

Value Tech
Realty Services, Inc.

SELF-CONTAINED (LIMITED) APPRAISAL OF:

Barcelona Landings

A proposed 26-Unit Senior Community
Located at 6210 Land O' Lakes Boulevard
Land O' Lakes, Florida 34638

PREPARED FOR:

Enterprise Community Investment, Inc.

6340 Sugarloaf Parkway, Suite 200
Duluth, Georgia 30097

PREPARED BY:

Value Tech Realty Services, Inc.

240 Crystal Grove Boulevard
Lutz, Florida 33548

VALUATION DATE:

February 11, 2009

DATE OF REPORT:

February 17, 2009

VALUE TECH REALTY SERVICES, INC.

FILE NUMBER: 2009-005

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

February 17, 2009

Ms. Chanda Tye
Enterprise Community Investment, Inc.
6340 Sugarloaf Parkway, Suite 200
Duluth, Georgia 30097

RE: Self Contained (Limited) Appraisal of Barcelona Landings, a proposed 26-Unit Senior Community located at 6210 Land O' Lakes Boulevard Land O' Lakes, Florida 34638

Dear Ms. Tye:

At your request, we prepared a Self-Contained (Limited) Appraisal of the above-referenced property. The subject property is further described and identified by legal and narrative descriptions within the text of the following report. The purpose of this Limited Appraisal was to estimate the revenue, expenses and net operating income for the subject under the hypothetical "as-if-stabilized" condition.

The term "Limited" is utilized to conform with the instructions in the MAP Guide 7.4.A2 and should not be assumed by the reader to have the meaning prescribed by obsolete provisions of older USPAP regulations.

The subject is to be financed under the HUD 231 program which is age restricted for elderly persons 62 years and older. There are no senior rental communities like the subject in the market area. The existing senior apartment communities in the region are income restricted projects.

The subject is a proposed market rate 26-Unit Senior Community for active adults, 62 years of age and above located in Pasco County, Florida. The property is expected to be well-designed to attract the senior resident. The subject will be the only senior rental product available in the primary market.

After a thorough search of the market, it was determined that the only option for seniors that do not require personal care but have some desire and/or need for a rental community is independent living facilities. These communities cater to seniors providing a variety of enhanced services often including one or more meals, housekeeping and flat linen laundry. Independent living units are not licensed to provide personal care. The appraisal recognizes that there may be over-lap between the subject property's senior orientation and independent living facilities.

The subject's market is defined by the area between the Veterans Expressway on the west and Interstate 75 on the east; County Line Road on the south and the Pasco/Hernando County line to the north. This area encompasses the greater Land O' Lakes area. The subject is located on the central portion of the defined market.

There are no independent living facilities in the defined market. The closest independent living community is Merrill Gardens of Lutz which is located approximately 10 miles south along Highway 41 in Hillsborough County.

The subject will not include meals, housekeeping, linen service or healthcare in rent, but will help residents coordinate these services. It is a special assumption to this limited appraisal that meals, housekeeping, linen service and access to home-healthcare services will be provided by a social/concierge staff member. The payroll of this person is part of the operation. However, the cost of these services is outside the estimate of rent.

Estimates of revenue incorporated market rents. Independent Living facilities were utilized as rent comparables because they provide the most similar product. Deductions were made to the Independent Living Facilities for meals, health care and any other service not provided at the subject if included in the rent.

The subject is a senior-oriented apartment community. There are no similar senior communities in the market. As a result, expense comparables utilized include Independent Living and/or Assisted Living facilities from outside the geographical area. These expenses were adjusted to exclude the costs associated with services not provided at the subject such as removing dietary, housekeeping, laundry, and personal care costs. Estimates of operating expenses incorporated typical categories with reliance placed on the financial comparables.

This Limited Appraisal is supportive and consistent with the attached Form-HUD-92264, Operating Expense Analysis Worksheet and Form-HUD-92273, Estimates of Market Rent by Comparison. Our analyses and forecasts resulted in an estimate of revenue and expenses, which are based upon assumptions, limiting conditions, and definitions presented in this report.

We appreciate the opportunity to provide appraisal services to Enterprise Community Investment, Inc.

Respectfully submitted,

VALUE TECH REALTY SERVICES, INC.

Kay C. Kauchick, MAI
President
State-Certified General Appraiser RZ0002066 (FL)

KCK:ggw
2009-005

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Certificate of Self-Contained (Limited) Appraisal

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and is our personal, unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- 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 prepared in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.
- This report has been prepared in compliance with the Office of Thrift Supervision of the Department of Treasury's Regulation 12 CFR Part 564, the Uniform Standards of Professional Appraisal Practice and the Office of the Comptroller of Currency (OCC) Regulation Pas 12 CFR, 34.44, written appraisal guidelines.
- This Appraisal conforms to the Standards required by 12 U.S.C. Part 34.4 etc. issued pursuant to Title XI of the Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA).
- Kay Kauchick, MAI and Jonathan Hurt conducted a physical inspection of the subject, market and the comparables indicated. Paul Kovah and Jonathan Hurt provided assistance in the preparation of this limited appraisal. No other persons provided significant assistance in the preparation of this report.
- We certify that, to the best of our knowledge and beliefs, the reported analyses, opinions, and conclusions were developed and this report prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- As of the date of this report, Kay Kauchick, MAI, completed the continuing education program of the Appraisal Institute. She obtained her HUD MAP training in October 2000.
-
- We certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

This Self-Contained (Limited) Appraisal is not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

Respectfully submitted,
VALUE TECH REALTY SERVICES, INC.

Kay C. Kauchick, MAI
President
State-Certified General Appraiser RZ0002066 (FL)

**APPRAISER CERTIFICATION FOR HUD
PROPOSED BARCELONA LANDINGS, LAND O' LAKES, FLORIDA**

I understand that my Self-Contained (Limited) Appraisal will be used by Enterprise Community Investment, Inc. to document to the U.S. Department of Housing and Urban Development that the MAP Lender's application for FHA multifamily mortgage insurance was prepared and reviewed in accordance with HUD requirements. I certify that my report was in accordance with the HUD requirements applicable on the date of my report and that I have no financial interest or family relationship with the officers, directors, stockholders, or partners of the Borrower, the general contractor, any subcontractors, the buyer or seller of the proposed property, or the architect, or engage in any business that might present a conflict of interest.

I have been employed by the MAP Lender under contract for this specific assignment (limited appraisal) and I have no other side deals, agreements, or financial considerations with MAP Lender or others in connection with this transaction.

Signature 2/13/2008
Date

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

Executive Summary

Property Name: Barcelona Landings

Property Identification -
Street Address: 6210 Land O' Lakes Boulevard
Municipality: Land O' Lakes
County: Pasco
State: Florida
Zip: 34638

Congressional District: FL-5
Census Tract -
State Code: 12
MSA Code: 45300
County Code: 101
Tract/BNA Code: 0319.00

Purpose of the Limited Appraisal: To estimate the "as if stable" revenues and expenses of the proposed project.
Property Rights Appraised: Fee Simple Interest

Pertinent Dates -
As Is: February 11, 2009
Report Date: February 17, 2009

Certification -
Certified Appraiser: Kay Kauchick, MAI
Certification Number: 0002066
Certification Type: State-Certified General Real Estate Appraiser (FL)

Site Summary -
Site Size (Acres): 2.83
Site Size (SF): 123,275
Shape: Irregular
Zoning: C-2 Specific Use (Only C-1 Uses are Permitted)
Zoning Compliance: Legally Conforming Use
Utilities: All Available

Flood Hazard Zone -

Zone:	Zone A
Panel Number:	1202300425E
Panel Date:	September 30, 1992
Flood Insurance Required:	Yes
Source:	FEMA

Improvement Summary -

Property Type:	Senior Apartments with Services
Care Provided:	None
Year of Construction:	2009
Construction Type:	Class C
Gross Building Area (SF):	25,000
Number of Buildings:	1
Number of Stories:	3
Number of Units:	26
Number of Parking Spaces	26

Operation Summary -

Residents at Inspection	Proposed Property
Forecasted Occupancy:	94.00%
Forecasted EGI:	\$540,312
Forecasted Expenses:	\$227,373
Forecasted NOI:	\$312,939
Forecasted Profit Margin:	57.9%

Unit Mix:

PHYSICAL BUILDING				
Unit Type	Number of Units	Square Footage	Percent of Total GBA	Total Square Feet
One Bedroom	18	611	44.0%	10,998
Two Bedroom Two Bath	8	904	28.9%	7,232
Totals			72.9%	18,230
Plus Common Areas			27.1%	6,770
Total Gross Building Area				25,000

Estimated Market Rent

SUBJECT'S RATE STRUCTURE					
Barcelona Landings					
Unit Type	Number of Units	Square Footage	Concluded Rent	Monthly Potential Rental Revenue	HUD 60% Range
One Bedroom	18	611	\$1,650	\$29,700	\$1509 to \$1892
Two Bedroom Two Bath	8	904	\$2,275	\$18,200	\$2108 to \$2514
Total Monthly Rental Income	26	701	\$1,842	\$47,900	
Gross Potential Annual Rental Income				\$574,800	

Market Support

Yes

Conditions:

This Limited Appraisal is subject to the General Assumptions, General Limiting Conditions, Special Conditions, and Certificate of Limited Appraisal contained within this report. We reserve the right to modify the conclusions contained herein in the event of changes in the proposed construction plans.

Definitions

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

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

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

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

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

Household

A household includes all the people who occupy a housing unit as their usual place of residence.

Householder

The person, or one of the people, in whose name the home is owned, being bought, or rented.

If there is no such person present, any household member 15 years old and over can serve as the householder for the purposes of the census.

Two types of householders are distinguished: a family householder and a non-family householder. A family householder is a householder living with one or more people related to him or her by birth, marriage, or adoption. The householder and all people in the household related to him are family members. A non-family householder is a householder living alone or with nonrelatives only.

Family household (Family)

A family includes a householder and one or more people living in the same household who are related to the householder by birth, marriage, or adoption. All people in a household who are related to the householder are regarded as members of his or her family. A family household may contain people not related to the householder, but those people are not included as part of the householder's family in census tabulations. Thus, the number of family households is equal to the number of families, but family households may include more members than do families. A household can contain only one family for purposes of census tabulations. Not all households contain families since a household may comprise a group of unrelated people or one person living alone.

Housing unit

A house, an apartment, a mobile home or trailer, a group of rooms, or a single room occupied as separate living quarters, or if vacant, intended for occupancy as separate living quarters. Separate living quarters are those in which the occupants live separately from any other individuals in the building and which have direct access from outside the building or through a common hall. For vacant units, the criteria of separateness and direct access are applied to the intended occupants whenever possible.

Accrued Depreciation

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

Appraisal

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

Business Value

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

Deferred Maintenance

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

Direct Capitalization

A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor.

Effective Date of the Appraisal

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

Entrepreneurial Profit

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

Exposure Time

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

Fee Simple Estate

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

Going-concern Value

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

Gross Building Area (GBA)

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

Highest and Best Use

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

Insurable Value

The Appraisal Institute defines insurable value as the value based on the replacement and/or reproduction cost of physical items that are subject to loss from hazards. It is that portion of an asset or asset group that is acknowledged or recognized under the provisions of an applicable loss insurance policy. *Marshall & Swift* defines insurable value as the “replacement or reproduction cost less deterioration and non-insurable items.” (*MVS and Dictionary*)

Investment Value

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

Leased Fee Estate

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

Leasehold Estate

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

Market Value

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

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

Marketing Period

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

Replacement Cost

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

Reproduction Cost

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

Use Value

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

Background Information

Identification of the Subject

The subject is a proposed senior community that will be located on a 2.83 acre tract of land at 6210 Land O' Lakes Boulevard, Land O' Lakes, Florida.

Intended Use of the Limited Appraisal

The purpose of the Appraisal is to estimate the revenue, expenses, and net operating income for the subject under the hypothetical "as-if-stabilized" scenario.

Intended User of the Limited Appraisal

This Limited Appraisal is to be used by Enterprise Community Investment, Inc. and the Department of Housing and Urban Development (HUD) in processing a loan under the HUD MAP 231 program.

Pertinent Dates

The Appraisal is dated on the last date market information was secured, February 11, 2009. Preparation of the written report was completed on February 17, 2009.

Scope of Work, Market Research and Appraisal Procedures

Standards Rule 2-2(a;viii) of the Uniform Standards of Professional Appraisal Practice requires that all appraisals "describe the information analyzed, the appraisal techniques employed, and the reasoning that supports the analyses, opinions, and conclusions." Effective July 1, 2006, the new Scope of Work rule was added that emphasizes that each appraisal "must include the research and analyses that are necessary to develop credible assignment results."

Note: This appraisal is prepared to comply with the Pre-Application reporting instructions in the MAP Guide and is subject to Jurisdictional Exceptions to comply with these instructions.

The appraisal provides a complete analysis of the subject and market. The scope of work in the appraisal process are as follows:

Scope of Work						
Identification of real estate	Identification of property rights to Be valued	Use of Appraisal	Definition of value	Date of value estimate	Description of scope of Appraisal	Other limiting conditions

I

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

I

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

I

Revenue and Expense Estimate

I

Report of Defined Value

This report is intended to comply with HUD’s requirements of a Self-Contained (limited) appraisal; thus, only estimates of revenue and expenses are provided.

Inspection

Kay Kauchick, MAI, and Jonathan Hurt conducted a detailed physical inspection of the subject, comparables and market area. The last date of inspections and/or obtaining market research was February 11, 2009.

Data Collection

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

General Data—General data concerns the social, economic, governmental, and environmental forces that impact property values. General data presented in this market study/appraisal is found in the Area Description and Analysis and the Neighborhood Description and Analysis Sections. We gathered general

data from a variety of sources and publications as noted in the analyses. General data concerning the neighborhood is also based upon observations made during our inspection of the neighborhood.

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

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

Competitive Supply and Demand Data—Interviews were conducted of properties similar to the subject. They report strong occupancy. Thus, the market appears to be able to support the subject.

Compliance

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

USPAP contains a “Jurisdictional Exception” which permits appraisers to deviate from the standards created by *USPAP* where those standards are contrary to law or public policy. These provisions illustrate that *USPAP* contemplates that the appraiser may be subject to certain statutory requirements (such as LIHPRHA) that supersede *USPAP*. There are no provisions in *HUD's Appraisal Guidelines* that are inconsistent with the “binding requirements” of *USPAP*. Wherever the final guidelines differ from otherwise applicable provisions in *USPAP*, they do so in a manner consistent with either *USPAP's* departure provision or Supplemental Standards provision.

Competency

Kay Kauchick, MAI, and Jonathan Hurt have analyzed apartments and healthcare in numerous locations throughout the United States. Ms. Kauchick obtained her HUD MAP training October 2000 and her LEAN training in June 2008.

Assumptions and Limiting Conditions

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

General Assumptions

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

- The Americans with Disabilities Act (ADA) became effective January 26, 1992. Noncompliance with the ADA could cause a loss in value. Unless otherwise stated in this report, Value Tech Realty Services, Inc. has made the assumption that the subject will be constructed in conformance with all applicable ADA requirements.

General Limiting Conditions

- Possession of this report, or a copy thereof, does not carry with it the right of publication.
- The appraiser herein by reason of this report is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
- Neither all nor any part of the contents of this report (especially any conclusions as to market support and/or value estimates, the identity of the appraiser or that with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.

Specific Assumptions and Limiting Conditions

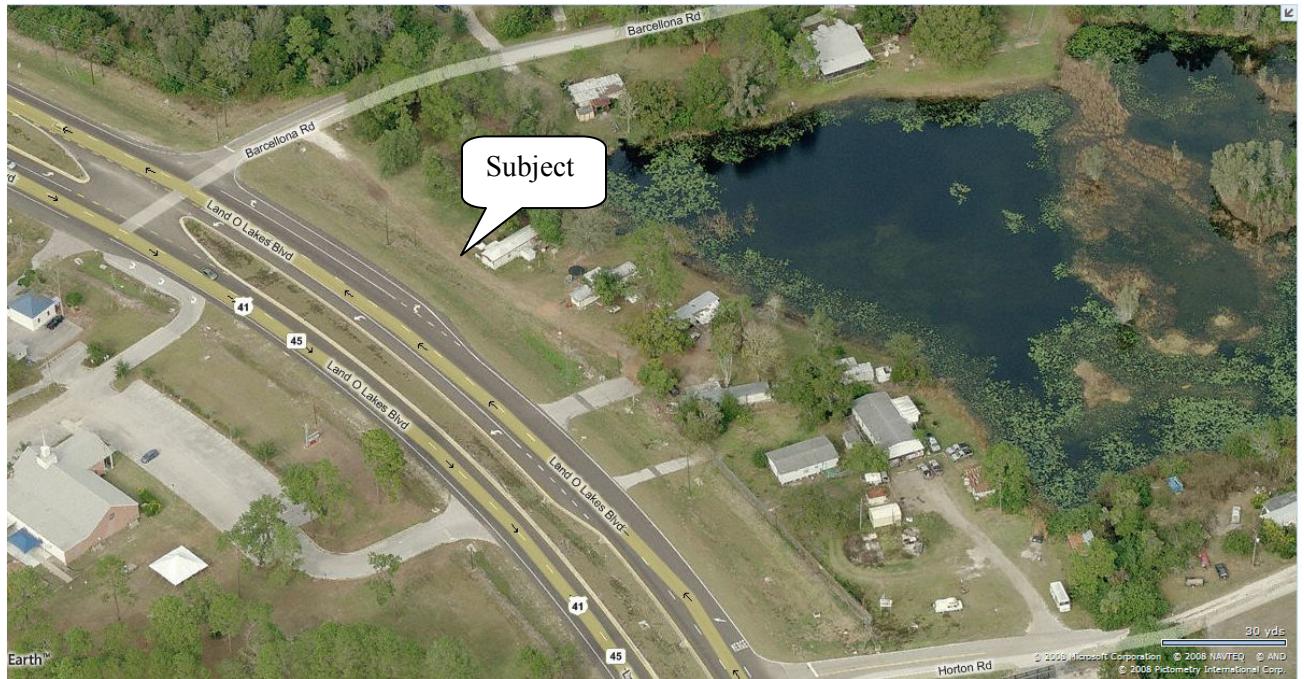
This report has also been made subject to the following specific assumptions and limiting conditions:

- We assume that the project will be constructed as proposed and maintained in a good condition;
- We assume that the subject will be aggressively marketed and professionally managed;
- We assume the subject will assist seniors in their ability to easily and conveniently obtain assistance from third party providers with instrumental or healthcare services;
- We assume that access to meals will be available to seniors through a third party provider with cost borne by the resident outside rent;
- We assume transportation will be provided as necessary to meet the needs of the senior resident.
- We assume the project will have security provided through cameras and monitoring.

Hypothetical Assumption

This report has also been prepared incorporating the hypothetical assumption that the subject property is constructed and stabilized as proposed. The valuation for a market rent scenario further incorporates the assumption that the project is not under any rental rate or household income restrictions.

Project Description



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

SITE DESCRIPTION					
Location:	6210 Land O' Lakes Boulevard				
Frontage:	431.54' along Land O' Lakes Blvd.	Shape	Irregular		
Depth:	Varies	Excess Land:	None		
Site Size	2.83 acres	Topography	Sloping front to back		
Usable Area	2.83 acres	Zoning Code	C-2 Specific Use (Only C-1 Uses are Permitted)		
	Excellent	Good	Average	Fair	Poor
Access		X			
Drainage		X			
Function/Utility		X			
Landscaping		X			
Shape		X			
Street Frontage		X			
Traffic Pattern		X			
Traffic Volume		X			
Utilities		X			
Comment	This property is located in an area that is developed primarily with commercial, residential and residential support services.				
	Yes	No	Yes	No	
Alley/Access Road		X	Corner Lot	X	
Curbs and Gutters		X	Underground Utilities	X	
Electric	X		Assume Adequate Soils	X	
Gas	X		Environmental Issues		X
Lighting	X		Development Limitations		X
Public Sewer		X	Easements/Restrictions	X	
Sidewalks		X	Flood Plain Information		
Storm/Drainage		X	Zone:	Zone A	
Paved, Public Streets	X		Panel Number:	1202300425E	
Public Water		X	Panel Date:	30-Sep-92	
Comments: Items checked “yes” above relating to development limitations, environmental issues, and/or easements/restrictions are discussed further in the text. Flood Zone A is an area inundated by 100 year flooding, for which no Base Flood Elevations have been established.					

The subject currently has five mobile homes located on it that will be removed prior to construction. The site has a lake frontage. The land will be improved to include curbs, gutters, sidewalks and access to all utilities.

Location and Access

The subject property is irregular in shape and sits slightly below road grade. The property fronts the east side of Land O’ Lakes Boulevard which is also known as Highway 41. Highway 41 runs north/south through the County into Hillsborough County to the south and Hernando County to the north. Highway 41 is a major commercial corridor and provides convenient access to the surrounding area.

Area and Dimensions

According to the developer, the subject site is 2.83 acres in size. The subject site has approximately 431.54 feet of frontage along Land O' Lakes Boulevard.

SUBJECT PHOTOS



FACING SUBJECT (EAST)



ACROSS FROM SUBJECT (WEST)



LOOKING SOUTH OF SUBJECT



LOOKING NORTH OF SUBJECT

Topography & Drainage

The subject site is slightly below road grade. Overall, the site is generally level where the building will be located. Drainage appears to be adequate.

Soil and Subsoil

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

Flood Hazard Statement

The subject is located in Panel Number 1202300425E dated September 30, 1992. According to maps published by the Federal Emergency Management Agency (FEMA), the subject property is located in a Zone A flood zone. This is an area inundated by 100 year flooding for which no Base Flood Elevations have been established. Flood insurance is required in this zone.

Utilities and Services

UTILITIES AND RELATED SERVICES	
Water:	Pasco County
Sewer:	Pasco County
Gas	TECO Peoples Gas
Electricity:	Progress Energy
Telephone:	Verizon Communications
Police:	Pasco County Sheriff's Office
Fire:	Pasco County Emergency Service

Zoning

The zoning information for the subject is as follows:

ZONING INFORMATION	
Zoning:	C-2 Specific Use (Only C-1 Uses are Permitted)
Minimum Lot Size	15,000 square feet
Minimum Lot Width (Ft.)	90 feet
Maximum Height (Ft.)	60 feet
Front Setback	25 feet
Side Setback	20 feet
Rear Setback	30 feet
Required Parking	One space per bed; One space per employee on largest shift
Source: Pasco County Zoning Department	

C-2 zoning was obtained to allow for more height on the building, but only C-1 uses are permitted. The subject will be a legally conforming use under the current zoning.

Easements

No easements were noted that would adversely affect the subject. There are easements for typical utilities, signs, and access.

Noise

No noise concerns were observed during the time of inspection.

Hazardous or Toxic Materials

During our visual inspection of the subject, we did not observe any hazardous substances. We are not experts, however, in determining the presence of hazardous substances, defined as all hazardous or toxic wastes, pollutants, or contaminants (including asbestos, PCB, or raw materials) either used in construction or stored on the property.

Conclusion/Comments

The amenities and design of the facility are typical for senior communities in the subject's market. The location of the property is good. There is good exposure to the subject and the site is sufficient in size to accommodate the improvements. Residential support services are nearby. The site is relatively level where the building will be located with no significant constraints impacting the development potential of the property.

Improvement Description

Type and Size

The community will consist of 26-units with a mix of one and two bedroom models. The one bedroom units are 611 square feet and the two bedroom units are 904 square feet. The apartments will be located in one three-story building with elevator access. The building is an open air design with interior resident hallways and unit entrances on the top floor and exterior entrances for the four bottom units. The total square footage of the building is 25,000 square feet. The unit mix is as follows:

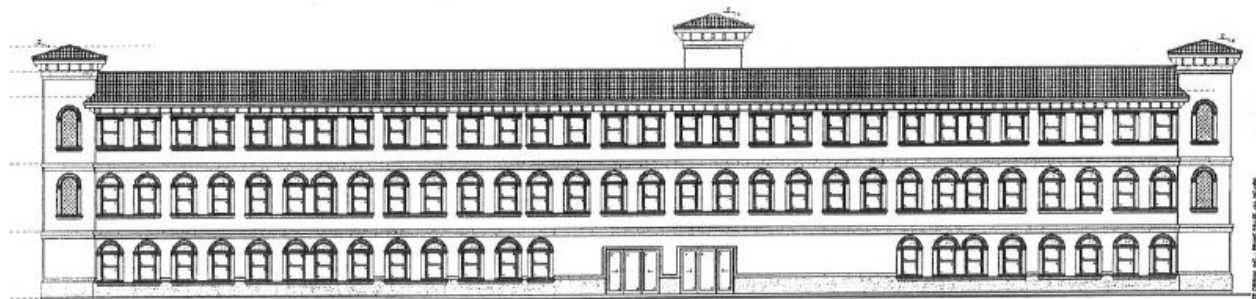
PHYSICAL BUILDING				
Unit Type	Number of Units	Square Footage	Percent of Total GBA	Total Square Feet
One Bedroom	18	611	44.0%	10,998
Two Bedroom Two Bath	8	904	28.9%	7,232
Totals			72.9%	18,230
Plus Common Areas			27.1%	6,770
Total Gross Building Area				25,000

Illustrated below are the front and rear views of the proposed building:

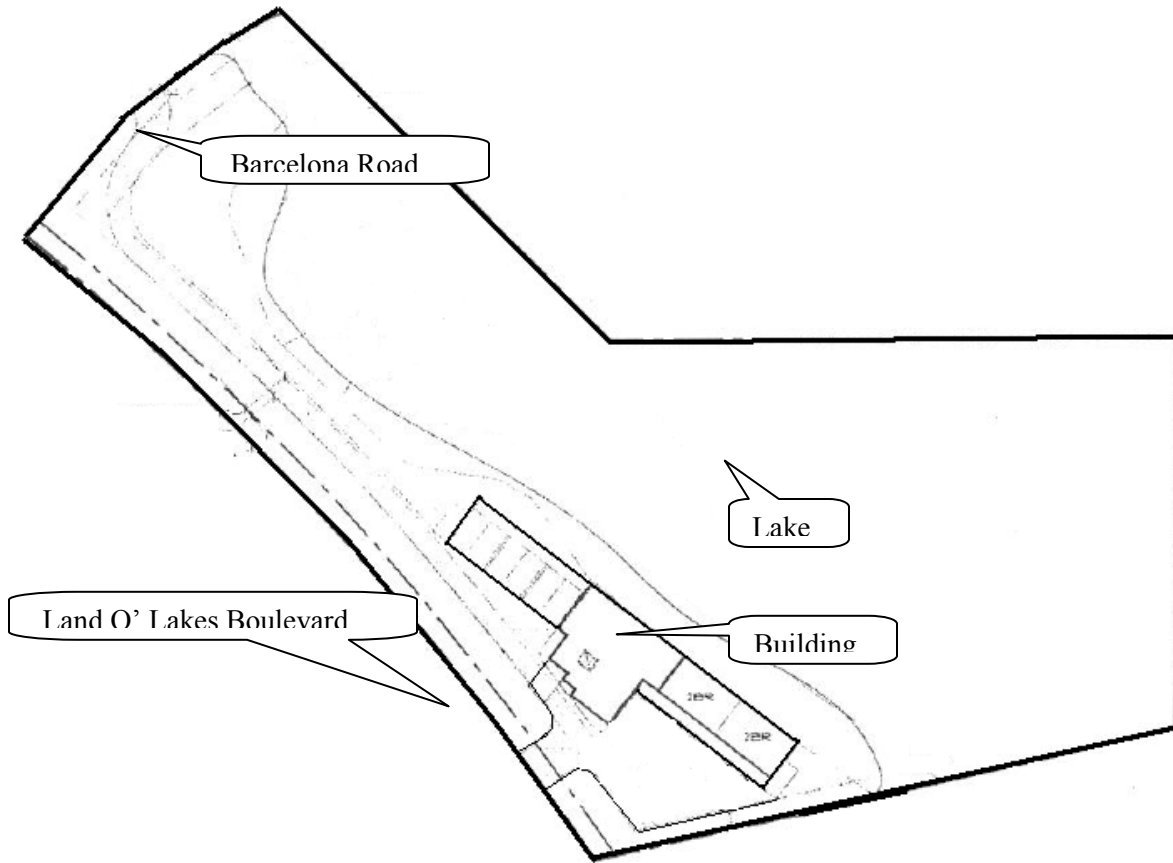
Front View



Rear View



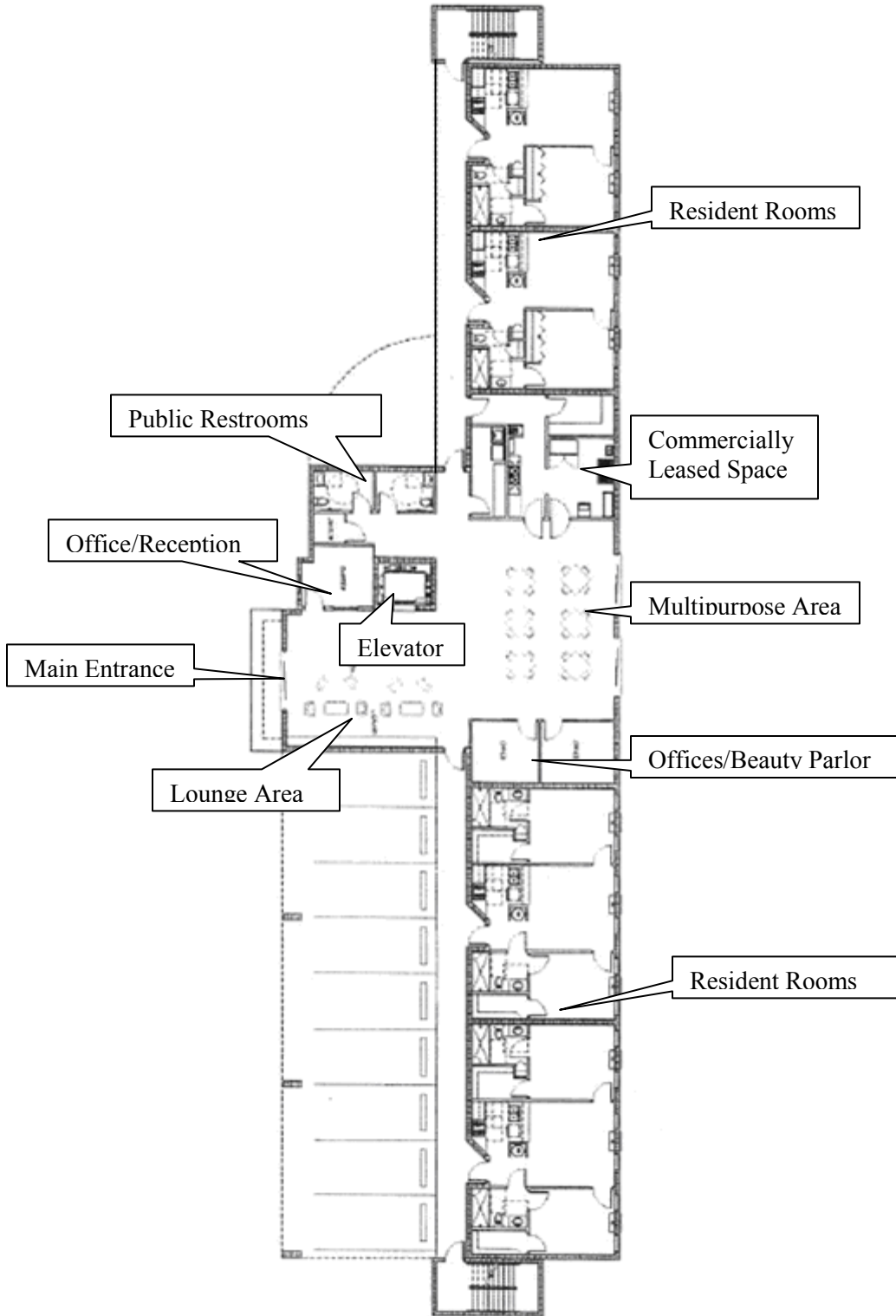
The overall site layout is shown below:



Ingress and egress will be from Land O' Lakes Boulevard. There will be no left turn access onto or off of Land O' Lakes Boulevard.

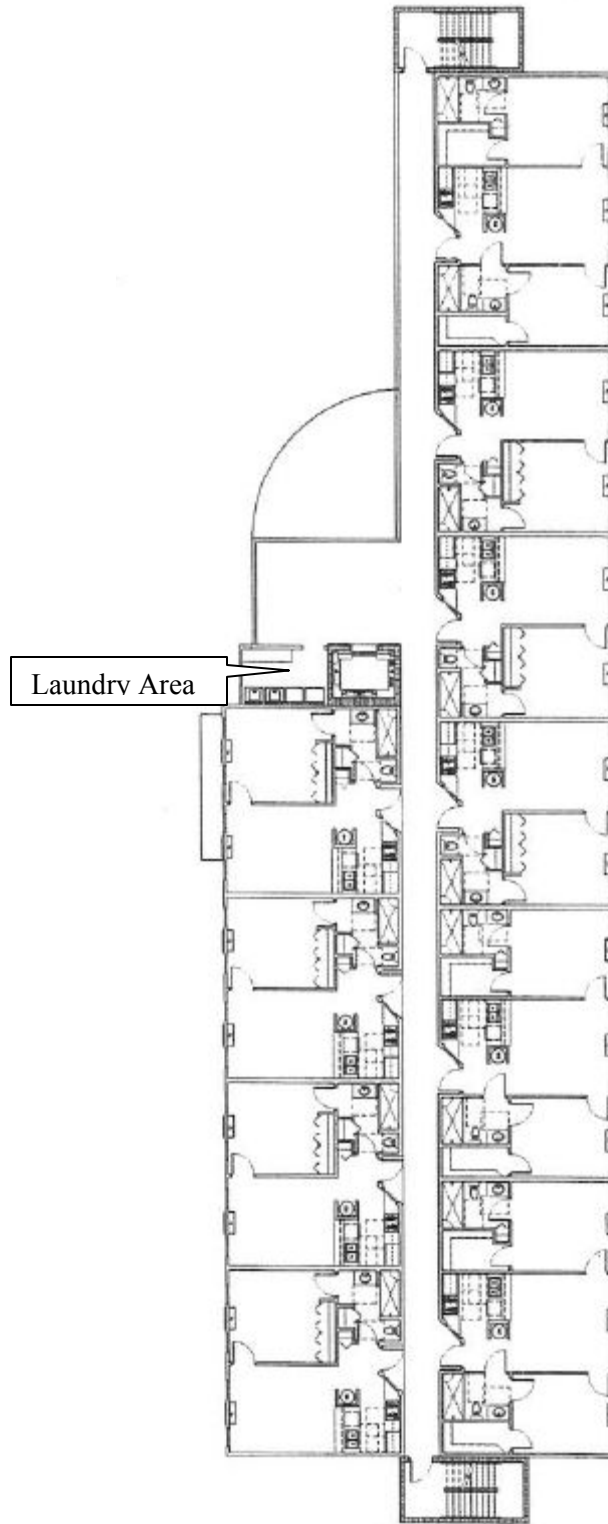
Floor Layouts

First Floor



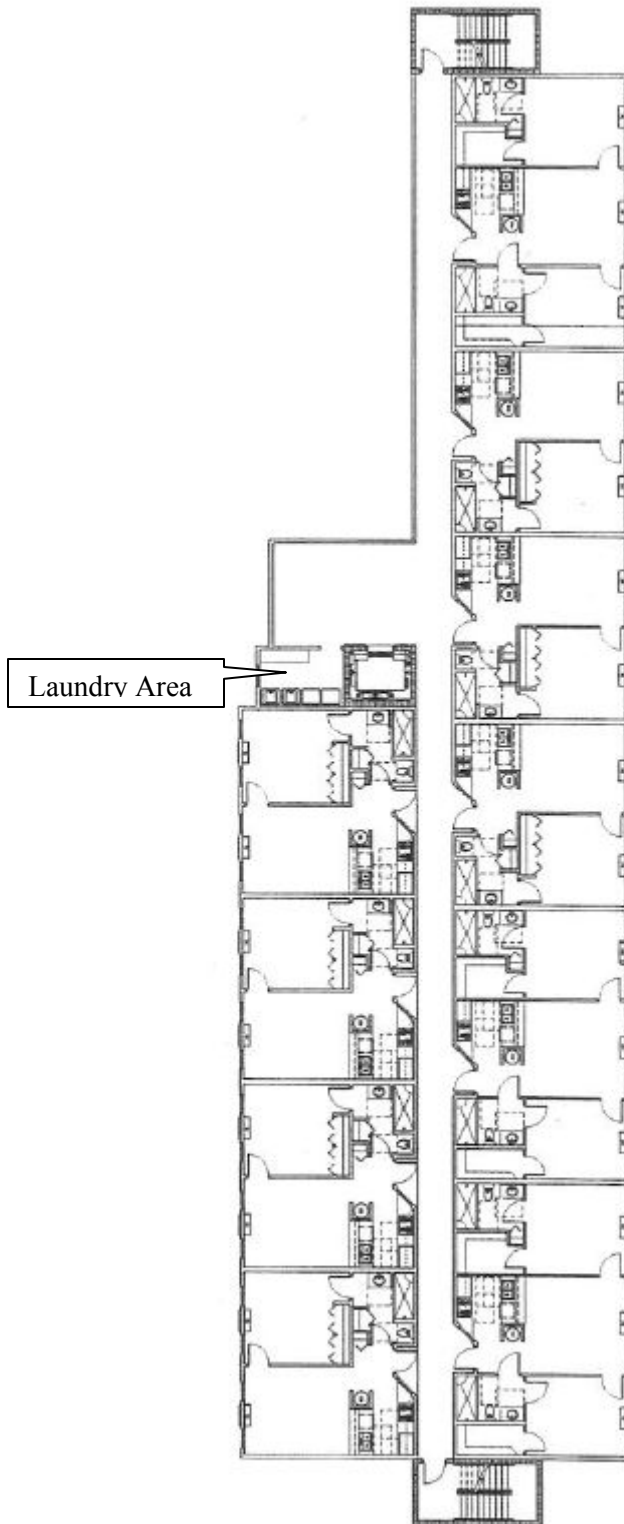
All common areas and amenities will be located on the first floor.

Second Floor



The second floor houses resident rooms and also has a common laundry area.

Third Floor

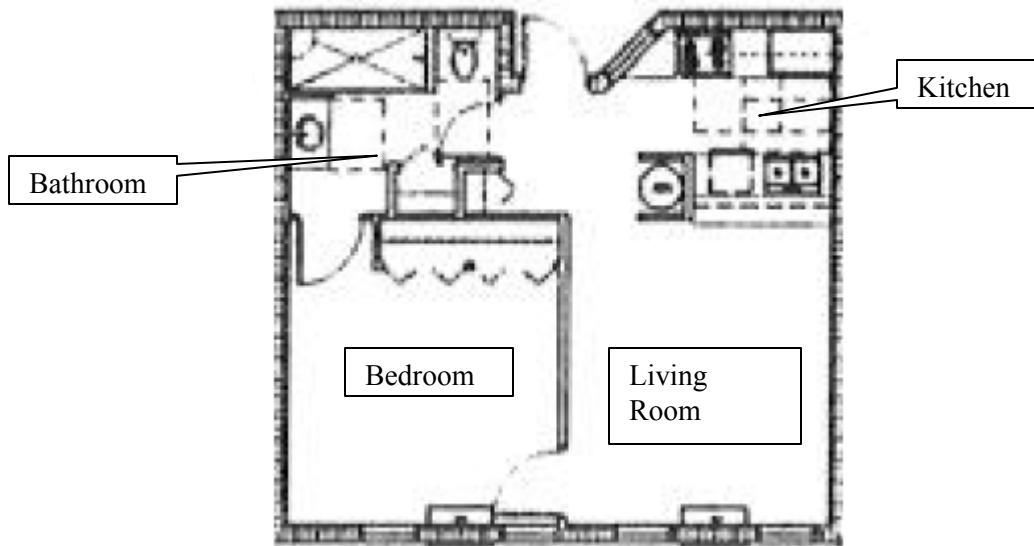


The third floor houses resident rooms and also has a common laundry area.

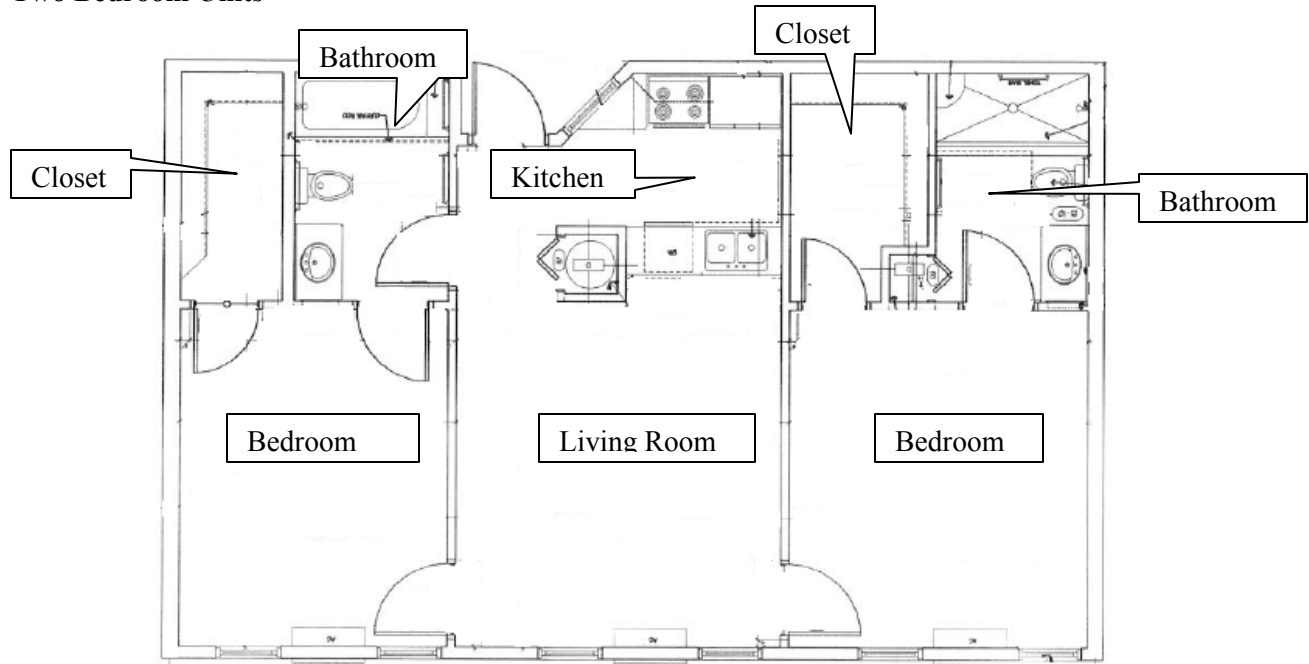
Unit Floor Plans

The subject will offer one and two bedroom apartments. The units will include individually controlled A/C units, range/oven, refrigerator, disposal, dishwasher, carpet/blinds and basic Cable TV. The floor plans are illustrated below:

One Bedroom Units



Two Bedroom Units



Special Assumption

It is a specific assumption to this appraisal that the residents will have convenient access to instrumental or personal care services from third party providers. The assumption further assumes that the on-site coordinator will be available to assist residents in securing these services. Further, the assumption is made that there will be scheduled transportation for the residents so that a car is not required for residency. The assistance in obtaining services is included in rents, while the actual meals and other services are not.

Construction Quality

The design of the building and the individual floor plans will be considered functional and attractive. It is assumed that the construction quality will meet the requirements of the State and County. The subject improvements will be of good quality construction and in good condition. There will be no physical deterioration or functional obsolescence since the construction will new. The subject is expected to be a strong competitor with other senior communities in the market.

It is our opinion that the construction quality of the subject improvements will be good for this building. We consulted the *Marshall Valuation Service*, a national cost service, and according to descriptions in this publication, we are of the opinion that the improvements can be described as a good quality senior community.

We are not proficient in construction techniques, and it is assumed that the improvements will be structurally adequate and in conformance with applicable building codes.

Age and Condition

The subject will be new. The effective age will therefore be zero (0) years.

Remaining Economic Life

According to the *Marshall Valuation Service*, the average life expectancy for a good quality, Class C multiple residence building is 55 to 60 years. Therefore, we estimated the subject's total economic life at 60 years and effective age at (0) years.

Construction Details and Conditions

Construction details are provided in the following chart.

IMPROVEMENT SUMMARY				
Construction Type:	Class C	Parking:	Yes	No
Rentable Area/Units:	26	On Site	X	
Number of Buildings:	1	Paved	X	
Number of Stories:	3	Parking Garage	X	
Year Built:	2009	Adequate	X	
Effective Age:	0	Conforms to Zoning	X	
Economic Life:	60 years	Number of Spaces		26
Remaining Econ. Life:	60 years	Spaces/Unit		1.00
Construction Quality:	Good	Landscaping:		Good
Construction Condition:	Good	Lighting:		Good
Deferred Maintenance:	None	Plumbing:		Meets Code
Ceiling:	Drywall	Office:		Located Near Entrance
Electrical:	Meets Code	Restrooms:		Individual Rooms/Central
Elevators:	One	Roof Cover:		Asphalt Shingle
Exterior Walls:	Masonry	Security:		Alarm System
Floor Cover:	Carpet, Tile	Sprinklers:		Yes
Floor-to-Ceiling Height:	9 ± Feet	Safety:		Monitoring
Foundation:	Concrete Slab	Window:		Aluminum Frame
Frame:	Concrete/Masonry	Interior Partitions:		Drywall
HVAC: Central in common areas as well as in resident rooms.				
Source: Information provided by owner.				

Americans with Disabilities Act of 1990

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

Conclusions/Comments

The subject is functionally adequate, properly designed, and physically attractive for its designed use as a senior community. The improvements are designed in conformance with current market standards for a property that will accommodate elderly residents. Resident room sizes, common areas, storage, and parking are considered to be adequate to meet the needs of the elderly.

Ad Valorem Tax Analysis

Overview

In Florida, real estate taxes are levied on all real property. Real property means land, buildings, fixtures, and all other improvements to land. The terms land, real estate, realty and real property may be used interchangeably. Real property includes all other permanent improvements on the land and is broadly classified based on land use. Tax comparables were obtained from senior communities in Pasco County.

TAX COMPARABLE ANALYSIS				
Sandalwood Village				
	Subject	Comparable 1	Comparable 2	Comparable 3
	Barcelona Landings 6210 Land O' Lakes Boulevard Land O' Lakes	Summerville at New Port Richey 5539 Charles Street New Port Richey	Newport Inn 6120 Congress Street New Port Richey	Regency Residence 6711 Embassy Boulevard Port Richey
Parcel Number	01-26-18-0000-00900-0090	08-26-16-0270-00100-0010	04-26-16-0010-04100-0020	21-25-16-0010-01600-0000
Project Type	Senior Apartments with Services	IALF	IALF	IALF
Year Built	2009	1967	1985	1987
Site Size (Acres)	2.83	1.89	1.97	8.16
# Units	26	53	126	134
Current Appraisal				
Total Assessed Value		\$1,959,170	\$4,679,656	\$7,543,276
Per Unit		\$36,965	\$37,140	\$56,293
Gross Taxes		\$40,587	\$95,394	\$112,015
Per Unit		\$766	\$757	\$836

The subjects assessed value is estimated on the comps in the market. The assessed value per unit was estimated to be higher than the comparables since it will be a new structure. We have concluded to \$65,000 per unit. The millage rate for the subject is 14.4348 mils. Real estate taxes are based on 100% of assessed value multiplied by a millage rate. The subject, as a senior community would be taxed at 14.4348 mils per \$1,000 of its assessed value or \$14.4348 per \$1,000. This is shown in the following:

REAL ESTATE TAX ANALYSIS	
Assessed Value Per Unit	\$65,000
# of Units	26
Estimated Assessed Value	\$1,690,000
Millage Rate	14.4348
Total Taxes	\$24,395
Concluded Taxes	\$25,000
Per Unit	\$962
Includes Personal Property Taxes	

Highest and Best Use

Introduction

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

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

Fundamental in the above definition are separate estimates of the highest and best use of the subject property as if vacant and as improved. Although the highest and best use of the site may be determined to be different from the existing improvements, the improvements will continue as the highest and best use until land value exceeds the properties total value plus demolition costs.

In this section of the appraisal, we address the highest and best use relative to the HUD requirement that the property be examined based on its intended use.

As-If Vacant

Physically Possible

The subject site is generally regular in shape and contains 2.83 acres. The property could accommodate a commercial or residential-support use.

Legally Permissible

The subject site is zoned C-2 Specific Use Commercial with only C-1 uses permitted. The subject will be a legally conforming use under the current zoning.

Financially Feasible

As indicated in this appraisal, the subject generates sufficient revenues and expenses to operate as a senior community development.

Conclusion of Highest and Best Use — As Vacant

The subject's intended use is considered to be the highest and best use as a senior community development oriented to the senior rental market.

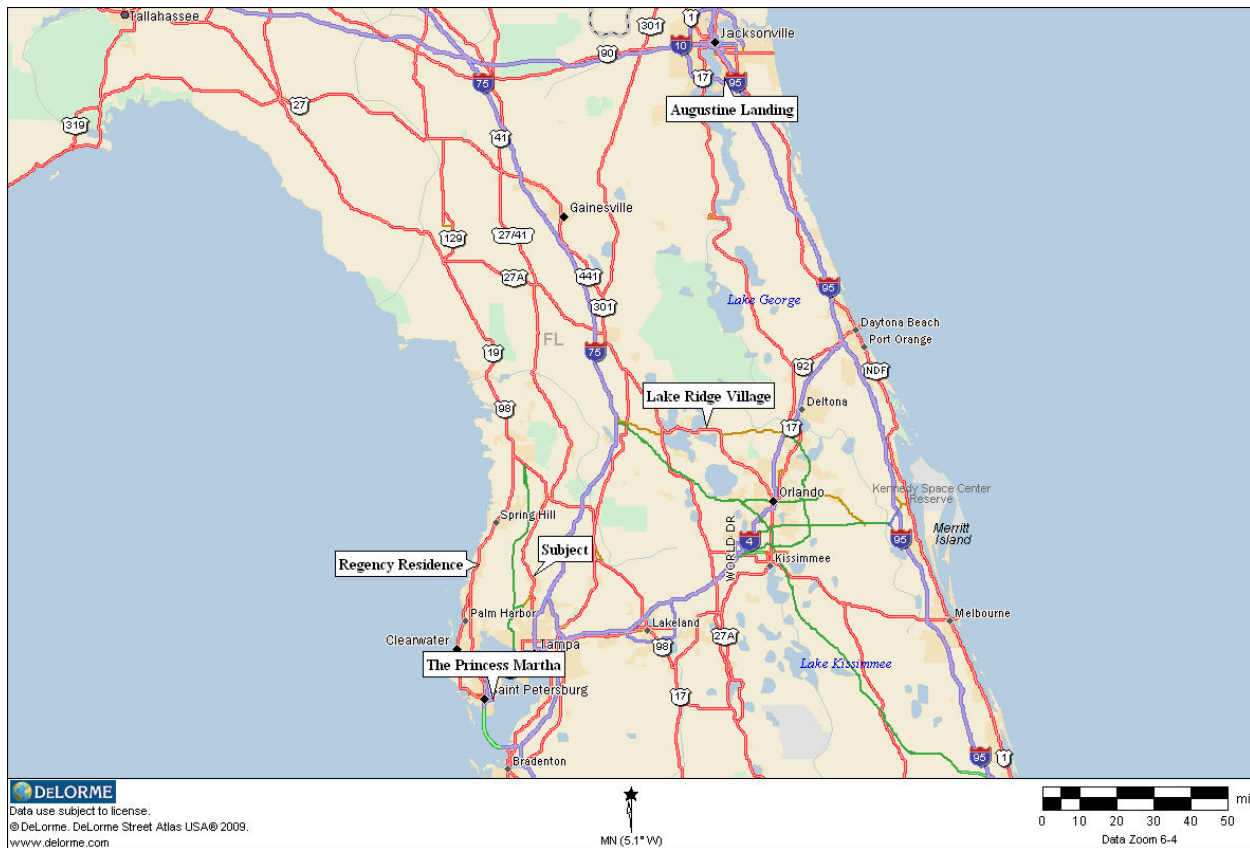
Highest and Best Use — As Improved (Proposed)

The subject will provide a high quality rental product designed to meet the needs of senior households. The location is excellent with respect to the major roads and residential support services that are in the area. The subject's unit-mix and improvements are physically well suited for the market. A survey of the market indicates occupancy levels are high and excess demand exists. As such, the subject "as proposed" is considered the highest and best use of the site "as improved".

Income and Expense Analysis

Market Rent Analysis — Based on research of properties in the market, we have determined that the most comparable projects to the subject are the independent living facilities. To calculate the rent for the subject, adjustments were made to the comparables to reflect the differences in services and amenities included in rent. These adjustments are explained later in the text.

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



Regency Residence is located to the west of the subject in Port Richey and was built in 1987. This facility only offers independent living. They have one and two bedroom floor plans and the facility is in good condition. Rent at this property ranges from \$2,425-\$2,890.

The Princess Martha is located in St. Petersburg and was built in 1925. This facility only offers independent living and was used in the analysis for rent comparison only. There are one and two bedroom unit types located at the facility. The facility is in good condition and rent at this property ranges from \$1,532-\$2,169.

In addition to the properties in the general area, supplemental facilities were also utilized. These include the following:

Augustine Landing is located in Jacksonville and was built in 1999. This facility only offers independent living and was used in the analysis for rent comparison only. There are studios, one and two bedroom unit types located at the facility. The facility is in good condition and rent at this property ranges from \$1,460-\$3,380.

Lake Ridge Village is located in Eustis and was built in 1985. This facility only offers independent living and was used in the analysis for rent comparison only. There are studios, one and two bedroom unit types located at the facility. The facility is in good condition and rent at this property ranges from \$1,395-\$2,450.

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

Effective Date of Rental

The market was surveyed in February 2009. All of the rent comparables were surveyed during the same time period. As such, no adjustments were made for effective date.

Cable

The subject will provide cable as a part of monthly rent. All of the comparables provide cable as a part of monthly rent. Therefore, no adjustments have been made.

Project Occupancy

The methodology for estimating an occupancy adjustment is:

$$((\text{Subject Rent Occupancy}/\text{Comparable Rent Occupancy})-1) * \text{Comparable Rental Rate} * -1$$

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

Utilities in Rent

The subject will provide water, sewer, electricity, trash, and pest control as a part of rent. The comparables provide the same, thus no adjustments for utilities were made.

Carpet/Floors

The subject and the comparables provide similar flooring. No adjustments were made for this category.

Smoke Detectors

All of the comparables provide smoke detectors, similar to what the subject will provide, and no adjustments were made.

Laundry Services

The subject will not provide any linen or laundry service. The comparables provide flat linen but personal laundry is an extra charge. Therefore, the rent comparables are adjusted downward for flat linen services. The linen service was based on discussions with the leasing agents at the independent living facilities.

Public Rooms

Once completed, the subject will provide a variety of public rooms including a central dining area for use by the residents (food supplied by a third party), lounges and an activity center. This is similar to all of the comparables. All of the properties were considered similar and not adjusted.

Activities/Social Services

The rent comparables provide organized activities and various social services. The subject proposed to include an activity coordinator on staff. The subject and the comparables are similar and no adjustments were made.

Barber/Beauty

Once built, the subject will have the ability to provide barber and beauty care services for a fee to residents. This is similar to all of the comparables. Thus, no adjustments were made for this category.

Housekeeping

Housekeeping services will not be provided in rent at the subject. All of the comparables provide this; therefore, a downward adjustment was made to the comparables. The adjustment was based on discussions with housekeeping services in the local market and includes a weekly service.

Transportation

Scheduled transportation is provided in certain circumstances related to community activities and functions at the subject or the comparables. No adjustments were made for transportation.

Meals/Day

The subject will not provide meals as part of the rent. The comparables provided two to three meals per day to residents. The second person fee at properties usually reflects a portion of the value of the meal. The value of the meals includes not only the cost of the food and beverage, but also the serving the meal. The second person fee was used to calculate the cost of meals, and was adjusted downward to reflect this. This is supported by the following:

MEALS ADJUSTMENT			
Property	2nd Person Fee	# of Meals	\$ per meal
Augustine Landing	\$475	3	\$158
Lake Ridge Village	\$475	3	\$158
The Princess Martha	\$500	2	\$250
Regency Residence	\$525	3	\$175
Total/Weighted Average		11	\$180
Concluded Price Per Meal, Rounded			\$180

Unit Size (Square Feet)

Square footage adjustments were calculated based on the market price per square foot for apartment complexes in the general area. This is shown in the following:

Sq. Ft. Adjustment				
Property	Unit Type	Sq. Footage	Rent	
Forest Oaks Villas	1/1	680	\$610	
	1/1	740	\$630	
	Difference		60	\$20
	SF Adjustment			\$0.33
Conclusion			\$0.30	

Washer/Dryer

The subject will not include washers and dryers in the units. The comparables do not either but do provide laundry and linen service and were adjusted earlier in the analysis to reflect this.

Rental Rate Conclusions

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

SUBJECT'S RATE STRUCTURE					
Barcelona Landings					
Unit Type	Number of Units	Square Footage	Concluded Rent	Monthly Potential Rental Revenue	HUD 60% Range
One Bedroom	18	611	\$1,650	\$29,700	\$1509 to \$1892
Two Bedroom Two Bath	8	904	\$2,275	\$18,200	\$2108 to \$2514
Total Monthly Rental Income	26	701	\$1,842	\$47,900	
Gross Potential Annual Rental Income				\$574,800	

The rental rate conclusions are within the central 60% range as required by HUD.

Absorption

The subject's absorption is estimated at 4 units a month with an initial 5 units in the first month.

Barcelona Landings			
Total Units			26
Stabilized Occupancy			93.00%
Stabilized Units			24
YEAR 1			
Month	Move Ins	Occ. Units	Occupancy
Existing Units Occupied	0.0	0.0	0.00%
Oct-09	5.0	5.0	19.23%
Nov-09	4.0	9.0	34.62%
Dec-09	4.0	13.0	50.00%
Jan-10	4.0	17.0	65.38%
Feb-10	4.0	21.0	80.77%
Mar-10	3.0	24.0	92.31%
Apr-10	0.0	24.0	92.31%
May-10	0.0	24.0	92.31%
Jun-10	0.0	24.0	92.31%
Jul-10	0.0	24.0	92.31%
Aug-10	0.0	24.0	92.31%
Sep-10	0.0	24.0	92.31%
Total	24.0	24.0	92.31%
Average Monthly Absorption	2.0	19.4	74.68%

Forecasted Stabilized Occupancy

In order to forecast stabilized occupancy at the subject we contacted senior oriented properties near the subjects market. The table below illustrates current occupancies at facilities near the subject's market:

INDEPENDENT LIVING FACILITIES			
Facility Name	IL Units	Occupied Units	Occupancy %
Aston Gardens	284	274	96%
Lakeshore Villas	198	168	85%
John Knox Village	389	350	90%
Merrill Gardens at Lutz	85	80	94%
Regency Residence	134	128	96%
University Village	449	390	87%
Source: Value Tech Realty Services, Inc. market survey, February 2009.			
Note: Additional information on the properties above can be found in the addenda.			

As shown above, occupancy levels near the subject have declined slightly from their typical near 100% occupancy levels. The economic downturn has caused some uncertainty with seniors who have delayed making any change in their living environment. However, some of the initial panic has subsided. While interviewing the various senior properties, representatives indicated that resident traffic is increasing and senior are beginning to make a move out of their homes and into their facilities.

The population and households in the subject’s market are projected to increase 40% over the next five years for seniors aged 75+.Based on this data, market occupancy for the subject is forecasted at slightly below the historical levels in the market at 94%. The total vacancy and collection loss is estimated at 6%.

Other Income

Senior properties will typical have some administrative fees, deposits, pet fees, etc. The subject does not currently anticipate having any of the typical fees as part of the lease agreement. This could change in the future. However, for purposes of the projections, no additional other income items have been included.

Estimate of Effective Gross Income

The effective gross income calculation for the subject is presented in the following:

NET OPERATING INCOME SUMMARY “AS-IF-STABILIZED”	
Potential Rental Income	\$574,800
Other Income	\$0
Potential Gross Income	\$574,800
Less: Vacancy and Collection	(\$34,488)
Effective Gross Income	\$540,312

Historical Income and Expense Analysis

The subject is proposed so there is no historical financial information.

Operating Expenses

In forecasting income and expenses, we relied upon expense data derived from Income and Expense Comparables. Estimates of operating expenses incorporated typical categories with reliance placed on the financial comparables. The subject will be a mid-rise structure that will have an elevator and common areas. Expense comparables were selected that had generally the same layout.

Expense Analysis

Expense comparables utilized were considered to represent the best comparables relative to the subject. During our search we found no truly comparable facilities like the subject in the region or the state where financial information would be shared. As a result, Independent Living and Assisted Living facilities from outside the geographical area were included in the expense analysis. These expenses were adjusted to be brought in line with the subject’s operation by removing dietary, housekeeping, laundry, and personal care costs since the subject will not provide any of these services. We were able to obtain expense information in sufficient detail to apply them to the Form-HUD-92274.

A brief summary of the income and expense comparables utilized in the analysis are presented in the following table. Detailed descriptions are located in the addenda.

EXPENSE COMPARABLES					
	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Property	Confidential-IL Florida	Lexington Manor	Arbor Oaks Greenacres	Arbor Oaks at Tyrone	Nationwide IL Average
Address	Confidential	20480 Veterans Boulevard	3400 Jog Road	1701 68th Street North	-
City	Confidential	Port Charlotte	Greenacres	St. Petersburg	-
State	Florida	Florida	Florida	Florida	-
Project Type	IL	AL	AL	AL	-
Number of Units/Beds	252	110	88*	95	156
*Number of Units/Beds listed is the # of operating Units/Beds. Arbor Oaks Greenacres is licensed for 97 beds.					

Trending

An updating percentage is defined as the application of a time adjustment to comparables in order to bring them forward to the same date as the most current comparable. The subject is then compared to the trended expenses. Once the subject's expense estimates have been made, then a final upward trend is applied from the point in time of the expense estimate to the current date. The trending date is the "beginning" period of the financial information utilized. For example, a financial period from January 1 through December 31 would have a "date" of January 1. The subject's expenses are trended forward to February 2009.

Total Administration

This category includes advertising and marketing, management fees and administrative and other expenses such as office supplies, telephones, computer equipment and maintenance, travel, training, accounting and legal and related. Advertising is generally the cost for local apartment guides, yellow pages, internet web pages and promotional efforts.

General administrative costs were evaluated based on both independent and assisted living facilities with any services or costs not incurred at the subject removed. Management fees have been estimated at 3% of effective gross income. Comparables provide the following:

ADMINISTRATION EXPENSE						
	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Subject Projection
Total Expense	\$1,007,244	\$191,523	\$305,994	\$358,909	\$376,907	\$49,359
Per Unit, Trended	\$3,117	\$1,793	\$3,477	\$3,778	\$2,416	\$1,898

The comparables have expenses within administrative that will not be applicable to the subject. There is typically an assessment fee to cover the initial health assessment. Comparables Two, Three and Four are assisted living facilities and their administrative costs include this assessment expense. The marketing dollars for the healthcare properties tends to be higher than an apartment community.

The advertising costs for the subject were projected above a typical apartment community but below the healthcare facilities. A health assessment fee was not included in the subject. Considering this and the lower management expense due to more modest rental rates, the subject's project is at the lower end of the spectrum.

Total Administration

\$49,359

Total Operating

This category includes all of the operating expenses associated with day-to-day operations such as utilities and payroll. Utility costs were examined on an individual basis for heat, water/sewer, electric, garbage removal and cable. A projection for payroll expenses was based on the expenses indicated by the Comparables. Other expenses for this category include general supplies.

Payroll is within this section. The payroll was based on the staffing level that is necessary to operate the property and includes the Manager, Receptionist, Maintenance person and a porter/housekeeper for the common areas. The staffing below is sufficient to provide a wide array of activities, social events, and maintain the community. Payroll is based on the following:

PAYROLL AND RELATED		FTE	Amount
Manager/Bookkeeper	\$25,000 /year	1.00	\$25,000
Receptionist/Concierge	\$8.00 /hour	0.50	\$8,320
Maintenance	\$15.00 /hour	0.50	\$15,600
Maid/Cleaning	\$8.00 /hour	0.50	\$8,320
Total FTEs		2.5	
Total Wages			\$57,240
Payroll & Benefits @	18%		\$10,486
Total Payroll & Related			\$67,726
% Effective Gross Income			13.5%

The comparables provide the following:

Comparables Adjusted Payroll & Related			
Property	# of Units	Total Payroll	Payroll per unit
Confidential-IL Florida	252	\$657,512	\$2,609
Lexington Manor	252	\$790,597	\$3,137
Arbor Oaks Greenacres	88	\$378,891	\$4,306
Arbor Oaks at Tyrone	95	\$426,757	\$4,492
Nationwide IL Average	156	\$625,754	\$4,011
Subject	26	\$67,726	\$2,605

As a test of reasonableness, we compared typical payroll expenses at other small apartment communities in Florida. The comparables provide the following:

Typical Payroll & Related at Apartment Communities in Florida			
Property	# of Units	Total Payroll	Payroll per unit
Dade City	36	\$29,639	\$823
Brooksville	35	\$36,123	\$1,032
Bushnell I & II	60	\$56,656	\$944
Park Place	34	\$14,352	\$422
Subject	26	\$67,726	\$2,605

The subject's projection of payroll & related is within the range of the adjusted comparables and above the range provided by the apartment communities. The subject's payroll is considered reasonable since it will have an orientation in between these two types of properties.

The comparables were provided in enough detail to separate out salaries and expenses that are not included at the subject. The subject's operation is similar to the comparables since heat, water/sewer, electric, garbage removal and cable will be provided in rent. The expenses below include the payroll numbers presented previously. In total, the expense comparables provide the following:

OPERATION EXPENSE						
	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Subject Projection
Total Expense	\$1,604,295	\$386,438	\$466,480	\$486,919	\$1,245,528	\$108,761
Per Unit, Trended	\$4,554	\$3,618	\$5,301	\$5,125	\$3,775	\$4,183

The subject's projection is within the range provided by the comparables. The middle of the range was used to project these expenses since there was enough detail to adjust the comparables in line with the subject.

Total Operating

\$108,761

Maintenance

This category includes all of the costs relating to the maintenance of the complex such as upkeep of the grounds, landscaping, exterior and interior maintenance, unit decorating and turnover costs, property liability insurance, etc. The comparables provide the following:

MAINTENANCE EXPENSE						
	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Subject Projection
Total Expense	\$528,192	\$94,801	\$150,462	\$215,840	\$156,463	\$25,968
Per Unit, Trended	\$2,159	\$885	\$1,710	\$2,272	\$1,003	\$999

The subject has minimal common areas and exterior grounds as compared to the comparables. Thus, the costs would be at the lower end of the range. The insurance projection was based on the comparables and an insurance quote for a proposed apartment complex in Florida at \$525 per unit. The subject's projection is \$700 per unit and is considered reasonable. The comparables provided sufficient enough detail to project these expenses.

Total Maintenance

\$25,968

Replacement Reserves

Replacement reserves were estimated at \$300 per unit.

Total Reserves

\$7,800

Taxes and Insurance

The subject's real estate taxes are based on an estimation of the assessment at the current millage rate. This analysis was presented previously in the report. The comparables provide the following which include costs for Employee Payroll Tax, Workman's Comp, and Benefits:

TAX EXPENSE						
	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Subject Projection
Total Expense	\$719,145	\$353,451	\$282,912	\$296,018	\$339,436	\$35,486
Per Unit, Trended	\$2,049	\$1,680	\$1,654	\$1,397	\$1,698	\$1,365

We have computed Employee Payroll Tax, Workman's Comp, and Benefits as 18% of payroll. The subject's projection is within the range provided by the comparables.

Total Taxes**\$35,486****Total Expenses**

The expense comparables provide the following:

TOTAL EXPENSES						
	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Subject Projection
Total Expense	\$4,377,240	\$1,768,374	\$2,312,674	\$2,741,402	\$2,118,334	\$227,373
Per Unit, Trended	\$11,878	\$7,977	\$12,142	\$12,573	\$8,892	\$8,745
Per Unit Trended without reserves	\$11,878	\$7,977	\$12,142	\$12,573	\$8,892	\$8,445

The expense comparables used provide a relatively close range for Total Expenses. Each individual expense estimate for the subject is well supported. The subject's projection is within the range provided by the comparables and is thus considered reasonable.

Revenue and Expense Summary

The revenue and expense estimates for the subject are projected to be as follows:

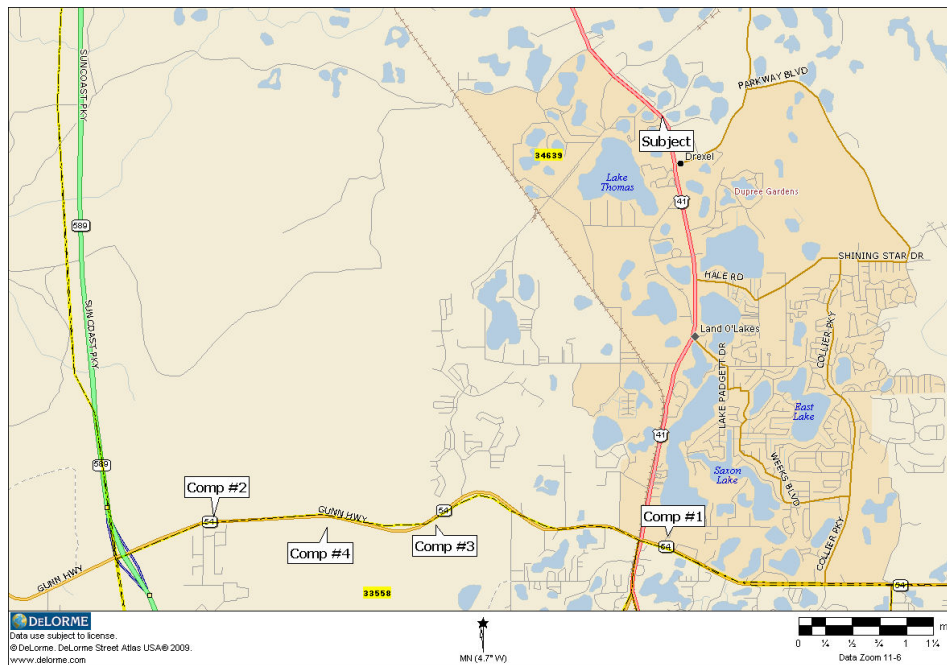
NET OPERATING INCOM SUMMARY "AS-IF-STABILIZED"	
Potential Rental Income	\$574,800
Other Income	\$0
Potential Gross Income	\$574,800
Less: Vacancy and Collection	(\$34,488)
Effective Gross Income	\$540,312
Less: Total Expenses	(\$227,373)
Net Operating Income	\$312,939

Commercial Space

The subject will have commercial space on site that will be leased to a third party that will make available a food service program for residents if they elect to participate. This service is outside the estimate of income and expenses at the subject. The meal service is born by the resident and all of the food service costs are the responsibility of the lessee.

The income generated from the lease of the commercial space is estimated and applied outside of the Income and Expense analysis presented previously. Retail comparables were obtained that demonstrate current rates for space in Land O’ Lakes. A summary is provided below with the write-ups attached:

RETAIL LEASES-LAND O’ LAKES, FL					
		Lease 1	Lease 2	Lease 3	Lease 4
	Total Available SF	7,500	3,825	1,837	3,000
Annual	Base Rent Per SF	\$9.00	\$14.00	\$10.00	\$16.00
Annual	CAM	\$3.00	\$3.94	\$5.64	\$0.00
Annual	Total Base + CAM	\$12.00	\$17.94	\$15.64	\$16.00



Lease 1 is located in a secondary location and the space is generally average with minimal upgrades. The space can be utilized for typical office space. Due to the location and the type of finish, this sets the low end of the range.

Lease 2 is located along a main commercial road with a prime location. This lease space is brand new and has not been used yet. This lease sets the upper end of the range.

Lease 3 is a prime office center with a wide variety of tenants. The location is considered prime and the center is well established.

Lease 4 is located in a secondary location and the space is good with upgrades. The space can be utilized for typical office space.

The subject will have a secondary location with respect to retail because it will have no direct exposure and the clientele will be limited. As a result, we have concluded in the middle of the range at \$14 per square foot. However, of this total approximately \$3 per square foot is attributable to CAM fees. CAM charges include property taxes, insurance and maintenance of the common areas. Therefore, total actual lease income is \$11 per square foot.

As a test of reasonableness, supplementary information was obtained from the Dollars & Cents of Shopping Centers on rental rates for restaurants as well as their associated costs. A full service restaurant has a median lease rate of \$10.04 per square foot plus \$3.21 in CAM charges. This is found on page 502-503. Therefore, the concluded net rent of \$11.00 is reasonable.

Based on the above, the commercial income associated with this commercial space would result in \$11 per square foot, net. On the HUD 92264 form, the revenue would be calculated at \$14.00 per square foot (\$1.17/SF per month) and the expenses at \$3.00 per square foot. Only the revenue is based on 80% occupancy. The expense is based on 100% of the retail space.

Beauty/Barber Shop Operation

Additionally, the subject will have commercial space that will be leased to a beauty/barber shop vendor. Financial information from two senior-oriented communities was obtained with the following provided:

BEAUTY/BARBER SHOP OPERATON		
Property	Florida	Florida
# Units	95	88
Resident Days	33,215	31,025
Revenue	\$38,165	\$31,005
Expenses	\$32,028	\$24,261
Net Revenue	\$6,137	\$6,744
Maximum Lease Rate Per Unit	\$64.60	\$76.63

These two operations have contracts with an operator to provide beauty/barber services within a specific area of the community. The cost of the space improvements including the beauty/barber chairs, sinks and supplies is borne by the operator. The contract agreement stipulates the minimum number of hours per week the operation must be open. Further, all expenses incurred by the operator is their responsibility including salaries and related, supplies, interior maintenance and business profit.

The net revenue indicated is the amount of rent an operator could afford to pay for the space they occupy.

Based on the above, about \$65 per unit on a net lease basis could be generated from the Beauty/Barber shop operation per year. The net income that can be generated from this commercial space is \$1,690 per year, prior to the 80% occupancy limitation. On the HUD 92264 form, the net revenue is \$65 per unit prior to deduction for vacancy at 20%.