailing sales data, the former will sell for less on a per density basis, on average, than the latter. Recognizing the variance in price per density in the sales data, and noting that the variance between levels of care is nominal, we have adjusted based on the following matrix:

TRANSACTION TYPE MATRIX					
Sales Data			***Comparables***		
Seniors Housing	*Skilled Nursing*	***Subject***	*Type*	*MAT*	*SAT*
$182,552	$85,195		*MAT*	0%	5%
$169,333	$84,836		*SAT*	0%	0%

Source: HealthComps; indications rounded to nearest 5%

Location Adjustments

Wage Index

Wage indices are available for all Core Based Statistical Areas (CBSA) and non-urban territories. Wage indices are provided by Centers for Medicaid and Medicare Services (CMS) in conjunction with Skilled Nursing PPS Medicare reimbursement. The indices provide a barometer for variances in wage costs between markets. Wage indices are current as of the Fiscal Year 2018 final rule.

Market Type

Market types are segregated between three categories, Primary, Secondary and Tertiary. Primary is defined as being in the 31 largest Metropolitan Statistical Areas (MSAs), noting that that there are multiple CBSAs in some MSAs (Boston, New York, etc.). Secondary markets are location in the remaining defined CBSAs, while remaining markets are considered Tertiary, or non-urban areas. Average Price/Density indications by market type and resulting adjustments are as follows:

MARKET TYPE MATRIX					
Sales Data		***Comparables***			
Price/Density	***Subject***	*Size*	*Primary*	*Secondary*	*Tertiary*
$160,283		*Primary*	0%	25%	85%
$125,718		*Secondary*	-20%	0%	45%
$85,989		*Tertiary*	-45%	-30%	0%

Source: HealthComps; indications rounded to nearest 5%

Housing Index

Housing indices are provided by Federal Housing Finance Agency (FHFA), and provide a comparison between all CBSAs as well as non-CBSA in the state. Indices are current as of the 2017 Q4. Comparisons between indices are a reliable indication of purchasing power of residents between the distinct areas.

Given the similarity between the location indications, we have reconciled to one location adjustment, as not to confound the separate variables.

Quality Adjustments

Property Quality

Quality comparisons are made between the subject and comparables. Quality is generally consistent with the integrity of the improvements, or structure. We have viewed composite averages of various quality ratings in the construction of seniors housing properties, as provided by *Marshall Valuation Service*. A composite summary of the various quality indications as published by *Marshall Valuation Service* resulting adjustment matrix is as follows:

QUALITY MATRIX							
Sales Data		***Comparables***					
Price/SF		*Quality*	*Excellent*	*Good*	*Above Average*	*Average*	*Fair*
$187.12	***Subject***	*Excellent*	0%	25%	40%	60%	110%
$146.79		*Good*	-20%	0%	10%	25%	65%
$132.24		*Above Average*	-30%	-10%	0%	10%	45%
$117.70		*Average*	-35%	-20%	-10%	0%	30%
$89.75		*Fair*	-50%	-40%	-30%	-25%	0%

Source: Marshall & Swift; indications rounded to nearest 5%

Investment Class

Similar to quality, we have also viewed investment class, which is a common classification among senior housing asset classes, though generally more subjective in nature. Price per unit indications among transactions on a continuum of Class A to Class D indicated the following price per density indications and resulting adjustments:

INVESTMENT CLASS MATRIX							
Sales Data		***Comparables***					
Price/Density		*Investment Class*	*A*	*B+*	*B-*	*C*	*D*
$304,909	***Subject***	*A*	0%	80%	150%	280%	890%
$168,448		*B+*	-45%	0%	35%	110%	445%
$123,064		*B-*	-60%	-25%	0%	55%	300%
$80,625		*C*	-75%	-50%	-35%	0%	160%
$30,854		*D*	-90%	-80%	-75%	-60%	0%

Source: HealthComps; indications rounded to nearest 5%

Given the similarity between the quality and investment class categories, the resulting indications have been reconciled to include one adjustment, as not to confound the separate variables.

Economic Characteristics

Economic considerations were given to occupancy at the subject property and the comparables. An analysis of the sales data indicates bifurcation of price per density indications at varying occupancy levels. Price per density indications and resulting adjustment matrix is as follows:

OCCUPANCY MATRIX				
Sales Data		***Comparables***		
Price/Density		*Occupancy*	*Less than 85%*	*85% and up*
$98,055	***Subject***	*Less than 85%*	0%	-30%
$140,616		*85% and up*	45%	0%

Source: HealthComps; indications rounded to nearest 5%

A summary of our adjustments is presented in the following table:

IMPROVED SALES GRID ANALYSIS - MATRIX GRID

	SUBJECT	1	2	3	4	5
NAME/LOCATION/ATTRIBUTES	Country Place Assisted Living Facility	Park at Riverchase	Country Cottage	Greensprings Assisted Living	Sunrise Ridge	Brookside Retirement Community
	Atmore,Alabama	Hoover, Alabama	Montgomery, Alabama	Prattville, Alabama	Trussville, Alabama	Mobile, Alabama
MSA	Alabama	Birmingham-Hoover, AL	Montgomery, AL	Montgomery, AL	Birmingham-Hoover, AL	Mobile, AL
WAGE INDEX	0.6828	0.82	0.73	0.73	0.82	0.73
HOUSING INDEX	186.96	188.22	147.60	147.60	188.22	176.55
MARKET TYPE	Tertiary	Secondary	Secondary	Secondary	Secondary	Secondary
TRANSACTION TYPE	SAT	SAT	SAT	SAT	SAT	SAT
YEAR BUILT	2015	1998	1994	1990	2009	1999
CONSTRUCTION QUALITY	Above Average	Above Average	Average	Average	Above Average	Average
INVESTMENT CLASS	B+	B-	C	C	B-	C
OCCUPANCY @ SALE	92%	45%	93%	100%	90%	88%
OVERALL CAPITALIZATION RATE	- - -	10.14%	10.73%	15.84%	8.07%	10.42%
EGIM	- - -	2.65	1.58	1.98	2.87	3.59
EXPENSE RATIO	75%	73%	83%	69%	77%	63%
NO. IL UNITS	0	0	0	0	0	84
NO. AL UNITS	24	104	0	16	45	16
NO. ALZ UNITS	0	0	64	16	0	16
NO. SN BEDS	0	0	0	0	0	0
TOTAL DENSITY	24	104	64	32	45	116
LAND AREA (AC)	4.9	6	4.25	4.58	4.84	30
GROSS BUILDING AREA (SF)	18,288	0	39,882	14,247	31,514	100,750
GBA per UNIT/BED	762	0	623	445	700	869
SALE DATE	- - -	Nov-15	Jun-16	Aug-16	Nov-16	Dec-16
SALE PRICE	- - -	$6,900,000	$4,750,000	$2,250,000	$4,500,000	$9,650,000
PRICE PER DENSITY	- - -	$66,346	$74,219	$70,313	$100,000	$83,190
PRICE PER SF	- - -	N/A	$119.10	$157.93	$142.79	$95.78
NOI/DENSITY	$9,685	$6,728	$7,964	$11,138	$8,070	$8,668
ADJUSTMENTS (SALE CONDITIONS)						
FINANCING		0%	0%	0%	0%	0%
ADJUSTED INDICATION		$66,346	$74,219	$70,313	$100,000	$83,190
CONDITIONS OF SALE		0%	0%	0%	0%	0%
ADJUSTED INDICATION		$66,346	$74,219	$70,313	$100,000	$83,190
MARKET CONDITIONS		0%	0%	0%	0%	0%
ADJUSTED INDICATION		$66,346	$74,219	$70,313	$100,000	$83,190
ADJUSTMENTS						
SIZE						
Density		5.0%	5.0%	0.0%	0.0%	5.0%
Transaction Type		0.0%	0.0%	0.0%	0.0%	0.0%
Concluded Size Adjustment		5.0%	5.0%	0.0%	0.0%	5.0%
LOCATION						
Wage Index		-15.0%	-5.0%	-5.0%	-15.0%	-5.0%
Market Type		-30.0%	-30.0%	-30.0%	-30.0%	-30.0%
Housing Index		0.0%	25.0%	25.0%	0.0%	5.0%
Concluded Location Adjustment		-15.0%	-5.0%	-5.0%	-15.0%	-10.0%
QUALITY						
Construction Quality		0.0%	10.0%	10.0%	0.0%	10.0%
Investment Class		35.0%	110.0%	110.0%	35.0%	110.0%
Concluded Quality Adjustment		20.0%	60.0%	60.0%	20.0%	60.0%
ECONOMIC (OCCUPANCY)						
Concluded Economic Adjustment		25.0%	0.0%	0.0%	0.0%	0.0%
OTHER		0.0%	0.0%	0.0%	0.0%	0.0%
NET ADJUSTMENT		35.0%	60.0%	55.0%	5.0%	55.0%
INDICATED VALUE		$89,567	$118,750	$108,984	$105,000	$128,944

TREND INDICATOR TOOLS	
AVERAGE SIZE OF ADJUSTMENT:	42%
MINIMUM:	$89,567
MAXIMUM:	$128,944
MEDIAN:	$108,984
AVERAGE:	$110,249
STD. DEVIATION:	$14,821
RECONCILED VALUE:	**$110,000**

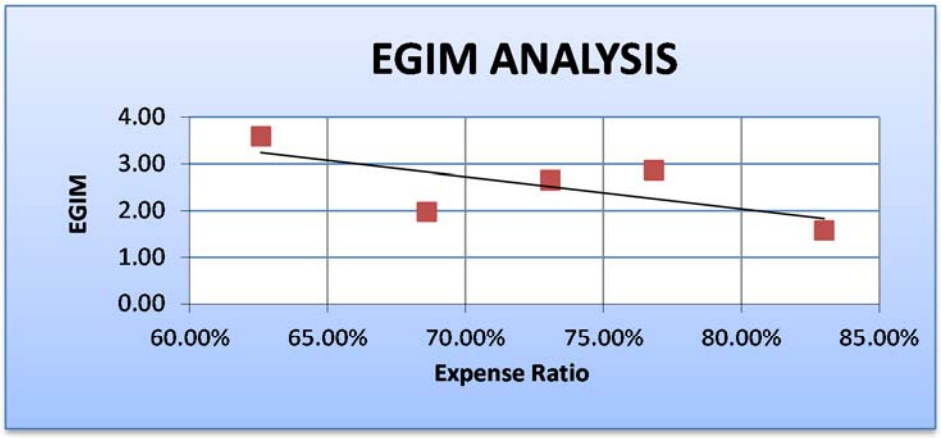
VALUATION SUMMARY	
24	DENSITY
$110,000	TIMES $/UNIT
$2,640,000	EQUALS
$2,600,000	**ROUNDED**

Source: HealthTrust, LLC

EGIM Analysis

In addition to adjusting the improved sales via a sales grid analysis, we have examined the indicated EGIMs of each property and the expense ratio. This method compares the subject's income characteristics with those of the comparable properties and develops a multiplier that is appropriate for the subject. Typically, the higher the expense ratio, the lower the EGIM will result. Based on our analysis, we have concluded to an appropriate EGIM as follows:

EGIM ANALYSIS		
PROPERTY	EXPENSE RATIO	EGIM
Park at Riverchase	73%	2.65
Country Cottage	83%	1.58
Greensprings Assisted Living	69%	1.98
Sunrise Ridge	77%	2.87
Brookside Retirement Community	63%	3.59
Subject	75%	



Effective Gross Income of	$916,117
Multiplied by	2.30
Total	$2,107,069
Rounded to	$2,110,000

Source: HealthTrust, LLC

Sales Comparison Approach Conclusion

This approach contains three methods (two sales grids and an EGIM analysis) to reach a value estimate for the subject. Due to the correlation between expense ratios and multipliers indicated by the comparable sales, we find the EGIM analysis to be reliable and have attributed equal weight to its indication. Thus, the reconciled value via the sales comparison approach is presented in the following table:

SALES COMPARISON CONCLUSION				
Sales Grid Analysis				
Total Density		Value/Density		Value
NOI/Unit-Bed				
24	X	$95,000	=	$2,280,000
Matrix Grid				
24	X	$110,000	=	$2,640,000
EGIM Method				
Effective Gross Income		EGIM		
$916,117	X	2.30	=	$2,107,069
Reconciled Value				
Indicated Value Reconciled to:				$2,340,000
Less Deferred Maintenance				$0
Plus Excess Land/CON				$0
Less Rent Loss				-$350,000
Total				$1,990,000
Final Value Conclusion				$1,990,000

Source: HealthTrust, LLC

COST APPROACH

The cost approach is based upon 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 like the subject site. The next step involves estimating current reproduction costs of the improvements, including an appropriate estimate for entrepreneurial profit, to reflect the return a developer would require for the time, expertise, and equity investment. The final step in the cost approach involves estimating accrued depreciation from all causes and adding the depreciated value of the improvements to the estimated land value.

Land Valuation

In estimating the value of the subject site, we used direct market comparison of the subject site with recent sales of vacant land with similar utility and physical characteristics. Adjustments have been made for the sales as necessary to offset differences in various factors affecting value, such as date of sale, location, size, zoning density and any other significant differences. All sales were adjusted for and analyzed based on cash equivalent sale prices.

LAND SALES MAP

VACANT LAND TRANSACTIONS								
Sale No.	**Location**	**Units**	**Acres**	**Sale Date**	**Sale Price**	**$/Unit**	**$/AC**	**$/SF**
1	599 West Lanier Avenue Fayetteville, Georgia	168	13.73	Dec-14	$1,150,000	$6,845	$83,758	$1.92
2	428 Airport Boulevard Pensacola, Florida	119	5.68	Dec-16	$2,000,000	$16,807	$352,113	$8.08
3	500 Silver Cross Drive Brookhaven, Mississippi	44	5.76	Jul-15	$253,177	$5,754	$43,954	$1.01

Source: HealthTrust, LLC

Seniors housing community site purchasers typically buy property based on price per unit. Demographics, existing and proposed supply, and location relative to health care properties are all factors that most influence these buyers. As a result, the markets for these sites tend to be regional rather than local, as it is with other commercial property types. When necessary, we have expanded our search to include non-senior housing developments, multifamily developments, and other developments that best compared to the land acquired for the construction of the subject. Due to the prevalent land sales data available, we have valued the subject's site based on price per unit.

During the course of our research, we have identified the following sales that are summarized below, with detailed write-ups in the Addenda of this report. Adjustments shown in the Land Sales Analysis chart are discussed in the following paragraphs. All the sales involved fee simple interests. Therefore, we consider financing/condition of sale, market conditions, location/access/visibility, size and density as the most relevant factors of adjustment. Transaction prices will be affected by many variables such as:

Financing/Conditions of Sale: Favorable financing or unusual conditions of sale (such as assemblage, seller duress, etc.) can impact the sales price of a property.

Time/Market Conditions: The time adjustment reflects changes in market conditions (e.g., supply, demand, macroeconomic conditions) between those existing at the time of sale and those as of the effective date of appraisal.

Location: Location factors such as visibility, access, size of market (including regional, local, rural, metropolitan buyer perceptions) and neighborhood composition often will impact the selling price.

Zoning/Density: The permissible uses in a zoning district and the density to which these uses are permitted can affect the price of a vacant property. Density adjustments for land analyzed on a per unit basis are negative for less developed sites (more green area per unit, less crowded) and positive for more densely developed sites. Conversely, on a per-square-foot basis, higher density is favorable and would require a downward adjustment.

Size: Size adjustments consider the economies of scale, or the tendency for larger tracts to sell less than smaller tracts on a price per square foot, or per unit/bed basis.

LAND SALES ANALYSIS SUMMARY				
PROPERTY	**SUBJECT**	**SALE 1**	**SALE 2**	**SALE 3**
LOCATION	140 McRae Street	599 West Lanier Avenue	428 Airport Boulevard	500 Silver Cross Drive
	Atmore, Alabama	Fayetteville, Georgia	Pensacola, Florida	Brookhaven, Mississippi
USE	ALR	IL/AL/ALZ	AL/ALZ	Assisted Living Residence
SIZE:				
UNITS	24	168	119	44
ACRES	4.90	13.73	5.68	5.76
DENSITY	4.9	12.2	21.0	7.6
SALE DATE		Dec-14	Dec-16	Jul-15
SALE PRICE		$1,150,000	$2,000,000	$253,177
PRICE/UNIT		$6,845	$16,807	$5,754
PRICE/SF		$1.92	$8.08	$1.01
ADJUSTMENTS:				
FINANCING		0%	0%	0%
ADJUSTED INDICATION		$6,845	$16,807	$5,754
CONDITIONS OF SALE		0%	0%	0%
ADJUSTED INDICATION		$6,845	$16,807	$5,754
MARKET CONDITIONS		0%	0%	0%
ADJUSTED INDICATION		$6,845	$16,807	$5,754
OTHER ADJUSTMENTS:				
LOCATION		Superior	Superior	Similar
SIZE		Similar	Similar	Similar
ZONING/DENSITY		Inferior	Similar	Similar
OTHER		Similar	Similar	Similar
NET ADJUSTMENT		-20%	-50%	0%
INDICATED VALUE		$5,476	$8,403	$5,754

MINIMUM:	$5,476	**ESTIMATED VALUE OF SUBJECT:**			
MAXIMUM:	$8,403	**24**	**UNITS @**	**$5,500**	**$132,000**
AVERAGE:	$6,545	**EXCESS LAND VALUE:**			**$0**
STD. DEVIATION:	$1,616			**ROUNDED TO**	**$130,000**

Source: HealthTrust, LLC

Land Value Conclusion

The comparable land sales grid indicated adjusted values for the subject property, which we reconciled based on necessary adjustments, as presented. Therefore, we have reconciled within the range, or at $5,500 per unit, resulting in a concluded land value of $130,000, rounded.

Improvement Valuation

Direct/Hard Costs: Based upon our inspection of the subject improvements, and our knowledge of construction quality, the construction of the various buildings is best represented by the *Marshall Valuation Service*: Multiple Residences – Seniors Housing, Multiple Residences – Elderly Assisted Living (AL), Convalescent Hospitals (SN), and Clubhouses for Senior Citizens (Clubhouse/Commons Buildings). We have estimated the hard construction costs for the building improvements as follows:

SUMMARY OF BASE BUILDING COSTS						
Component	**IL**	**AL**	**SN**	**Cottage**	**Clubhouse**	**Total**
Class/Quality	--	Class D, Above Average	--	--	--	
Base Building Cost	$0.00	$99.15	$0.00	$0.00	$0.00	
Add for Sprinklers	$3.50	$3.50	$3.50	$0.00	$3.50	
Subtotal	3.50	102.65	3.50	0.00	3.50	
FAR Multiplier	0.000	0.980	0.000	0.000	0.000	
Local Multiplier	0.000	0.860	0.000	0.000	0.000	
Current Multiplier	0.000	1.040	0.000	0.000	0.000	
Subtotal	0.00	89.97	0.00	0.00	0.00	
Ratio to total	0%	100%	0%	0%	0%	
Final Building Cost						$89.97

Source: Marshall Valuation Service/HealthTrust, LLC

The table above indicates values per square foot given to the various buildings that comprise the property. In addition, other hard costs estimated include ancillary items such as paving and walkways, site work (excavating, grading, underground utilities, water retention, etc.) and landscaping (including signage and fencing).

Personal Property: Marshall Valuation Service does not include furnishings and fixtures for a specific tenant, such as seating or kitchen equipment. Furniture, fixtures, and equipment (FF&E) are estimated based upon our knowledge of these costs for similar type properties, including the development cost comparables presented after this section. The comparables range up to $12,000 and we reconciled to $6,000 per unit for FF&E.

Other Indirect/Soft Costs: *Marshall Valuation Service* does not include all the indirect soft costs appropriate for a replacement cost estimate. Thus, an appropriate allowance for these items must be considered. We have estimated typical soft cost amounts for legal, accounting, professional fees, real estate taxes during hold, and insurance at a lump sum; research into remaining contingency and other miscellaneous items leads us to conclude at a rate of 5% of the total hard costs. Note appropriate premarketing costs to create first occupancy are addressed separately.

Premarketing/Stabilization Costs: Total costs to bring the property into production to a stabilized occupancy level include marketing and pre-marketing expenses, operating losses incurred during fill-up, promotional and public relations expenses, marketing consultants, and professional advertising through the various media. Based upon our knowledge of these expenses for similar properties, and discussions with marketing specialists and consultants, we estimated the total costs to bring the property into

production at stabilized occupancy to be approximately $3,500 per unit. We note that this estimate presumes a healthy market and a competent marketing/management team.

Entrepreneurial Incentive: The last accountable cost is entrepreneurial incentive and overhead essential to complete a project of this size. Our discussion with developers active in the retirement community market suggests a range in anticipated returns of 10% to 20% of the project costs (excluding land). However, our experience with Erickson Retirement, Sunrise Senior Living, and Life Care Services is that developers take a smaller return on larger projects, around 5% to 10%. We also point out that barriers to entry in a market and risk play an integral role in developer incentive. Given the size, scope, and risk of the subject development, we have incorporated entrepreneurial incentive of 15% of project costs.

Total Replacement Cost New (RCN): We have applied cost estimated from a reliable cost estimator (*Marshall Valuation Service*) to derive a reasonable RCN for the subject. The chart on the following page includes recently constructed senior housing/healthcare projects throughout the region/country. Based on price per square foot, we note that these properties do encompass the subject in their range. We therefore conclude that these comparable properties support our estimated replacement cost new for the subject.

COST COMPARABLE SUMMARY						
PROPERTY	**SUBJECT**	**1**	**2**	**3**	**4**	**5**
DATE		2016	2017	2017	2016	2016
LOCATION	Alabama	South Carolina	Kentucky	Alabama	Georgia	Alabama
AL UNITS	24	66	45	59	48	67
MC UNITS	0	34	15	28	20	26
DENSITY	24	100	60	87	68	93
GROSS BUILDING AREA	18,288	84,322	0	70,839	52,400	67,500
CONSTRUCTION TYPE	Wood Frame	Wood Frame		Wood Frame	Wood Frame	Wood Frame
LAND COST	$130,000	$912,146	$380,000	$1,600,000	$475,000	$2,000,000
SITE WORK	$106,722	$924,866	$0	$501,973	$0	$342,904
HARD COSTS	$1,989,542	$8,603,413	$6,350,000	$9,657,761	$8,140,779	$9,375,774
FF&E	$144,000	$200,076	$400,000	$730,000	$421,100	$1,116,000
SOFT COSTS	$308,026	$1,026,686	$750,000	$996,834	$1,605,881	$2,090,202
TOTAL	$2,548,290	$10,755,041	$7,500,000	$11,886,568	$10,167,760	$12,924,880
ENTREPRENEURIAL INCENTIVE	$382,244	$1,613,256	$1,125,000	$1,782,985	$1,525,164	$1,938,732
REPLACEMENT COST NEW	$2,930,534	$12,368,297	$8,625,000	$13,669,553	$11,692,924	$14,863,612
COSTS PER DENSITY	$122,106	$123,683	$143,750	$157,121	$171,955	$159,824
COSTS PER SF	$160.24	$146.68	N/A	$192.97	$223.15	$220.20

Source: HealthTrust, LLC

Note: Costs may be combined in some categories

Depreciation

Depreciation is allocated between the various types of curable and incurable depreciable items. Depreciation is defined as a loss in value from any cause, and consists of physical deterioration, functional obsolescence, and economic or external obsolescence.

Physical curable depreciation (deferred maintenance) includes all items of maintenance that should be corrected on the date of appraisal to maximize profit or minimize loss that would result if the property were sold. A measure of physical curable deterioration is the cost to perform this maintenance and includes such items as interior and exterior painting, roof repair, etc.

The estimated physical incurable depreciation includes both short-lived and long-lived components and represents general wear and tear on the property that does not warrant immediate repair. Deducting this replacement cost new from the property's total, results in a depreciable base for the long-lived components. Based on the estimated effective age of the subject, assuming an economic life of 50 years, we could estimate total long-lived incurable depreciation for the subject.

Functional obsolescence includes items of deficiency or superadequacy that impact the structure's utility. Curable items are economically feasible to correct while incurable items cannot be fixed for less than the resulting contribution to value.

External obsolescence results from factors and influences outside the property. This type of obsolescence is usually incurable because the tenant and landlord are typically powerless to remove or change the influence creating the obsolescence. Examples of external obsolescence include government fees and regulations, the presence of a landfill or equally undesirable neighbor, and market conditions that do not support development costs. We have noted no evidence of external obsolescence impacting the subject.

Cost Approach Conclusion

The final step in the cost approach is adding the previously estimated land value of the subject site to the estimated depreciated replacement cost new of the improvements. Therefore, the market value of the subject, via the cost approach, is presented in the following exhibit.

COST APPROACH SUMMARY

HARD COSTS						
Main Structure	18,288	SF @	$89.97		$1,645,364	
Other Structure	-	SF @	$0.00		$0	
Walkways & Paving	53,361	SF @	$6.00		$320,166	
Landscaping	10,672	SF @	$2.25		$24,012	
Site Work/Retention	213,444	SF @	$0.50		$106,722	
Furniture, Fixtures, & Equipment	24	DENSITY @	$6,000		$144,000	
Total Hard Costs:						$2,240,264
SOFT COSTS						
Professional Fees, Title, Ins., Taxes, etc.					$112,013	
Miscellaneous & Contingency @	5%				$112,013	
Pre-marketing expenses @	$3,500	Per Unit			$84,000	
Total Soft Costs:						$308,026
ENTREPRENEURIAL INCENTIVE @	15%					$382,244
REPLACEMENT COST NEW	$122,106	/Per Unit	$160.24	/Square Foot		$2,930,534
DEPRECIATION						
Physical Curable:					$0	
Physical Incurable (Short-Lived):		Effective	Economic			
COMPONENT	Cost New	Age	Life	Amount		
Roof	$73,152	3	25	$8,778		
FF&E	$144,000	3	12	$36,000		
Flooring	$73,152	3	10	$21,946		
HVAC	$91,440	3	25	$10,973		
Site Improvements	$344,178	3	25	$41,301		
	$725,922				$118,998	
Physical Incurable (Long-Lived):						
Replacement Cost New				$2,930,534		
Less Short-Lived Items				-$ 725,922		
Depreciable Basis				$ 2,204,612		
Effective Age/Economic Life	3	/50 =	6.0%		$132,277	
Functional Obsolescence:					$0	
External Obsolescence:					$0	
TOTAL ESTIMATED ACCRUED DEPRECIATION						-$251,275
VALUATION SUMMARY						
DEPRECIATED VALUE OF IMPROVEMENTS						$2,679,259
ADD EXCESS CON VALUE @	$0	Per Bed				$0
LAND VALUE						*$130,000*
EXCESS LAND VALUE						*$0*
ADD TOTAL LAND VALUE						$130,000
PRELIMINARY COST APPROACH VALUE						$2,809,259
LESS ADJUSTMENT FOR LACK OF STABILIZATION						-$350,000
ESTIMATED VALUE VIA COST APPROACH						**$2,459,259**
ROUNDED TO						**$2,460,000**

Source: HealthTrust, LLC

INSURABLE VALUE

Based on the foregoing, we have also estimated the subject's insurable value. The *Dictionary of Real Estate Appraisal – 5th Edition,* published by the Appraisal Institute defines Insurable Value as follows:

1. The value of an asset or asset group that is covered by an insurance policy; can be estimated by deducting costs of non-insurable items (e.g., land value) from market value.

2. Value used by insurance companies as the basis for insurance. Often considered to be replacement or reproduction cost plus allowances for debris removal or demolition less deterioration and non-insurable items. Sometimes cash value or market value, but often entirely a cost concept. (*Marshal Valuation Service*)

Exclusions: To develop an Insurable Value estimate, it is appropriate to exclude certain items from our prior replacement cost new analysis of the site improvements. In this case, exclusions are identified as follows:

- Entrepreneurial incentive;
- Excavation and grading;
- Underground utilities (plumbing, piping, etc.);
- Retention areas;
- Paved surfaces (roads, walkways, etc.);
- Land value.

It is important to note our insurable value analysis does not include or make considerations for debris (damaged property) removal, costs to address any changes in building codes or requirements that may require more substantial construction than in place presently (or planned if proposed), increased costs of construction materials due to a catastrophic event. Our insurable value calculation is presented in the following table:

INSURABLE VALUE CALCULATIONS					
Country Place Assisted Living Facility					
Replacement Cost New				$2,930,534	
Less:					
Site Work/Retention	213,444	SF @	$0.50	-$106,722	
Walkways and Paving	53,361	SF @	$6.00	-$320,166	
Entrepreneurial Incentive				-$382,244	
INSURABLE VALUE CALCULATION					$2,121,402
ROUNDED TO					$2,120,000
Source: HealthTrust, LLC					

RECONCILIATION AND FINAL VALUE ESTIMATES

The purpose of this appraisal is to assist with underwriting and/or credit decision for a loan involving the subject of the fee simple interest in the subject. We have applied three approaches to estimate the subject's value. The value estimates provided by these approaches are:

VALUATION SUMMARY		
Value Indication(s)		
	As-Is 5-Jun-2018	As-Stabilized 5-Jun-2019
The Cost Approach - Fee Simple	$2,460,000	---
The Income Approach - Fee Simple	$1,970,000	$2,850,000
The Sales Approach - Fee Simple	$1,990,000	---
Value Conclusion(s)		
Market Value of the Going Concern	$1,970,000	$2,850,000

Three land sales are used in the Cost Approach to provide an estimate of the subject's value. These sales offered a reliable indication of the subject's site value. The replacement cost new reflects current costs as estimated by a reliable cost manual, national averages for retirement community development, development cost comparables, and our experience. However, the depreciation estimates are more subjective and have less direct market support. The older the improvements, the less reliable this approach becomes due to the necessarily significant depreciation estimates applied. Hence, while we believe this approach provides a reliable estimate of the subject's value, less weight was placed on this approach rather than the income approach. Furthermore, this approach does not fully reflect the stigma with the property's recent closure.

The Income Approach has been employed to estimate the present value of the cash flows generated by the subject's operation. Our estimates of revenues and expenses reflect the performance of numerous comparable properties and are well supported. The going-in/terminal capitalization and discount rates used are extracted from the market and reflect the subject's financing terms. This approach has the most support from the market and best reflects the way the probable purchaser would examine the subject; that is, because senior housing and healthcare assets are income-producing properties, a buyer will most strongly consider the cash flows that an asset can generate. The income approach is thus the most reliable and has been accorded the most weight for our valuation analysis. We typically employ direct capitalization and discounted cash flow methods, weight the strengths of each, and reconcile accordingly.

The Sales Comparison Approach includes five sales of senior housing/healthcare assets that have transferred recently. These sales differ from the subject but could produce a reliable estimate of the subject's value. We do point out that this approach is heavily dependent on whether there is sufficient and active sales volume. Historically, while many sales do exist in this product niche, the number of sales is considerably less than that of traditional commercial or residential properties. Hence, significant adjustments are often required and this approach is largely used to provide benchmarks to test for reasonableness of the primary valuation tool (income approach). Consequently, this approach has received secondary weight.

Asset Value Allocation

According to the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation, it is necessary to identify any personal property, trade fixtures or intangible items that are not real property but are included in the appraisal. Business value or "intangible assets" is generally created when a property such as the subject has achieved stabilized operations.

An Assisted Living Residence is a unique property because it contains elements of all three types of values. It is often very difficult to separate the going concern business value from the real estate value, for example, because neither can exist without the other. However, we have attempted to allocate the relative contribution values of the real property, personal property and intangible assets as a going concern.

Several schools of thought exist with regard to how these components are allocated. Hotel appraisers will typically deduct a franchise fee paid for the use of a brand name (i.e., Marriott, Ritz Carlton, Hilton, etc.), and a passive management fee of say 3.0% to 5.0% from gross revenue to derive NOI that is capitalized into a business value. Others have advocated numerous other deductions for work force in place, original cost to hire and train the work force, and other intangibles that should be deducted from the going concern to isolate the value of the real estate only. We understand this methodology has had very limited success in the courts thus far. A course offered by the Appraisal Institute (Course 800) was based on similar theories. However, it was so controversial the Appraisal Institute suspended teaching the course in 2007. We have attempted to allocate the values to each of the components through a combination of methods (Lease Coverage, Management Residual, and Cost Residual), thus reconciling to a final allocation for each component.

Personal Property Allocation: First, we have derived the allocation for personal property via a Cost Approach method. A summary of replacement cost new of the subject's personal property and forecasted depreciation is as follows:

PERSONAL PROPERTY ALLOCATION	
Personal Property New	$144,000
Effective Age	3
Economic Life	12
Depreciation %	25.00%
Depreciation $	$36,000
Net Value of Personal Property	$108,000
Rounded	$110,000
Source: HealthTrust, LLC	

Lease Coverage Method: In this case, we begin with the total estimated NOI of the going concern, as estimated in our valuation analysis. From this, we apply a market lease coverage ratio to allocate the cash flows specific to the real estate component of the subject property. Please note that this analysis assumes the subject is currently an unencumbered property, and entering into a NNN lease agreement as of the respective date of value. Market lease coverage will vary dependent on several factors, including level of care, lease term, escalations, etc.

Due to the infrequency of arm's length leases in the subject's regional location, our search was expanded to seniors housing communities throughout the United States. These leases are summarized as follows by level of care:

SENIORS HOUSING LEASES				
Name **Location**	**Property Type** **Density (Units/Beds)**	**Start Date** **Initial Term (Yrs.)**	**Initial Rent** **EBITDAR**	**Coverage** **Rent/Density**
The Country Club of Woodland Hills	IL/AL	Dec-17	$2,422,000	1.11
Tulsa, OK	200	15	$2,700,000	$12,110
The Oxford Grand	AL/ALZ	Nov-17	$1,158,500	1.15
Kansas City, MO	73	Not known	$1,330,000	$15,870
18 AL Communities (Vintage Park AL)	AL/ALZ	Jan-16	$5,025,000	1.29
Various, Kansas	647	Not known	$6,500,000	$7,767
5 ALFs	AL	May-16	$6,343,750	1.14
MI, IL & NE	277	Not known	$7,240,000	$22,902
2 ALFs MI	AL	Jun-16	$2,700,000	1.02
Michigan	188	Not known	$2,741,200	$14,362
7 ALFs	AL	Jun-16	$8,400,000	1.13
NC, SC, TN, & VA	545	Not known	$9,500,000	$15,413
Village at Athens	AL/ALZ	Jun-16	$1,144,000	1.14
Athens, GA	70	Not known	$1,300,000	$16,343
ALF - Alabama	AL	May-17	$450,000	1.16
Alabama	106	Not known	$520,000	$4,245
2 Anthem Memory Care Communities	ALZ	May-16	$2,000,000	1.15
Wichita & Overalnd Park, KS	120	Not known	$2,300,000	$16,667
5 Memory Care Communities	ALZ	Mar-17	$4,326,000	1.16
Various, TX	223	Not known	$5,000,000	$19,399

Coverage Indications	
Median	1.14
Average	1.14
Rent/Density Indications	
Median	$15,641
Average	$14,508

Source: HealthTrust, LLC

SKILLED NURSING LEASES				
Name	**Property Type**	**Start Date**	**Initial Rent**	**Lease Coverage**
Location	**Density (Units/Beds)**	**Initial Term (Yrs.)**	**EBITDAR**	**Rent/Density**
NMS Healthcare	SNF	Jun-15	$20,475,000	1.50
Maryland	678	15	$30,712,500	$30,199
Shamrock Nursing and Rehab	SNF	Jul-15	$800,000	1.40
Dublin, GA	105	15	$1,120,000	$7,619
9 skilled nursing facilities	SNF	Feb-16	$3,160,000	1.45
Various, Iowa	518	14.5	$4,580,000	$6,100
SNF-Dallas	SNF	Feb-16	$1,360,000	1.40
Dallas-Fort Worth, TX	126	Not known	$1,904,000	$10,794
Illinois SNF Portfolio	SNF	Mar-17	$2,920,000	1.44
Various, IL	455	15	$4,200,000	$6,418
Omega 31 Portfolio	SNF	Sep-16	$30,328,799	1.40
FL, KY & TN	4,047	12	$42,400,000	$7,494
Genesis Lindsay Goldberg Portfolio	SNF	Nov-16	$103,900,000	1.31
US	7,786	15	$136,217,000	$13,344
Springs of Richmond	SNF	Feb-16	$1,125,000	1.40
Richmond, IN	70	Not known	$1,575,000	$16,071
Omega/Ciena	SNF	Feb-16	$14,365,000	1.36
MI, VA & OH	985	12	$19,500,000	$14,584
Cedar Falls Health Care Center	SNF	Apr-16	$483,000	1.40
Cedar Falls, IA	82	14.5	$675,000	$5,890
2 SNFs, OH	SNF	Apr-16	$1,410,000	1.35
Cincinnati, OH	214	14.5	$1,900,000	$6,589
2 post-acute facilities	SNF	Feb-16	$3,675,000	1.40
Olathe & Overland Park, KS	225	15	$5,150,000	$16,333

Lease Coverage Indications	
Median	1.40
Average	1.40
Rent/Density Indications	
Median	$9,206
Average	$11,786

Source: HealthTrust, LLC

While the leases report a range of rates on a lease coverage (EBITDAR/Rent) basis to an amount per unit, we find that most seniors housing ratios fall typically between 1.05 and 1.25 with a mean of 1.14 and a median of 1.14. Skilled nursing facilities generally display a typical range of ratios (1.30 – 1.50) with a mean and median of 1.40. Based on the foregoing, we have concluded to a market lease coverage rate of 1.20 to derive income attributable to the real estate.

Next we have applied a leased fee capitalization rate to derive a real estate value allocation. Leased fee capitalization rates will generally vary from 6% to 11%, generally derived by a spread relative to the going concern capitalization rate, amounting to a 100 to 500 basis point reduction, dependent on asset type and lease coverage. Arm's length leased fee transactions are atypical in the market, though we have identified several national sales that have occurred over the last few years.

SUMMARY OF LEASED FEE RATES						
Property	**Location**	**Property Type**	**Sale Date**	**Sale Price**	**Initial Lease Rate**	**Leased Fee Cap Rate**
Symphony Post Acute	Chicago	SNF	Nov-15	$276,200,000	$24,200,000	8.76%
Shamrock Nursing and Rehab	Dublin, GA	SNF	Jul-15	$8,300,000	$800,000	9.64%
The Brook of Roscommon	Roscommon, MI	IL/AL	Aug-15	$6,000,000	$450,000	7.50%
CCP/Senior Care Centers	Louisiana	AL/SNF	Sep-15	$190,000,000	$15,650,000	8.24%
Life's Journey Senior Living Portfolio	IL	AL/ALZ	Sep-15	$19,700,000	$1,700,000	8.63%
18 AL Communities (Vintage Park AL)	Various, Kansas	AL	Jan-16	$67,000,000	$5,025,000	7.50%
Omega 31 Portfolio	FL, KY & TN	SNF	Sep-16	$336,986,655	$30,328,799	9.00%
Genesis Lindsay Goldberg Portfolio	US	SNF	Nov-16	$1,100,000,000	$103,900,000	9.45%
Omega/Ciena	MI, VA & OH	SNF	Feb-16	$169,000,000	$14,365,000	8.50%
Springs of Richmond	Richmond, IN	SNF	Feb-16	$15,000,000	$1,125,000	7.50%
2 post-acute facilities	Olathe & Overlar	SNF	Feb-16	$49,000,000	$3,675,000	7.50%
5 Memory Care Communities	Various, TX	ALZ	Mar-17	$61,800,000	$4,326,000	7.00%
5 ALFs	MI, IL & NE	AL	May-16	$87,500,000	$6,343,750	7.25%
2 ALFs MI	Michigan	AL	Jun-16	$30,800,000	$2,700,000	8.77%
7 ALFS	NC, SC, TN, & VA	AL	Jun-16	$112,400,000	$8,400,000	7.47%
ALF-Alabama	Alabama	AL	May-17	$5,500,000	$450,000	8.18%
2 Anthem Memory care communities	Wichita & Overla	ALZ	May-16	$25,000,000	$2,000,000	8.00%
Village at Athens	Athens, GA	AL/ALZ	Jun-16	$14,300,000	$1,144,000	8.00%
9 skilled nursing facilities	Various, Iowa	SNF	Feb-16	$32,700,000	$3,160,000	9.66%
SNF-Dallas	Dallas-Fort Wort	SNF	Feb-16	$16,000,000	$1,360,000	8.50%
Illinois SNF Portfolio	Various, IL	SNF	Mar-17	$29,200,000	$2,920,000	10.00%
Cedar Falls Health Care Center	Cedar Falls, IA	SNF	Apr-16	$5,000,000	$483,000	9.66%
2 SNFs, OH	Cincinnati, OH	SNF	Apr-16	$14,700,000	$1,410,000	9.59%
NMS Healthcare	Maryland	SNF	Jun-15	$234,000,000	$20,475,000	8.75%

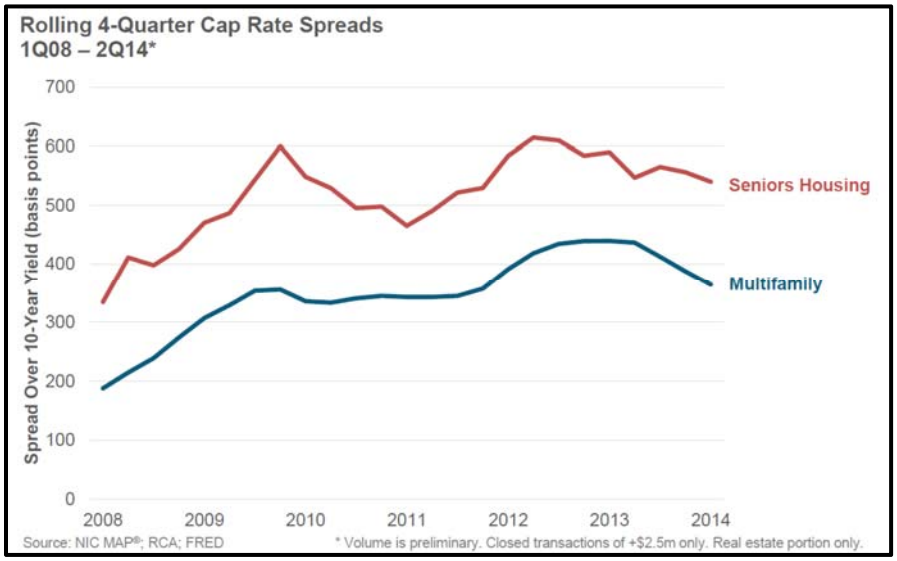
Coverage Indications	
Min	7.00%
Max	10.00%
Median	8.50%
Average	8.46%
SNF Average	8.91%
SH Average	7.83%

Source: HealthTrust, LLC

Lastly, we find it appropriate to view other asset classes in commercial real estate to identify current spreads and relative risk rates. Accordingly, multifamily provides a valid basis for which to make comparisons to seniors housing. Multifamily can be easily juxtaposed to seniors housing, with the primary differences being the absence of the more intensive FF&E and Business/Hospitality components. Thus, reviewing two cap rate surveys (attached) by PWC and JLL, we note the following cap rate indications for multifamily and apartments:

- PWC – Range of 4.25% to 8.50% with an average of 5.93% on go-forward NOI
- JLL – Reports average multifamily cap rates in primary and secondary markets of 4.4% and 4.9%, respectively.

Additionally, NIC MAP reports the following spreads of seniors housing relative to multifamily (most recent available):



Based on the foregoing, we have used a real estate capitalization rate of 8.00%. Finally, we will deduct the resulting real estate value indication and the personal property value (which was derived in our Cost Approach) to conclude to an indicated Business Value allocation for this method.

Management Residual Method: This is a simplistic version of the Income Residual Method whereby we use and assume the management fee reflects the revenue attributable to the business entity. We thus apply a revenue multiple to the management fee to derive a value. The shortfall to the methodology is due to the lack of management company-only transactions occurring in the market. However, there have been a few transactions that have occurred over the last several years, consisting of portfolio companies and including some partial interest sales. A summary of portfolio transactions and the resulting terms is summarized below:

SENIORS HOUSING MANAGEMENT SALES		
Management Company	**Sale Date**	**Revenue Multiplier**
Healthcare REIT's partial interest in Genesis	Mar-11	2.70
HCP's partial interest in ManorCare	Dec-10	2.00
Genesis purchase of Sun Healthcare	Jun-12	2.25
Brookdale's purchase of Horizon Bay	Sep-11	1.77
Average		2.18
Source: HealthTrust, LLC		

In addition, we have also reviewed sales of Home Health Agencies, which we view to reflect a business-only healthcare operation that lacks the significant real estate component found in seniors housing. A summary of Home Health Care transfers and resulting multiples are as follows:

HOME HEALTHCARE AGENCY TRANSACTIONS				
Target	**Sale Date**	**Sale Price**	**Revenue**	**Price/Rev**
AllHealth Home Care, LLC	Jan-11	$1,250,000	$2,391,262	0.52
Greater NY Home Care Systems	Mar-11	$500,000	$2,931,240	0.17
CareSouth HHA Holdings	Apr-11	$9,500,000	$11,000,000	0.86
Beacon Hospice, LLC	Apr-11	$126,000,000	$80,000,000	1.58
Cambridge Home Health Holdings, Inc.	Aug-11	$32,500,000	$38,200,000	0.85
Professional Healthcare, LLC	Aug-11	$51,000,000	$53,000,000	0.96
APD - Euro Unit	Jan-12	$750,000,000	$267,000,000	2.81
AMN Home Health Care	Jan-12	$9,650,000	$13,000,000	0.74
Nurse on Call	Oct-12	$112,087,912	$140,000,000	0.80
Enara Group, Limited	Oct-12	$178,800,000	$150,000,000	1.19
Indiana HomeCare Network	Jul-13	$12,500,000	$13,000,000	0.96
Senior Home Care, Inc.	Nov-13	$95,000,000	$143,000,000	0.66
US Medical Management, LLC	Dec-13	$294,117,647	$230,000,000	1.28
Deaconess Home Care	Feb-14	$60,000,000	$72,600,000	0.83
Traditions Home Care, Inc.	Jan-15	$6,000,000	$6,300,000	0.95
WillCare Health Care	Feb-15	$49,500,000	$72,000,000	0.69
CareSouth Health System, Inc.	Aug-15	$170,000,000	$104,000,000	1.63
Halcyon Hospice, LLC	Sep-15	$58,500,000	$41,000,000	1.43
Infinity HomeCare	Nov-15	$63,000,000	$50,000,000	1.26
Black Stone Operations, LLC	Nov-15	$40,000,000	$46,700,000	0.86
Associated Home Care	Feb-16	$28,000,000	$40,000,000	0.70
HS Infusions Holding, Inc.	Jun-16	$85,000,000	$109,000,000	0.78
Maxtrix Medical Network	Aug-16	$418,000,000	$217,400,000	1.92
Average				1.06
Median				0.86
Source: HealthTrust, LLC				

Overall, we would anticipate multiple in between the two sets of indications. Generally, we view Home Healthcare Agencies providing the low end of a reasonable range, as the subject's captive audience with respect to the community's residents lessens the risk associated with the resulting management. Thus, we have reconciled to a multiple in between the two sets of comparables.

Cost Residual Method: In this instance, it is assumed a cost approach analysis has been completed. Therefore, when we allocate value, first we satisfy the personal property component; this estimate represents the depreciated value of the FF&E presented in the cost approach and rounded to the nearest $100,000. Then, we will allocate value to real estate. When the cost approach conclusion (before deduction for a lack of stabilized occupancy) is higher than the final value estimates, we estimate the real estate by deducting the FF&E from the final value conclusions. When the cost approach conclusion (before deduction for a lack of stabilized occupancy) is lower than the final value estimates, we deduct the FF&E from the cost approach conclusion (before deduction for a lack of stabilized occupancy). Typically, in the appraisal of a successful retirement property, our business value allocation method is supported by virtue of the differential between the cost approach conclusion and the final value estimate. In other words, anything remaining after personal and real property have been satisfied constitutes business value.

Conclusions: Each approach presents differing advantages and shortcomings in the allocation of the various components of the going concern. Further, we note that none of the allocations are viewed as being the singular methodology in allocating business value.

VALUE ALLOCATION SUMMARY					
				As-Is	As-Stabilized
	Market Lease Coverage				
(1)	Estimated NOI (Going Concern)		=	$232,445	$241,836
(2)	Market Lease Coverage			1.20	1.20
	Income Attributable to Real Estate		=	$193,704	$201,530
	Real Estate/Personal Property OAR			9.75%	8.00%
	Value of Real Estate/Personal Property @		=	$1,986,712	$2,519,125
			Rounded:	$1,990,000	$2,520,000
	Total Property Value Concluded via Appraisal		=	$1,970,000	$2,850,000
	Less: Personal Property (FF&E) Value		@	-$110,000	-$110,000
	Less: Residual Real Estate Value Indication		@	-$1,880,000	-$2,410,000
	Remainder (Indicated Business Value)		=	-$20,000	$330,000
	Management Residual Method				
	Management Fee, or revenue to business		=	45,806	47,656
(3)	Application of revenue multiple	2.00	=	$91,612	$95,313
	Indicated Business Value		Rounded:	$100,000	$100,000
	Cost Residual Method				
	Total Property Value Concluded via Appraisal		=	$1,970,000	$2,850,000
(4)	Preliminary Cost Approach Conclusion		=	$2,810,000	$2,810,000
	Value of Real Estate (Cost less Excess CON, less FF&E)		=	$1,860,000	$2,700,000
(5)	Value of FF&E and Excess CON		=	$110,000	$110,000
(6)	Value of Business (Total value less RE, less FF&E, less excess CON)		=	$0	$40,000
	Reconciled Business Allocation		@	$0	$190,000
	Reconciled Personal Property Allocation		@	$110,000	$110,000
	Remainder Real Estate Allocation		@	$1,860,000	$2,550,000

(1) NOI of going concern including intangible assets, or TAB
(2) Assumes unencumbered property entering into NNN lease agreement on date of value
(3) Management fee will ultimately be a revenue line item to third party management company
(4) Excludes any adjustment for lack of stabilization
(5) Certificate of Need (CON) considered chattel or movable personal property
(6) Business value if > Total Property Value; otherwise zero

Source: HealthTrust, LLC

Overall, in concluding to our respective values, we have given consideration to the various risk rates that are implied with each component as a test of reasonableness. Identifying risk rates in the value components is a method that was published by Franz H. Ross and Adam A. Alessi, MAI in The Appraisal Journal (Summer 2011 edition). They noted the following benchmarks on the table below of capitalization rates for the various components of a going concern value.

GENERAL RANGES FOR CAPITALIZATION RATES BY ASSET CLASS					
	Cash	Land	Land & Building	FF&E/PP	Intangible Assets
General Ranges for Capitalization Rates	0.1 - 2%	3-8%	7-12%	12-20%	15-40%
Typical Life of Asset (in years)	Unlimited	Unlimited	30-50 Years	5-10 Years	Highly Variable

Source: "Using TEEM-Work to Extend Your Reach on the Real Estate/Business Value Continuum," The Appraisal Journal, Summer 2011

We do note that the preceding was published in 2011 and we have seen a compression of risk rates across all asset types since that time, as demonstrated above. Accordingly, we find the benchmarks to be somewhat dated, but nonetheless provide a reasonable range for comparison on a relative basis. Given the variance in indications above, we have ultimately reconciled based on the weighted average cost of capital method, but have used the above indications as a reference point. Thus, utilizing the risk rates and allocations, we have allocated the going concern cash flow and residual rates of return as follows:

SUMMARY OF ALLOCATIONS				
		Concluded Value	Required Rate	Allocated Cash Flow
As-Is	Real Estate	$1,860,000	9.44%	$175,575
	Personal Property	$110,000	15.00%	$16,500
	Business	$0	0.00%	$40,370
	Overall	$1,970,000	11.80%	$232,445
As-Stabilized	Real Estate	$2,550,000	7.70%	$196,300
	Personal Property	$110,000	15.00%	$16,500
	Business	$190,000	15.28%	$29,036
	Overall	$2,850,000	8.49%	$241,836

ɔurce: HealthTrust, LLC

Accordingly, we find that adequate risk has been ascribed to each component of value and our conclusions reasonable.

Marketability Analysis

The definition of "market value" incorporates the assumption that the subject of the appraisal has been exposed on the market for a reasonable period of time. The Appraisal Standards Board (ASB) made the following comment to Standard 6 of USPAP:

Reasonable exposure time is one of a series of conditions in most market value definitions. Exposure time is always presumed to precede the effective date of the appraisal.

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 on an analysis of past events assuming a competitive and open market.

The statement continues with remarking that this exposure time is not a prediction of a date of sale and should not be confused with a marketing period. The Appraisal Standards Board distinguishes marketing time as the period required to sell a property immediately after the effective date of appraisal. This estimate is not part of the appraisal process and has no impact on market value. Because we are estimating market value, we have made an estimate of the subject's exposure time that is presumed to have occurred prior to the effective date of the appraisal.

In accordance with our conclusion of highest and best use, we believe that the most probable purchaser of the subject property would be a nursing home/retirement community owner/operator or possibly a limited partnership with specialized expertise in elderly care.

Financing for the subject property would most likely be obtained through a commercial bank with strong local ties, life insurance company or through tax-exempt bond issues. In the current market, lenders now place much more underwriting emphasis on the financial position and credit-worthiness of the borrower and less weight on the real estate as security collateral. We understand this to hold true in the nursing home and retirement industry as well.

We also contacted three well-known brokerage firms that specialize in marketing healthcare properties nationally. Both Mel Gamzon, principal of Senior Housing Investment Advisors and Allen McMurtry, a broker with CLW Realty Group, Inc. indicated current marketing periods ranging from six to twelve months from listing to closing. Since both these firms are familiar with this product type, we are confident that if the subject were actively marketed to this group of potential buyers at a price near our estimates of market value, it would sell within twelve months. Dave Rothschild of CB Commercial concurs with the six- to twelve-month marketing period. In this case, marketing time and exposure time are the same, and concluded to be 12 months for this analysis.

The key to estimating a probable exposure time for the subject is the relationship between its net income, its competitive market, and the final value estimate developed. We note that nationally there is activity in the retirement market as many of the national players are positioning themselves to increase market share. Hence, we believe that if the subject were actively marketed to this group of potential buyers at a price near our estimates of market value, it would sell within twelve months.

ADDENDA

Subject Photographs and Exhibits

Front View

Front Entrance

Side View

Side View

Rear View

Street Scene 1

Street Scene 2

Hallway

Hallway

Hallway

Main Dining Room

Main Dining Room

Kitchen aka Dietary Center

Kitchen aka Dietary Center

Resident Lounge / TV

Mechanical - HVAC

Laundry

Resident Room

Resident Room

Resident Room

Resident Room

Resident Room

Resident Room

Bathroom

Bathroom

Storage Room

Storage

Back hallway access

Patio

Covered Porch

Fire Suppression System

Library/TV Room

Fireplace

Grand Piano

Listing Sign

InterFlood
Instant flood maps and data

Buy | Get Maps | My Account | Questions | a la mode | Logout

Flood Data

USPS Address:

Community Name:	ATMORE, CITY OF
Community #:	010071
County:	
Census Tract:	9707.00
Flood Zone:	X
Map Date:	2012-06-05

Flood Map Type and Color Options

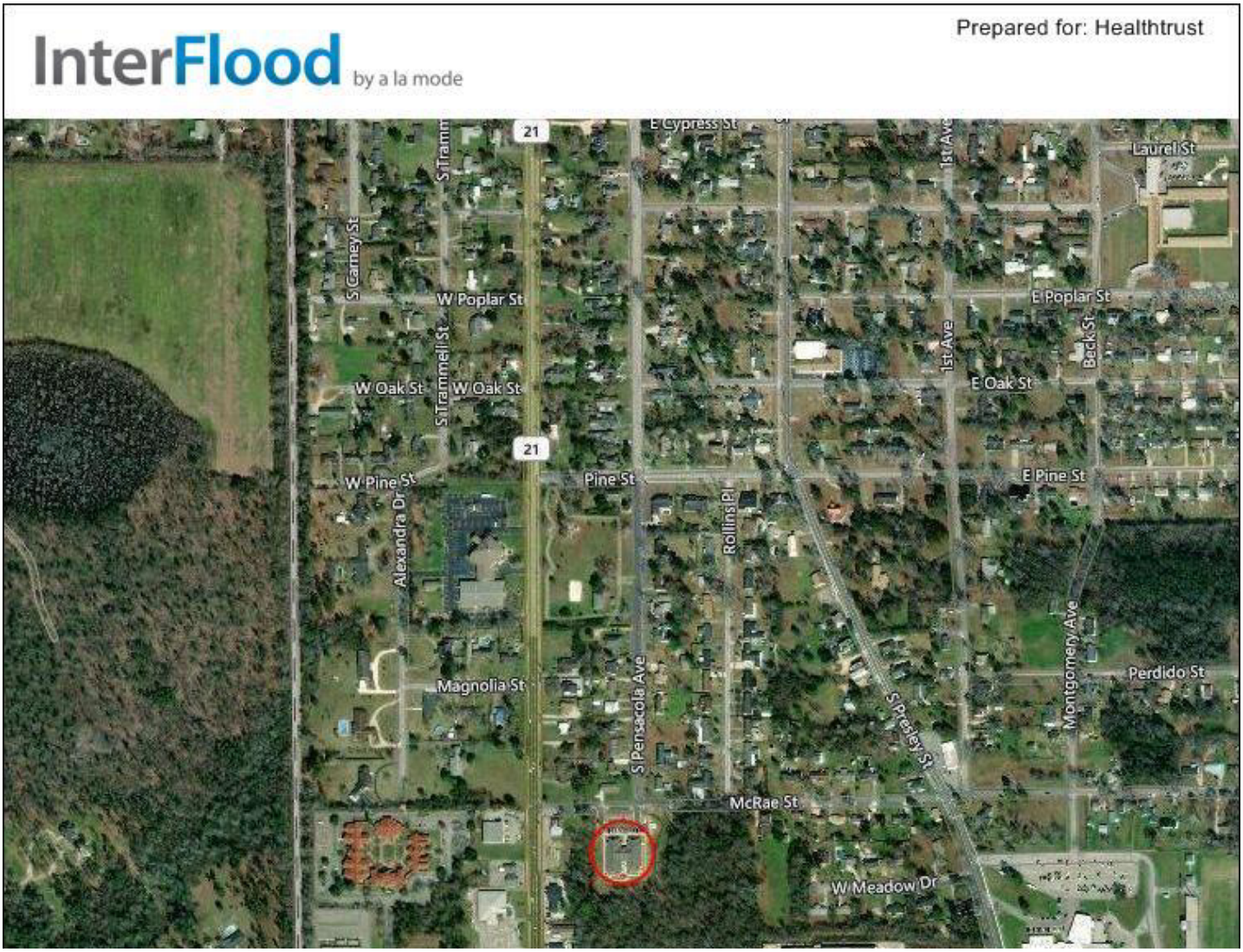
Type: Aerial Zone Color: Blue

APPLY MAP OPTIONS

Flood Map

To Save your flood map, use your **right** mouse button and **click** directly on it. Then, depending on what you want to do, select:

- **Save Picture As...** to copy the flood map to your hard drive
- **Copy** to place the flood map in Windows memory so you can paste into another program
- **Print Picture ...** to print the flood map immediately



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MAP DATA

FEMA Special Flood Hazard Area: **No**
Map Number: **01053C0415E**
Zone: **X**
Map Date: **June 05, 2012**
FIPS: **01053**

MAP LEGEND

- Areas inundated by 500-year flooding
- Areas inundated by 100-year flooding
- Velocity Hazard
- Protected Areas
- Floodway
- Subject Area

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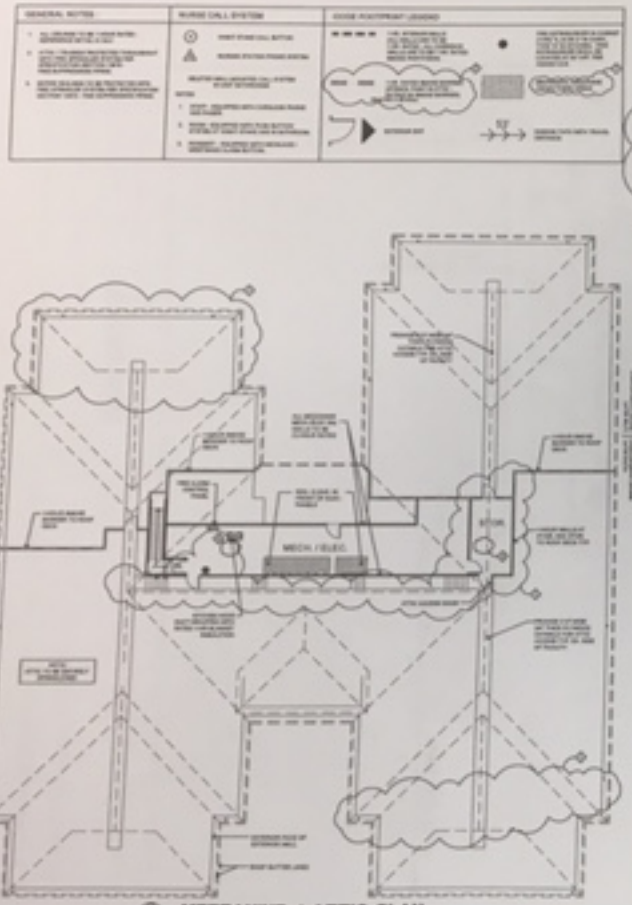
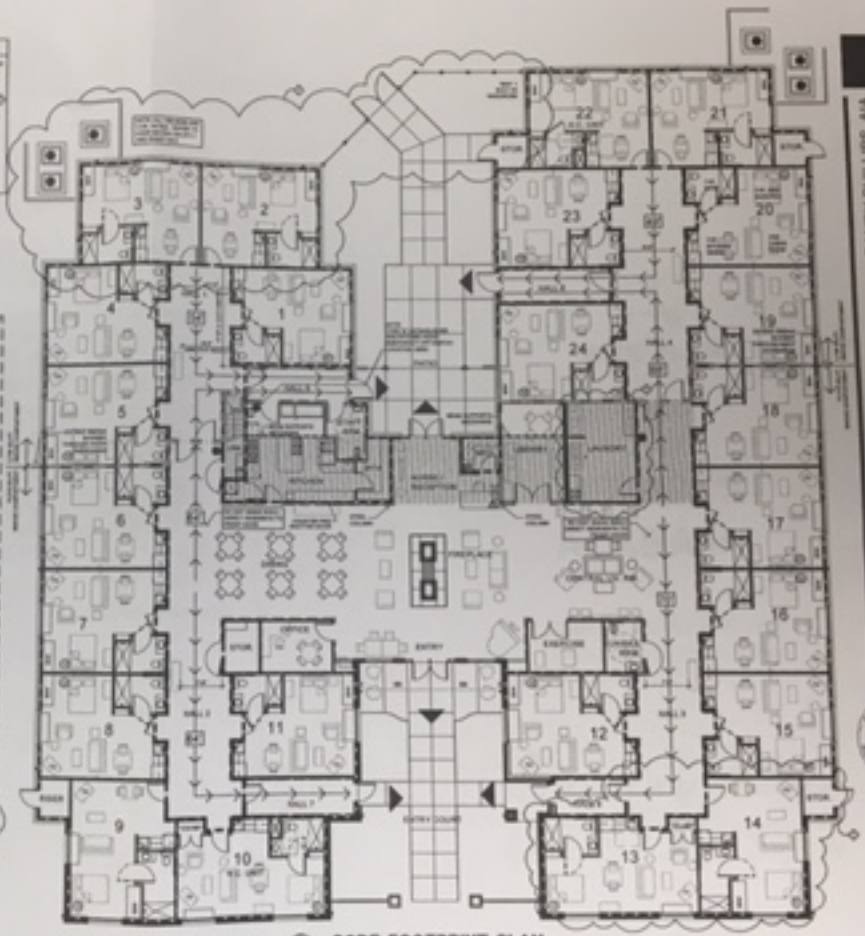


MEZZANINE / ATTIC PLAN



CODE FOOTPRINT PLAN

RANDY PHILLIPS AIA

ATMORE
ALABAMA

Country Place
SENIOR LIVING

CF1.2

N

0 30'

SITE PLAN

01.24.12

ATMORE ALABAMA

RANDY PHILLIPS AIA
121 N. Mead, Suite 201, Wichita, KS 67202
TEL: 316.267.4002 FAX: 316.267.1509

Country Place
SENIOR LIVING™

Provided Financial Statements

Escambia County Alabama

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Property Appraisal Link

ESCAMBIA COUNTY, AL

Current Date **5/23/2018** **Tax Year 2017**

OWNER INFORMATION

PARCEL	26-09-32-2-010-017.011	**PPIN** 009302	**TAX DIST** A
NAME	CP 5 (AL) INC		
ADDRESS	3131 MCKINNEY AVE SUITE 475 DALLAS TX 75204		
DEED TYPE OR	**BOOK** 0543	**PAGE** 0000866	
PREVIOUS OWNER	FULTON, LOYD G JR A/K/A		
LAST DEED DATE	11/ 7/2012		

DESCRIPTION

LOT 1, CP HOMES SUB, CITY OF ATMORE, PB 6-95.
330'X590.19'X385.25'X346.96'X50.48'X249.79'XIRR 4.9 AC

PROPERTY INFORMATION

PROPERTY ADDRESS	140 MCRAE ST		
NEIGHBORHOOD	ATMORE COM		
PROPERTY CLASS		**SUB CLASS**	
LOT **BLOCK**			
SECTION/TOWNSHIP/RANGE	32-01N-06E		
LOT DIMENSION	330X590X385X346XIR		**ZONING**

PROPERTY VALUES

LAND:	102530	**CLASS 1:**		**TOTAL ACRES:**	4.90
BUILDING:	1660300	**CLASS 2:**	1762830	**TIMBER ACRES:**	
	=========	**CLASS 3:**			
TOTAL PARCEL VALUE:	1762830				

DETAIL INFORMATION

CODE	TYPE	REF	METHOD	DESCRIPTION	LAND USE	TC	HsPn	MARKET VALUE	USE VALUE
M	LAND	1	MA PER ACRE	4.90 acres	9150-VAC COMMERCIAL	2	N N	102530	
	BLDG	1	C 656	NURSING HOME	-	2	N N	1597100	
	BLDG	2	F 24 FLPF0	FLOOD LIGHTS,POLE & FIXT	-	2	N N	19200	
	BLDG	3	O 33 MFWRI	FENCE, WROUGHT IRON (SQF	-	2	N N	600	
	BLDG	4	O 33 WFVS6	FENCE, WD. PRIV., VERTIC	-	2	N N	600	
	BLDG	5	O 34 CSHTR	PAVEMENT, CURBING, SHORT	-	2	N N	1000	
	BLDG	6	O 34 CLNGR	PAVEMENT, CURBING, LONG-	-	2	N N	8100	
	BLDG	7	O 34 PASP3	PAVING, ASPHALT, 3 1/2"	-	2	N N	22000	
	BLDG	8	O 34 PCRA4	PAVING, CONCRETE REINFOR	-	2	N N	11700	

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Escambia County Alabama

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Property Link

ESCAMBIA COUNTY, AL

Current Date **5/23/2018**

Tax Year 2017
Records Last Updated **5/22/2018**

PROPERTY DETAIL

OWNER CP 5 (AL) INC
3131 MCKINNEY AVE SUITE 475

DALLAS, TX 75204

ACRES : 4.90

APPRAISED VALUE: 1762830
ASSESSED : 352560

PARCEL 26-09-32-2-010-017.011
ADDRESS 140 MCRAE ST

TAX INFORMATION

YEAR 2017	TAX DUE	PAID	BALANCE
	17628.00	17628.00	0.00

LAST PAYMENT DATE 1 / 10 / 2018

MISCELLANEOUS INFORMATION

EXEMPT CODES
DESCRIPTION LOT 1, CP HOMES SUB, CITY OF A TMORE, PB 6-95. 330'X590.19'X385.25'X346.96'X5 0.48'X249.79'XIRR 4.9 AC
TAX DISTRICT A
PPIN 009302 **Entry** 00
ESCAPE YEAR
ACCOUNT NUMBER 059470

TAX SALES

Year	Sold To	Redeemed Date/By
	NO TAX SALES FOUND	

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Improved Sales

IMPROVED SALE #1

Record ID:	8110267
Property Type:	Assisted Living Residence
Name:	Park at Riverchase
Address:	1851 Data Drive, Hoover, Jefferson, AL,
Verified with:	Healthcare M&A Report/ Public Records
By:	Chris Silverwood on 3/8/2017 8:51:17 AM

KEY INDICATORS

Sale Price:	$6,900,000	**Price per Capacity:**	$66,346
Adjusted Sale Price:	---	**Price per Acre:**	---
Sale Date:	11/2015	**Price per SF:**	---
Cap Rate:	10.14%	**Time on Market:**	---
EGIM:	2.65	**Exp as Percent of EGI:**	73.08%

SALE DATA	
Grantor:	Riverchase Village ADK LLC
Grantee:	River Highlands LLC
Property Rights:	Fee Simple
Financing:	---
Occupancy at sale:	45%
Private Pay Census:	---
Medicaid Census:	---
Effective Gross Income:	$2,600,000
Operating Expenses:	$1,900,000
NOI:	$700,000
Exp per Capacity:	$18,269

PHYSICAL PLANT DATA	
Year Opened:	1998
Major Renovation:	---
Gross Building Area:	---
Number of Buildings:	1
Number of Stories:	3
Elevators:	Yes
Construction:	Wood Frame
Quality:	Average
Condition:	Average
Parking Garage:	---
Parking Spaces:	---

PROPERTY MIX	
Level	**Capacity**
IL	---
AL	104 units
ALZ	---
SN	---
HPL	---
Total Capacity	104

LAND DATA	
Land Area:	6.00 Acres
Description:	---
Improvements:	---
Parcel / Legal:	40-00-19-2-000-002.000
Proposed Use:	---
Zoning:	---

REMARKS: The community was rebranded as River Highlands of Birmingham upon closing of the sale. The performance data is based on the buyer's pro forma indications which projects occupancy at 85%. The community was operating in the red at the time of sale with occupancy below 50% . This was due to poor management. The state required the owner to hire a new management company in 2014, which discharged more than 30 of the existing residents in the community.

IMPROVED SALE #2

Record ID:	8103595
Property Type:	Assisted Living/Memory Care Residence
Name:	Country Cottage
Address:	235 Sylvest Drive, Montgomery, Montgomery, AL, 36117
Verified with:	Senior Care Advisor/ Public Records at 334-260-8373
By:	SMK on 8/30/2016 2:49:16 PM

KEY INDICATORS

Sale Price:	$4,750,000	**Price per Capacity:**	$74,219
Adjusted Sale Price:	$4,750,000	**Price per Acre:**	---
Sale Date:	6/2016	**Price per SF:**	$119.10
Cap Rate:	10.74%	**Time on Market:**	N/A
EGIM:	1.58	**Exp as Percent of EGI:**	83.00%

SALE DATA	
Grantor:	Country Cottage Montgomery LLC
Grantee:	Birchwood Healthcare Properties
Property Rights:	Fee Simple
Financing:	Cash to Seller
Occupancy at sale:	93%
Private Pay Census:	---
Medicaid Census:	---
Effective Gross Income:	$3,000,000
Operating Expenses:	$2,490,000
NOI:	$510,000
Exp per Capacity:	$38,906

PHYSICAL PLANT DATA	
Year Opened:	1994
Major Renovation:	---
Gross Building Area:	39,882
Number of Buildings:	4
Number of Stories:	1
Elevators:	---
Construction:	Masonry
Quality:	Average
Condition:	Average
Parking Garage:	---
Parking Spaces:	---

PROPERTY MIX	
Level	**Capacity**
IL	---
AL	---
ALZ	64 units
SN	---
HPL	---
Total Capacity	64

LAND DATA	
Land Area:	4.25 Acres
Description:	---
Improvements:	---
Parcel / Legal:	0903071005003.003
Proposed Use:	---
Zoning:	---

REMARKS: Property was acquired by Birchwood Health Care Properties in June of 2016. The facility was previously owned by a local operator. According to press releases, the property operated at a 17% margin on $3 million in revenues. Providence Health Group managed the purchase for Birchwood. Watson McCollister of Senturian Senior Housing represented the seller in the transaction.

The subject consists of four buildings, one of which is a secured memory care building. The rates are all inclusive and a community fee was not disclosed during the survey.

Additional charges include cable for $50 per month, phone starting at $22 per month and internet for $10 per month.

2015
Market - $4,085,100
Assessed- $735,460
Taxes- $27,043.70

IMPROVED SALE #3

Record ID:	8104125
Property Type:	Assisted Living/Memory Care Residence
Name:	Greensprings Assisted Living
Address:	811 Green Springs Drive, Prattville, Autauga, AL, 36067
Verified with:	Karen Sowinski at 334-365-0681
By:	SMK on 9/22/2016 4:17:15 PM

KEY INDICATORS

Sale Price:	$2,250,000	**Price per Capacity:**	$70,313
Adjusted Sale Price:	$2,250,000	**Price per Acre:**	---
Sale Date:	8/2016	**Price per SF:**	$157.93
Cap Rate:	15.85%	**Time on Market:**	N/A
EGIM:	1.98	**Exp as Percent of EGI:**	68.59%

SALE DATA	
Grantor:	Joyce Smith
Grantee:	O & M Investments LLC
Property Rights:	Fee Simple
Financing:	---
Occupancy at sale:	100%
Private Pay Census:	---
Medicaid Census:	---
Effective Gross Income:	$1,135,141
Operating Expenses:	$778,625
NOI:	$356,516
Exp per Capacity:	$24,332

PHYSICAL PLANT DATA	
Year Opened:	1990
Major Renovation:	N/A
Gross Building Area:	14,247
Number of Buildings:	2
Number of Stories:	1
Elevators:	---
Construction:	Wood Frame
Quality:	Average
Condition:	Average
Parking Garage:	---
Parking Spaces:	---

PROPERTY MIX	
Level	**Capacity**
IL	---
AL	16 units
ALZ	16 units
SN	---
HPL	---
Total Capacity	32

LAND DATA	
Land Area:	4.58 Acres
Description:	---
Improvements:	---
Parcel / Legal:	19 02 04 4 009 007.000
Proposed Use:	---
Zoning:	---

REMARKS: This facility is comprised of two, detached, single-story buildings each being licensed for 16 beds. One buildings is utilized for AL while the other is dedicated to MC. Greensprings is located to the north of downtown Prattville, northwest of downtown Montgomery. The city of Prattville has grown in size over the last decade primarily due to an outward migration of Montgomery County. These buildings were constructed in 1990 and 2000. At the time of survey this facility is considered to be owner operated. Rates shown above are for all-inclusive care.

IMPROVED SALE #4

Record ID:	8114912
Property Type:	Assisted Living Residence
Name:	Sunrise Ridge
Address:	7868 Gadsden Highway, Trussville, Jefferson, AL, 35173
Verified with:	Previous Appraisal/ Public Records/Scott Goldberg at 205-901-8718
By:	SMK on 7/13/2017 11:20:45 AM

KEY INDICATORS

Sale Price:	$4,500,000	**Price per Capacity:**	$100,000
Adjusted Sale Price:	$4,500,000	**Price per Acre:**	---
Sale Date:	11/2016	**Price per SF:**	$142.79
Cap Rate:	8.07%	**Time on Market:**	N/A
EGIM:	2.87	**Exp as Percent of EGI:**	76.84%

SALE DATA	
Grantor:	S & W Holdings
Grantee:	Atlas Senior Living
Property Rights:	---
Financing:	Cash to seller
Occupancy at sale:	90%
Private Pay Census:	100%
Medicaid Census:	---
Effective Gross Income:	$1,568,126
Operating Expenses:	$1,204,943
NOI:	$363,183
Exp per Capacity:	$26,777

PHYSICAL PLANT DATA	
Year Opened:	2009
Major Renovation:	0
Gross Building Area:	31,514
Number of Buildings:	1
Number of Stories:	2
Elevators:	Yes
Construction:	Steel Frame
Quality:	Above Average
Condition:	Above Average
Parking Garage:	---
Parking Spaces:	---

PROPERTY MIX	
Level	**Capacity**
IL	---
AL	45 units
ALZ	---
SN	---
HPL	---
Total Capacity	45

LAND DATA	
Land Area:	4.84 Acres
Description:	---
Improvements:	---
Parcel / Legal:	11-00-08-4-000-003.000
Proposed Use:	---
Zoning:	---

REMARKS: The property includes additional land for expansion (1.77 acres excess land). This was the previous operator's only asset. We note that the subject was previously under contract for $5,700,000 earlier in the year, but the contract fell through.

The property's neighborhood is comprised primarily of single-family residential homes. The majority of commercial and retail activity in the area is located approximately 17 miles south by southwest, of the property within downtown Birmingham, Alabama. The neighborhood is in the stability stage of the development cycle with reasonably good growth in property values into the foreseeable future given the affluence of the local area.

Atlas Senior Living is a regional owner/operator with four senior living communities in Alabama (2), Georgia, and Kentucky.

IMPROVED SALE #5

Record ID:	8115012
Property Type:	Independent and Assisted Living Community
Name:	Brookside Retirement Community
Address:	2260 Pesnell Court, Mobile, Mobile, AL, 36695
Verified with:	Public Records/Previous Appraisal at 251-776-5999
By:	SMK on 12/1/2016 3:05:24 PM

KEY INDICATORS

Sale Price:	$9,650,000	**Price per Capacity:**	$83,190
Adjusted Sale Price:	$9,650,000	**Price per Acre:**	---
Sale Date:	12/2016	**Price per SF:**	$95.78
Cap Rate:	10.43%	**Time on Market:**	N/A
EGIM:	3.59	**Exp as Percent of EGI:**	62.59%

SALE DATA	
Grantor:	Pesnell O A Jr
Grantee:	Sand Creek Mobile Home Park LLC
Property Rights:	Fee Simple
Financing:	Cash to Seller
Occupancy at sale:	88%
Private Pay Census:	100%
Medicaid Census:	---
Effective Gross Income:	$2,689,486
Operating Expenses:	$1,683,363
NOI:	$1,006,123
Exp per Capacity:	$14,512

PHYSICAL PLANT DATA	
Year Opened:	1999
Major Renovation:	N/A
Gross Building Area:	100,750
Number of Buildings:	52
Number of Stories:	1
Elevators:	---
Construction:	Wood Frame
Quality:	Average
Condition:	Average
Parking Garage:	---
Parking Spaces:	---

PROPERTY MIX	
Level	**Capacity**
IL	84 units
AL	16 units
ALZ	16 units
SN	---
HPL	---
Total Capacity	116

LAND DATA	
Land Area:	30.00 Acres
Description:	---
Improvements:	---
Parcel / Legal:	R023303052000069
Proposed Use:	---
Zoning:	---

REMARKS: The community is situated on 36.30 acres and comprised of the following improvements; 22 IL cottages, 5 single-unit IL bungalows, 10 quadplex IL cluster apartments, 4 IL patio garage duplexes, 3 IL patio garage triplexes, a single 16-unit AL building, a club house, chapel, and several ancillary structures. However, all of the cottages, bungalows, duplexes, and triplexes are all of similar sf, layout, and price. To aid in clarity, we have classified all of these building types under the same umbrella of "cottages". the Brookside Retirement Community has a sister facility located approximately three miles to its north, Brookside on Cody, that operates as a memory care facility. The two facilities are currently under contract for purchase in the amount of $9,650,000 Other than assisted living, there are 5 IL bungalow units that include meals in the rent (no kitchens in those units). Meals are not included for any of the other IL units. A $36 charge for water is added to the based rent. For a cluster unit closer to the ALF building, a $100 upcharge is charged above the base rent.

The buyer was in a 10-31 exchange. Marcus & Millichap handled the transaction.

Land Sales

LAND SALE #1

Record ID:	8115942
Property Type:	Independent and Assisted Living Community
Name:	Heartis Fayetteville
Address:	599 West Lanier Avenue, Fayetteville, Fayette, GA, 30214
Verified with:	NIC/ Public Records
By:	Chris Silverwood on 8/31/2017 11:00:00 PM

KEY INDICATORS

Sale Price:	$1,150,000	**Price per Acre:**	$83,758
Sale Date:	12/2014	**Price per SF:**	$1.92
Adjusted Sale Price:	---	**Proposed Capacity:**	168
Time on Market:	---	**Price per Capacity:**	$6,845

SALE DATA	
Grantor:	State Bank of Georgia
Grantee:	Lafayette Place Senior Living, LLC
Property Rights:	Fee Simple
Financing:	---

LAND DATA	
Land Area:	13.73 Acres
Description:	---
Improvements:	---
Parcel / Legal:	'0523 023
Proposed Use:	IL/AL/ALZ
Zoning:	C-4

LAND SALE #2

Record ID:	8110477
Property Type:	Assisted Living/Memory Care Residence
Name:	The Blake at Pensacola
Address:	428 Airport Boulevard, Pensacola, Escambia, FL, 32503
Verified with:	Previous Appraisal/ Public Records at 251-979-9992
By:	SMK on 3/9/2017 4:04:07 PM

KEY INDICATORS

Sale Price:	$2,000,000	**Price per Acre:**	$352,113
Sale Date:	12/2016	**Price per SF:**	$8.08
Adjusted Sale Price:	$2,000,000	**Proposed Capacity:**	119
Time on Market:	N/A	**Price per Capacity:**	$16,807

SALE DATA	
Grantor:	TBAP Holdings, LLC
Grantee:	The Blake at Pensacola LLC
Property Rights:	Fee Simple
Financing:	Cash to Seller

LAND DATA	
Land Area:	5.68 Acres
Description:	---
Improvements:	---
Parcel / Legal:	35-1S-30-7204-000-000
Proposed Use:	AL/ALZ
Zoning:	---

REMARKS: The site was purchased for the development of The Blake at Pensacola after previously being purchased and assembled from two parcels by the grantor in September of 2016. The combined previous sales price of the two parcels was $1,325,000.

LAND SALE #3

Record ID:	8104471
Property Type:	Assisted Living Residence
Name:	The Aspen at Brookhaven
Address:	500 Silver Cross Drive, Brookhaven, Lincoln, MS, 39601
Verified with:	Michael Reynolds at 601-208-6032
By:	Brent Kelley on 10/6/2016 11:00:00 PM

KEY INDICATORS

Sale Price:	$253,177	**Price per Acre:**	$43,954
Sale Date:	7/2015	**Price per SF:**	$1.01
Adjusted Sale Price:	---	**Proposed Capacity:**	44
Time on Market:	---	**Price per Capacity:**	$5,754

SALE DATA	
Grantor:	---
Grantee:	---
Property Rights:	Fee Simple
Financing:	Same as cash

LAND DATA	
Land Area:	5.76 Acres
Description:	vacant land
Improvements:	None
Parcel / Legal:	B77-12-3-070.03
Proposed Use:	Assisted Living Residence
Zoning:	R-1

REMARKS: Site was purchased for the development of a 44 unit assisted living residence.

Demographic Data

HealthTrust

Senior Life	McRae St, Atmore, AL 36502 20 mile ring					
	2000/2010 Census	%	2018 Estimate	%	2023 Projection	%
Population*	**49,849**		**50,725**		**51,513**	
Percent Growth (2000 to 2023)* **	0.32%		1.76%		1.55%	
Population by Age*						
Total Population	**49,849**		**50,725**		**51,513**	
Age 45 to 54	7,363	14.77%	6,473	12.76%	6,188	12.01%
Age 55 to 64	6,088	12.21%	6,403	12.62%	6,115	11.87%
Age 65 to 74	4,244	8.51%	5,245	10.34%	6,131	11.90%
Age 75 to 84	2,205	4.42%	2,576	5.08%	2,696	5.23%
Age 85 and over	701	1.41%	856	1.69%	968	1.88%
Age 65 and over	7,150	14.34%	8,677	17.11%	9,795	19.02%
Total Population, Male	**26,454**		**26,978**		**27,432**	
Age 45 to 54	4,089	15.46%	3,559	13.19%	3,418	12.46%
Age 55 to 64	3,046	11.51%	3,248	12.04%	3,106	11.32%
Age 65 to 74	2,054	7.77%	2,459	9.12%	2,874	10.48%
Age 75 to 84	900	3.40%	1,105	4.10%	1,166	4.25%
Age 85 and over	206	0.78%	295	1.09%	342	1.25%
Age 65 and over	3,161	11.95%	3,859	14.31%	4,382	15.98%
Total Population, Female	**23,396**		**23,747**		**24,082**	
Age 45 to 54	3,273	13.99%	2,914	12.27%	2,770	11.50%
Age 55 to 64	3,042	13.00%	3,155	13.29%	3,009	12.50%
Age 65 to 74	2,190	9.36%	2,785	11.73%	3,257	13.53%
Age 75 to 84	1,305	5.58%	1,471	6.20%	1,530	6.35%
Age 85 and over	495	2.11%	561	2.36%	626	2.60%
Age 65 and over	3,990	17.05%	4,818	20.29%	5,413	22.48%

Population by Single-Classification Race*						
White Alone	**33,431**		**33,663**		**33,949**	
Age 65 and over	5,785	17.31%	6,979	20.73%	7,822	23.04%
Black or African American Alone	**13,331**		**13,558**		**13,766**	
Age 65 and over	1,084	8.13%	1,295	9.55%	1,478	10.74%
American Indian and Alaska Native Alone	**1,681**		**1,726**		**1,771**	
Age 65 and over	200	11.88%	262	15.16%	307	17.31%
Asian Alone	**162**		**212**		**249**	
Age 65 and over	12	7.32%	23	10.86%	29	11.85%
Native Hawaiian and Other Pacific Islander Alone	**13**		**18**		**17**	
Age 65 and over	0	0.00%	0	0.00%	0	0.00%
Some Other Race Alone	**349**		**401**		**440**	
Age 65 and over	5	1.40%	6	1.62%	8	1.84%
Two or More Races	**883**		**1,147**		**1,324**	
Age 65 and over	65	7.36%	112	9.79%	150	11.37%
Population by Hispanic or Latino*						
Hispanic or Latino	**1,012**		**1,166**		**1,273**	
Age 65 and over	43	4.21%	65	5.54%	80	6.32%
Not Hispanic or Latino	**48,837**		**49,559**		**50,240**	
Households by HH Income by Age of Householder**						
Householder Age 45 to 54	**3,275**		**3,100**		**2,930**	
Income Less than $15,000	628	19.18%	350	11.30%	295	10.06%
Income $15,000 to $24,999	455	13.90%	324	10.45%	261	8.91%
Income $25,000 to $34,999	401	12.25%	303	9.77%	270	9.20%
Income $35,000 to $49,999	597	18.23%	452	14.57%	393	13.40%
Income $50,000 to $74,999	591	18.04%	634	20.44%	589	20.10%
Income $75,000 to $99,999	386	11.79%	374	12.06%	362	12.36%
Income $100,000 to $124,999	124	3.79%	269	8.69%	268	9.15%
Income $125,000 to $149,999	11	0.33%	189	6.09%	218	7.45%
Income $150,000 to $199,999	40	1.23%	121	3.90%	163	5.56%
Income $200,000 or more	41	1.26%	85	2.73%	111	3.81%
Median Household Income	**$38,843**		**$54,776**		**$60,477**	
Households by HH Income by Age of Householder**						

Householder Age 55 to 64	**2,749**		**3,492**		**3,298**	
Income Less than $15,000	753	27.40%	552	15.82%	449	13.61%
Income $15,000 to $24,999	366	13.31%	441	12.63%	376	11.39%
Income $25,000 to $34,999	343	12.48%	401	11.48%	366	11.11%
Income $35,000 to $49,999	455	16.56%	464	13.28%	419	12.69%
Income $50,000 to $74,999	468	17.02%	641	18.35%	611	18.52%
Income $75,000 to $99,999	173	6.30%	368	10.53%	366	11.10%
Income $100,000 to $124,999	97	3.52%	271	7.75%	268	8.13%
Income $125,000 to $149,999	41	1.48%	185	5.30%	217	6.59%
Income $150,000 to $199,999	17	0.62%	96	2.74%	128	3.89%
Income $200,000 or more	36	1.31%	74	2.12%	98	2.96%
Median Household Income	**$32,436**		**$46,380**		**$51,622**	
Households by HH Income by Age of Householder **Householder Age 65 to 74**	**2,425**		**3,358**		**3,902**	
Income Less than $15,000	775	31.98%	544	16.21%	572	14.65%
Income $15,000 to $24,999	484	19.98%	600	17.86%	638	16.35%
Income $25,000 to $34,999	430	17.75%	483	14.39%	570	14.61%
Income $35,000 to $49,999	363	14.99%	645	19.20%	712	18.25%
Income $50,000 to $74,999	221	9.12%	538	16.02%	648	16.61%
Income $75,000 to $99,999	86	3.53%	210	6.26%	271	6.95%
Income $100,000 to $124,999	17	0.70%	139	4.13%	177	4.54%
Income $125,000 to $149,999	22	0.89%	70	2.10%	105	2.69%
Income $150,000 to $199,999	9	0.39%	71	2.11%	116	2.98%
Income $200,000 or more	17	0.68%	58	1.72%	92	2.37%
Median Household Income	**$24,020**		**$36,204**		**$38,600**	
Households by HH Income by Age of Householder **Householder Age 75 to 84**	**1,283**		**1,826**		**1,902**	
Income Less than $15,000	590	45.95%	331	18.15%	315	16.55%
Income $15,000 to $24,999	265	20.62%	453	24.82%	444	23.35%
Income $25,000 to $34,999	197	15.35%	315	17.23%	343	18.04%
Income $35,000 to $49,999	104	8.11%	343	18.77%	348	18.32%
Income $50,000 to $74,999	67	5.24%	244	13.37%	272	14.29%
Income $75,000 to $99,999	19	1.50%	68	3.72%	80	4.20%
Income $100,000 to $124,999	9	0.73%	35	1.94%	41	2.18%
Income $125,000 to $149,999	4	0.29%	12	0.63%	18	0.96%
Income $150,000 to $199,999	9	0.69%	13	0.70%	21	1.09%
Income $200,000 or more	19	1.52%	12	0.66%	19	1.01%
Median Household Income	**$16,966**		**$29,079**		**$30,596**	

Households by HH Income by Age of Householder **Householder Age 85 and over**	**382**		**618**		**702**	
Income Less than $15,000	214	56.10%	154	24.86%	160	22.80%
Income $15,000 to $24,999	75	19.61%	184	29.82%	192	27.40%
Income $25,000 to $34,999	47	12.30%	89	14.34%	108	15.42%
Income $35,000 to $49,999	22	5.69%	96	15.46%	114	16.26%
Income $50,000 to $74,999	16	4.16%	56	9.01%	72	10.24%
Income $75,000 to $99,999	4	0.92%	18	2.93%	23	3.26%
Income $100,000 to $124,999	1	0.32%	7	1.12%	10	1.37%
Income $125,000 to $149,999	1	0.36%	6	1.03%	8	1.08%
Income $150,000 to $199,999	1	0.31%	5	0.81%	9	1.35%
Income $200,000 or more	1	0.23%	4	0.64%	6	0.82%
Median Household Income	**$13,370**		**$23,433**		**$24,925**	
Households by HH Income **Total Household**	**17,393**		**17,981**		**18,359**	
Income Less than $15,000	4,583	26.35%	2,821	15.69%	2,559	13.94%
Income $15,000 to $24,999	2,799	16.09%	2,826	15.71%	2,641	14.39%
Income $25,000 to $34,999	2,542	14.62%	2,185	12.15%	2,248	12.24%
Income $35,000 to $49,999	3,109	17.88%	2,815	15.66%	2,805	15.28%
Income $50,000 to $74,999	2,639	15.17%	3,070	17.08%	3,155	17.18%
Income $75,000 to $99,999	1,060	6.09%	1,716	9.54%	1,841	10.03%
Income $100,000 to $124,999	346	1.99%	1,161	6.46%	1,268	6.90%
Income $125,000 to $149,999	93	0.54%	655	3.64%	801	4.36%
Income $150,000 to $199,999	85	0.49%	389	2.16%	572	3.12%
Income $200,000 to $249,999	81	0.47%	150	0.84%	213	1.16%
Income $250,000 to $499,999	49	0.28%	141	0.78%	184	1.00%
Income $500,000 or more	7	0.04%	52	0.29%	73	0.40%
Average Household Income	**$38,030**		**$55,799**		**$61,039**	
Median Household Income	**$30,174**		**$41,176**		**$44,261**	
Owner Occupied Housing Units by Value **Total Owner-Occupied Housing Units**	**13,669**		**13,598**		**13,921**	
Value Less than $20,000	1,853	13.55%	772	5.68%	765	5.50%
Value $20,000 to $39,999	2,637	19.29%	1,133	8.34%	1,083	7.78%
Value $40,000 to $59,999	2,450	17.93%	1,074	7.90%	1,061	7.62%
Value $60,000 to $79,999	2,577	18.85%	1,409	10.36%	1,374	9.87%
Value $80,000 to $99,999	1,534	11.22%	1,283	9.43%	1,230	8.83%
Value $100,000 to $149,999	1,640	12.00%	2,770	20.37%	2,695	19.36%

Value $150,000 to $199,999	560	4.09%	2,304	16.94%	2,319	16.66%
Value $200,000 to $299,999	308	2.25%	1,754	12.90%	2,030	14.58%
Value $300,000 to $399,999	54	0.39%	617	4.54%	727	5.22%
Value $400,000 to $499,999	28	0.20%	231	1.70%	301	2.16%
Value $500,000 to $749,999	18	0.13%	107	0.79%	167	1.20%
Value $750,000 to $999,999	1	0.01%	55	0.40%	65	0.47%
Value $1,000,000 or more	11	0.08%	89	0.66%	103	0.74%
Value $1,000,000 to $1,499,999			36	0.26%	43	0.31%
Value $1,500,000 to $1,999,999			7	0.05%	11	0.08%
Value $2,000,000 or more			46	0.34%	49	0.35%
Median All Owner-Occupied Housing Unit Value	**$59,139**		**$119,556**		**$125,899**	
Group Quarters by Population Type*	**5,294**		**5,579**		**5,647**	
Correctional Institutions	4,988	94.22%	5,261	94.30%	5,327	94.33%
Nursing Homes	182	3.43%	190	3.41%	191	3.38%
Other Institutions	0	0.00%	0	0.00%	0	0.00%
College Dormitories	47	0.89%	48	0.87%	49	0.87%
Military Quarters	0	0.00%	0	0.00%	0	0.00%
Other Noninstitutional Quarters	48	0.92%	49	0.89%	49	0.88%
Occupied Housing Units by Tenure*	**17,532**		**17,981**		**18,359**	
Owner-Occupied	13,198	75.28%	13,598	75.63%	13,921	75.82%
Renter-Occupied	4,334	24.72%	4,383	24.37%	4,439	24.18%
Households by Tenure by Age of Householder*						
Total Households	17,532		17,981		18,359	
Owner-Occupied	**13,198**		**13,598**		**13,921**	
Householder 55 to 64 years	2,827	21.42%	2,911	21.41%	2,751	19.76%
Householder 65 to 74 years	2,353	17.83%	2,864	21.06%	3,335	23.96%
Householder 75 to 84 years	1,332	10.09%	1,534	11.28%	1,598	11.48%
Householder 85 years and over	409	3.10%	479	3.52%	545	3.91%
Renter-Occupied	**4,334**		**4,383**		**4,439**	
Householder 55 to 64 years	572	13.19%	581	13.27%	546	12.31%
Householder 65 to 74 years	410	9.46%	494	11.28%	567	12.77%
Householder 75 to 84 years	249	5.75%	292	6.66%	303	6.83%
Householder 85 years and over	97	2.24%	140	3.19%	158	3.56%

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*Census column is 2010 Data.						
**Census column is 2000 Data.						
***Percent growth figures are as follows: 2010 (2000-2010), 2018 (2010 2018), and 2023 (2018-2023).						

Engagement Letter

June 1, 2018

Alan C Plush MAI
Healthtrust Seniors Housing & Healthcare Real Estate Advisory Se
6801 Energy Court, Suite 200
Sarasota, FL34240

RE: 18-000204-01-01
Country Place Assisted Living Facility
140 McRae St, Atmore, AL36502

This letter, along with the attached "Assignment Summary", will confirm your engagement to prepare a real estate appraisal on the referenced property on behalf of The First, A National Banking Association. This engagement is subject to the specific terms and conditions outlined in the Request for Proposal in RIMS including, but not limited to the comments section and any attached Reference Documents.

The purpose of the valuation is to estimate market value as defined by the Board of Governors of the Federal Reserve System, in accordance with Title XI of FIRREA (1989). Representatives of The First, A National Banking Association may perform an administrative or technical review of the report. Your full cooperation in the review process is deemed to be an integral part of this valuation assignment.

It is mutually agreed that your completed report, in the specified number of copies, will be delivered to the undersigned on or before the date specified below, and that the total fee (including expenses) will not exceed the fee specified below. The First, A National Banking Association reserves the right to reject the report and deny payment for untimely delivery.

Date Appraisal Due: June 15, 2018 **Total Fee:** $4,000.00 (inclusive of all expenses)

Where applicable, the valuation and report are to be prepared in conformance with the requirements of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA); the Interagency Appraisal and Evaluation Guidelines; the The First, A National Banking Association Appraisal Standards; and the Uniform Standards of Professional Practice (USPAP). The report should include a statement of the exposure time implicit in the value(s).

The First, A National Banking Association reserves the right to provide a copy of the report to the borrower, the borrower's representative, or any third party The First, A National Banking Association may deem appropriate. Further, The First, A National Banking Association reserves the right to terminate this assignment at any time without any further liability or obligation owed to you, if in the judgment of The First, A National Banking Association you have failed to perform in accordance with the terms and conditions set forth in this engagement letter. You will maintain the confidentiality and privacy of customer information obtained in the course of this assignment in compliance with USPAP and Regulation P, TitleV of the Gramm - Leach - Bliley Financial Modernization Act.

Fair Lending Requirements:
In accordance with the Bank's Fair Lending policy, the appraiser is responsible for reviewing their own practices and procedures to be certain that none of their policies, practices, procedures or attitudes toward any protected class of aplicants or any part of the Bank's local market area will result in a lowering of the appraised value of the property offered as collateral for a loan. Appraisals which provide a subjective evaluation of a neighborhood's "stability", "homogeneity", "aesthetic appeal", etc. go beyond the determination of the value of the property being offered as collateral and will not be utilized. Please include a signed copy of this letter as an addendum to the completed report.

Sincerely,

Cindy Dickinson
The First, A National Banking Association

Accepted By: _____

Printed Name: Alan C. Plush

Date: 6/1/2018

Commercial Property Appraisal Engagement Summary Contract

RIMS Project No. 18-000204-01-01

Appraiser Name: Alan C Plush MAI
Appraiser Company: Healthtrust Seniors Housing & Healthcare Real Estate Advisory Se
Address: 6801 Energy Court, Suite 200, Sarasota, FL34240

Phone: **Email:** alan.plush@healthtrust.com

Project Name: Country Place Assisted Living Facility
Property Address: 140 McRae St, Atmore, AL36502
Property Type: Health Care - Other
Property Description: 18,288 SF assisted-living facility on 4.9 acres / licensed for 28 beds
Tax Parcel Information: 2609322010017.011

Access/Contact Info: Ann Gordon, Re Agent
Phone: 251-577-1600

Please accept this letter as your authorization to develop an appraisal report of the referenced property on behalf of The First, A National Banking Association. This engagement is subject to the following:

- The specific terms and conditions outlined in the Request for Proposal (RFP) in RIMS including, but not limited to, the Comments section, the supplemental Scope of Work Requirements for the subject property type and any other additional specified or Reference Documents;
- The The First, A National Banking Association Appraisal Policy and Appraisal Procedures (when applicable); and
- Any specific requirements set forth in this letter.

Delivery Date: 6/15/2018

Delivery Requirements: Please submit any requests for information to the property contact and arrange for a property inspection. If you have not received all required information or if at any time you believe the report may be delayed, contact the Job Manager stipulated below. At the discretion of the Chief Appraiser, appraisal reports that are delivered more than one week late are subject to a late charge of up to 10% of the appraisal fee. Upload an electronic copy of your appraisal report to RIMSCentral no later than the delivery date. The RIMSCentral web address is http://www.rimscentral.com.

Appraisal Fee: $4,000, inclusive of all costs necessary to complete the report. Any costs not included in the fee must be approved in advance by The First, A National Banking Association.

Environmental Concerns: Identify if the real estate being appraised is suspect from an environmental concerns standpoint for any reason. (Checklist enclosed)

Scope of Work

Intended Use: The intended use of this appraisal is for loan underwriting and-or credit decisions by Bank and-or participants

Intended User: The intended users of this report is Bank and-or affiliates

Approaches to Value: All applicable approaches

Inspection Requirements: An interior and exterior inspection of the subject property in sufficient detail to determine marketability

Additional Work Scope: None.

Report Type: Summary
Report Format: Narrative

Valuation Scenario(s):

Appraisal Premise	Premise Qualifier	Interest Appraised
Market Value	As-Is	Fee Simple

Award Comments: When completed, please upload an electronic copy of your report to http://www.rimscentral.com

Address Questions to the Job Manager: Cindy Dickinson

Phone: 601-705-1149
Email: cdickinson@thefirstbank.com

Address Final Reports to: Cindy Dickinson
The First Bank
Hattiesburg, MS 39402

Deliver Reports to:

Invoice Requirements

Please reference our RIMS Project Number and your company's Tax Identification Number on the invoice.

In addition to uploading the PDF appraisal at http://www.rimscentral.com, please upload a copy of the appraisal invoice at the same time.

Authorization

This document was created 6/1/2018 9:28:44 AM by Cindy Dickinson (CA) for The First, A National Banking Association. The user's identity has been verified and authenticated by RIMS through a secure login. The original version of this document is retained in RIMS.

Environmental Site Inspection Checklist

Borrower:		Inspection Date:	
Property Address:			
Actual/Proposed Use:			

The on-site inspection revealed the following (Indicate "poss" if possible and should have further investigation "und" for undetermined. Excluding #7, all "YES" and "POSS" responses require written comments.)

	ENVIRONMENTAL OBSERVATION	YES	POSS	NO	UND
1.	Stressed or denuded vegetation or unusual barren areas.				
2.	Discoloration, oily sheens or foul/unusual odors in water.				
3.	Storage drums.				
4.	Above or below ground storage tanks.				
5.	Evidence of petroleum or oil products.				
6.	Evidence of PCB's (electrical transformers, capacitators)				
7.	Existing structures or improvements. (If yes answer a, b, & c)				
7a	Evidence of chemical spills/leaks (stains on floor or discolored paint)				
7b	Evidence of asbestos (sprayed on fireproofing, pipe wrap, friable ceiling tiles, acoustical plaster.)				
7c	Source of air emission (smoke stacks, chimneys)				
8.	Sources of radioactive emissions.				
9.	Ground water test wells.				
10.	Waste water treatment facilities or liquid waste impoundments.				
11.	Equipments wash-down area.				
12.	Solid waste storage areas.				
13.	The property is near a flood plain, wetland or ecologically sensitive area.				
14.	Could the activities of the subject or adjacent properties pose potential environmental risks?				

Other observations or comments: _____

_____

_____

_____

In the case of existing improvements, this appraisal/inspection is not a home/building inspection, structural inspection, or pest inspection. By preparing this report, the appraiser is not acting as a home/building inspector, structural engineer or pest inspector. In performing the limited inspection of this property, areas that were readily accessible were visually observed and the review is superficial only. This inspection is not technically exhaustive and does not offer warranties or guarantees of any kind. It is advised to have the structure inspected by an inspector that offers such warranted or guaranteed inspection if there is any concern regarding adverse or negative conditions.

Based on the on-site inspection, information provided to me by the property owner and/or the evaluation of known environmental factors,

_____ NO FURTHER ACTION IS RECOMMENDED

_____ FURTHER ACTION IS RECOMMENDED

_____ _____

Inspector's Signature Date

Appraiser Qualifications

Alan C. Plush, MAI

CEO
HealthTrust
6801 Energy Court, Suite 200
Sarasota, FL 34240
941.363.7501 T
941.363.7525 F
alan.plush@healthtrust.com

EXPERIENCE

Mr. Plush specializes exclusively in Healthcare and Retirement valuation throughout the United States. He is currently CEO of HealthTrust, LLC following its spin-off from PricewaterhouseCoopers, where he was the national director of the Healthcare Valuation group for over three years. Prior to this, Mr. Plush was the owner and president of Gulf/Atlantic Valuation Services, Inc., which was purchased by PricewaterhouseCoopers in August 1999. In 1986, Mr. Plush began specializing in the appraisal of a large number of healthcare properties. With a foundation in the appraisal of adult congregate living facilities and nursing homes, his specialized expertise has grown substantially. To date, he has participated in the appraisal of thousands of nursing homes, congregate care facilities, continuing care retirement centers, and hospitals throughout the U.S.

Mr. Plush holds an MAI designation and a seat on the Executive Board of ASHA. He has written a variety of articles on industry topics, regularly serves as an expert witness in court proceedings and is often a guest speaker at banks and industry conferences such as NIC, ALFA, and ASHA.

LICENSES

Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Virginia, Washington, West Virginia, Wyoming.

EDUCATION

Mr. Plush is a graduate of the University of Florida where he received a Bachelor of Science in Business Administration in 1981. Since then, Mr. Plush has completed numerous Appraisal Institute courses and attended related seminars for continuing education.

SPEAKING ENGAGEMENTS

National Medicaid/Medicare Conference, Sarasota, FL (Contributor/Sponsor)
National Investment Conference (NIC), Washington DC (Contributor/Sponsor)
2b Alive Mexico IL/AL Industry Summit & Expo, La Jolla, CA (“Valuation of Healthcare/Senior Housing Assets”)
N.C. Healthcare Association (“Market Trends for Healthcare and Senior Housing Assets”)
NIC Western Regional Conference, Las Vegas, NV (“Valuation Trends of Healthcare/Senior Housing Assets”)
IAAO annual conferences, Miami Beach, FL (“Valuation Issues for Assessment of Senior Housing/Healthcare Facilities”)
IAAO, Florida Chapter, Clearwater, FL (“Valuation Issues for Assessment of Senior Housing/Healthcare Facilities”)
Commercial Property News, New York, NY (“Seniors Housing Symposium”)

6801 Energy Court, Suite 200, Sarasota, FL 34240 T: 941.363.7500 F: 941.363.7525

SPEAKING ENGAGEMENTS (Continued)

Information Management Network, New York, NY ("Seniors Housing Finance Symposium")
National Association of Real Estate Financial Intermediaries Annual Meeting ("Transaction Overview…")
Massachusetts ALFA, Boston, MA ("Development Trends in the Assisted Living Industry")
Essex County Assessor's Meeting, Danvers, MA (""Valuation Techniques for Assisted Living Properties")
ALFA Spring Conference, Phoenix, AZ ("Transaction Survey of Congregate and Assisted Living Industries")
Appraisal Institute, Boston Chapter, Boston, MA ("Healthcare and Retirement Property Appraisal Seminar")
Plymouth County Assessor's Meeting, Duxbury, MA ("Assessing Healthcare and Retirement Properties")
IAAO annual conferences, Seattle, WA ("Methods Used to Appraise Healthcare and Retirement Properties")

PUBLISHED ARTICLES

Seniors Housing Business, 2014 ("No Sign of Development Bubble, Only Pockets of Trouble")
Seniors Housing Business, 2013 ("A Roadmap to Valuing CCRCs")
Co-author and contributor to The State of Seniors Housing, published by ASHA, NIC, AAHSA, 2000 - Current
Co-author with ASHA of the annual survey of transactions and economic indicators, 2002
Co-author with ASHA of the Seniors Housing Absorption Study, 2000
Co-author with ALFA and ASHA for 1997, 1998 and 1999 survey of transactions and economic indicators
The Appraisal Journal, Appraisal Institute, July 1995 ("USPAP Competency Provision and the Appraisal of Healthcare/Retirement Facilities")
Force Financial, Quarterly Newsletter, 1995 ("The Impact of Assisted Living on CCRCs")

APPEARANCE AS AN EXPERT WITNESS

ILC, Federal Bankruptcy Court, Chicago, Illinois - 2010
SNF, U.S. District Court of Eastern District of Pennsylvania - 2009
CCRC, Tax appeal case, Atlanta, Georgia - 2008
SNF, Federal Bankruptcy Court, Tampa, Florida - 1999
IL/AL, Superior Court, Lansing, Michigan - prior to 2000
SNF, Circuit Court, Polk County, Florida - prior to 2000
Circuit Court, Duval County, Florida - prior to 2000

MEMBERSHIPS/AFFILIATIONS

MAI designation by the Appraisal Institute (#8701)
State of Florida Building Contractor Class B (Inactive) CB C035068
Investment Committee, SHP Investments (on behalf of CalPers Investment Fund), 2002-2007
American Seniors Housing Association (ASHA), 2001-present

State of Alabama

This is to certify that

Alan Curtis Plush

having given satifactory evidence of the necessary qualifications required by the laws of the State of Alabama is licensed to transact business in Alabama as a

Certified General Real Property Appraiser

With all rights, privileges and obligations appurtenant thereto.

LICENSE NUMBER: **G00502**
EXPIRATION DATE: **09/30/2019**

Lisa Brooks Executive Director
ALABAMA REAL ESTATE APPRAISERS BOARD

000005333

Anthony W. Carter, MAI

Managing Director
HealthTrust
3008 7th Avenue South
Birmingham, AL 35233
205.320.7523 T
205.320.7595 F
tony.carter@healthtrust.com

EXPERIENCE

In 1998, Mr. Carter began specializing exclusively in the appraisal of healthcare properties when he joined Alan Plush with Gulf Atlantic Valuation Services. The company soon became PricewaterhouseCoopers' Global Valuation Group and Mr. Carter helped establish the Atlanta regional office. During this time, he traveled extensively throughout the United States completing healthcare appraisals and market feasibility studies. Within 4 years he was promoted to senior associate at PricewaterhouseCoopers. In early 2003, he departed from PricewaterhouseCoopers' along with the principals who formed HealthTrust, LLC. Subsequently, he took on the responsibility of managing the Birmingham office of HealthTrust, LLC and became the youngest Director within the company. Soon after, he was promoted to Managing Director and most recently, Mr. Carter received his MAI designation in 2012. His hard work and depth of knowledge are credits to his rapid rise from entry level positions in the industry to partner of one of the largest healthcare appraisal groups in the United States and Canada.

As one of six partners, his present focus involves business generation, overseeing complex appraisal portfolios and managing the Birmingham team. Mr. Carter was instrumental in developing and implementing the company's extensive HUD MAP program. He continues to be involved with providing valuation and consulting services for the most active lenders, operators, and investors in this industry. Further, he manages the appraisal process of some of the largest portfolios completed in the industry and typically supervises the development of 250+ appraisals each year.

LICENSES

Alabama, Colorado, Illinois, New York, Pennsylvania, Tennessee, Texas, Virginia

EDUCATION

Mr. Carter is a graduate of Samford University in Birmingham, Alabama where he received a Bachelor of Arts in Accounting in 1996. Since then, Mr. Carter has completed numerous Appraisal Institute courses and attended related seminars for continuing education.

MISCELLANEOUS

MAI designation by the Appraisal Institute (#428362)

State of Alabama

This is to certify that

Anthony Wayne Carter

having given satisfactory evidence of the necessary qualifications required by the laws of the State of Alabama is licensed to transact business in Alabama as a

Certified General Real Property Appraiser

With all rights, privileges and obligations appurtenant thereto.

LICENSE NUMBER: **G00782**
EXPIRATION DATE: **09/30/2019**

Lisa Brooks Executive Director
ALABAMA REAL ESTATE APPRAISERS BOARD

000006045