

As some expenses of a similar behavioral healthcare facility are based upon occupancy such as staffing and direct costs for food services, activities, etc., we have considered these as variable expenses in our lease-up model. As these variable costs directly correspond to the occupancy of the property, we have forecast what we consider to be typical consideration over the initial completion and lease-up of the property. We have also considered inflated marketing expenses in Year 1 to account for the extra time and expense to properly market the facility; this is incorporated within the Administration expense line item by applying 120% of our conclusion during Year 1. Conversely, we have reduced, at 60%, Utilities, Buildings & Grounds, Payroll Taxes & Benefits, Dietary, Housekeeping/Laundry, and Resident Care/Nursing expenses in Year 1 of lease-up. These utilized levels are based on a percentage of the above-concluded stabilized figures.

DISCOUNTED CASH FLOW CONCLUSION - UPON COMPLETION

Based on the cash flow assumptions presented previously, our discounted cash flow for the subject property "Upon Completion" is presented on the following chart. The concluded value is \$37,300,000 effective December 14, 2017.

DISCOUNTED CASH-FLOW ANALYSIS - UPON COMPLETION						
FISCAL PERIOD BEGGINNING	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
					\$ 43,705,536	(Reversion)
EFFECTIVE GROSS INCOME	\$ 20,489,187	\$ 38,970,676	\$ 40,139,797	\$ 41,343,990	\$ 42,584,310	\$ 43,861,839
LESS:						
Property Taxes	\$ 247,200	\$ 254,616	\$ 262,254	\$ 270,122	\$ 278,226	\$ 286,573
Insurance	\$ 247,200	\$ 254,616	\$ 262,254	\$ 270,122	\$ 278,226	\$ 286,573
Utilities	\$ 385,632	\$ 662,002	\$ 681,862	\$ 702,317	\$ 723,387	\$ 745,089
Building & Grounds	\$ 152,028	\$ 260,981	\$ 268,811	\$ 276,875	\$ 285,181	\$ 293,737
Administrative	\$ 18,169,200	\$ 15,595,230	\$ 16,063,087	\$ 16,544,980	\$ 17,041,329	\$ 17,552,569
Dietary	\$ 976,440	\$ 1,676,222	\$ 1,726,509	\$ 1,778,304	\$ 1,831,653	\$ 1,886,603
Housekeeping/Laundry	\$ 191,580	\$ 328,879	\$ 338,745	\$ 348,908	\$ 359,375	\$ 370,156
Resident Care / Nursing	\$ 4,149,870	\$ 7,123,944	\$ 7,337,662	\$ 7,557,792	\$ 7,784,525	\$ 8,018,061
Management Fee of 5.00%	\$ 1,024,459	\$ 1,948,534	\$ 2,006,990	\$ 2,067,200	\$ 2,129,216	\$ 2,193,092
RESERVES	\$ 52,530	\$ 54,106	\$ 55,729	\$ 57,401	\$ 59,123	\$ 60,897
TOTAL OPERATING EXPENSES	\$ 26,090,539	\$ 28,668,361	\$ 29,528,412	\$ 30,414,264	\$ 31,326,692	\$ 32,266,493
CASH FLOW	\$ (5,601,352)	\$ 10,302,315	\$ 10,611,384	\$ 10,929,726	\$ 54,963,154	\$ 11,595,346
OPERATING EXPENSE RATIO	127.3%	73.6%	73.6%	73.6%	73.6%	73.6%
ASSUMPTIONS			VALUE INDICATIONS			
INFLATION (INCOME)	3.00%			REVERSION OAR:		26.00%
INFLATION (EXPENSES)	3.00%			SALE PRICE:		\$44,597,486
TERMINAL CAPITALIZATION RATE	26.00%			LESS: COSTS OF SALE:		<u>(\$891,950)</u>
COSTS OF SALE	2.00%			REVERSION:		\$43,705,536
LEASE-UP DISCOUNT RATE	19.00%			NET PRESENT VALUE:		\$37,347,665
				ROUNDED:		\$37,300,000