

Integra Realty Resources
Columbia

Market Study of a:

Proposed Assisted Living Facility
9133 Two Notch Road
Columbia, Richland County, South Carolina 29223

Prepared For:

Gilliland Associates, LLC

Effective Date of the Study:
December 4, 2015

Report Format:

Appraisal Report – Standard Format

IRR - Columbia

File Number: 110-2015-0348





Proposed Assisted Living Facility
 9133 Two Notch Road
 Columbia, South Carolina



December 21, 2015

Mr. Dale Gilliland
Gilliland Associates, LLC
301-C South Buncombe Road
Greer, South Carolina 29650

SUBJECT: Market Study
Proposed Assisted Living Facility
9133 Two Notch Road
Columbia, Richland County, South Carolina 29223
IRR - Columbia File No. 110-2015-0348

Dear Mr. Gilliland:

Pursuant to your request, we have performed a Market Study for the above-referenced property. Accompanying this letter is a summary market report that contains a detailed identification of the property, factual data concerning the property and its surroundings, comparable market data, appropriate analyses, and conclusions. Please note that Integra Realty Resources - Columbia is not part of the development team, owner of the subject, nor affiliated with any member of the development team engaged in the development of the subject. This report has been prepared in conformance with the Code of Ethics and Standards of Professional Practice of the Appraisal Institute. Further, the report is intended to comply with the Uniform Standards of Appraisal Practice. The scope of this assignment includes an analysis of supply and demand conditions.

Integra Realty Resources – Columbia is pleased to submit the accompanying market study of the referenced property. The purpose of the study is to develop an opinion of whether there is adequate demand to support the construction of the subject facility. The client for the assignment is Gilliland Associates, LLC, and the intended use is to assist with decision making related to building a new assisted living facility.

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and applicable state appraisal regulations.

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of the 2014-2015 edition of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an

Appraisal Report – Standard Format. This type of report has a moderate level of detail. It summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions. It meets or exceeds the former Summary Appraisal Report requirements that were contained in the 2012-2013 edition of USPAP.

The subject is a proposed assisted living facility, which would be a licensed Community Residential Care Facility licensed by the State of South Carolina. The subject site is a 2.76 acre rectangular parcel.

Summary of Conclusions

The subject site is located in northeast Columbia, South Carolina, which is a rapidly growing area of town. Considering the physical and psychological barriers, population density, and the competing facilities' concentration, we have concluded that an appropriate Primary Market Area (PMA) for the subject is the 10 minute drive-time from the subject property. In this market, we believe that the majority of demand will come from the PMA – no measurable draw from a secondary market area is forecast. The PMA is experiencing moderate population growth and has below average income levels. The area is considered to be in a stage of growth. Between 2015 and 2020, the market area is forecast to experience growth in demand for seniors housing at an average rate relative to the nation as a whole.

The PMA is considered to be in a stage of growth with limited barriers to entry. Our analysis shows the assisted living and memory care segments to be under-supplied at this time. This is supported by the higher occupancy levels of existing facilities in the PMA. Excluding the subject expansion, no new units are forecast to come in line within the PMA during near-term. As will be presented in this report, the PMA currently has an oversupply of 11 assisted living beds.

Thus, there does not appear to be sufficient demand to support the development of the subject as proposed with 100 assisted living beds (including memory care beds).

The opinions expressed in this study are based on estimates and forecasts that are prospective in nature and subject to considerable risk and uncertainty. Events may occur that could cause the performance of the property to differ materially from our estimates, such as changes in the number of beds in the market. Additionally, our opinions and forecasts are based partly on data obtained from interviews and third party sources, which are not always completely reliable. Although we are of the opinion that our findings are reasonable based on available evidence, we are not responsible for the effects of future occurrences that cannot reasonably be foreseen at this time.

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

Integra Realty Resources - Columbia



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General Information

Identification of Subject

The subject is a proposed assisted living facility, which would be a licensed Community Residential Care Facility licensed by the State of South Carolina. The subject site is a 2.76 acre rectangular parcel. The subject will be a licensed Community Residential Care Facility by the State of South Carolina.

Purpose of the Study

The purpose of the study is to develop an opinion of the demand for additional assisted living beds in the defined Primary Market Area as of the effective date of the study, December 4, 2015. The date of the report is December 21, 2015. The study is valid only as of the stated effective date or dates.

Intended Use and User

The intended use of the study is to assist with decision making related to building a new assisted living facility. The client and intended user is Gilliland Associates, LLC. The study is not intended for any other use or user. No party or parties other than Gilliland Associates, LLC may use or rely on the information, opinions, and conclusions contained in this report.

Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;
- Appraisal requirements of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), revised June 7, 1994;

Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of the 2014-2015 edition of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This type of report has a moderate level of detail. It summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions. It meets or exceeds the former Summary Appraisal Report requirements that were contained in the 2012-2013 edition of USPAP. For additional information, please refer to Addendum B – Comparison of Report Formats.

Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Scope of Work

Data Collection

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

General Data

General data concerns the social, economic, governmental, and environmental forces that impact property conclusions. This data is found in the area description and analysis and the neighborhood description and analysis sections of this report. We have gathered the general data from a variety of sources and publications, which are noted in the analyses. In addition, the general data concerning the neighborhood is based upon observations made during our inspection of the neighborhood.

Specific Data

The data relating to the property being analyzed and comparable properties is referred to as specific data. Documents we have relied upon for specific data pertaining to the subject are listed in the general assumptions section. Additional data pertaining to the subject has been gathered from zoning maps, tax records, and other resources maintained in our library, city halls, chambers of commerce, Richland County, and various State of SC offices.

The specific comparable data has been gathered from market participants. The extent of the comparable market data collection process varies for each type of comparable data.

Competitive Supply and Demand Data

An analysis of seniors housing supply and demand conditions is included in this report.

Competency

With 67 offices nationwide, Integra Realty Resources is America's largest commercial valuation and counseling firm. While Michael B. Dodds, MAI, CCIM is not a part of Integra's Seniors Housing and Health Care Specialty Practice, he has prepared appraisals or market studies on over 200 senior housing facilities since 1986.

The firm maintains an adequate library of seniors housing and health care industry publications, and the firm and its staff have the knowledge, experience, and resources necessary to evaluate seniors housing and health care properties of all types.

Inspection

Michael B. Dodds, MAI, CCIM, conducted an on-site inspection of the existing property on December 4, 2015.

Economic Analysis

Columbia MSA Area Analysis

The subject is located in the Columbia, SC Metropolitan Statistical Area, hereinafter called the Columbia MSA, as defined by the U.S. Office of Management and Budget. The Columbia MSA is 3,703 square miles in size, and ranks 72 in population out of the nation's 381 metropolitan statistical areas.

Population

The Columbia MSA has an estimated 2015 population of 806,579, which represents an average annual 1.0% increase over the 2010 census of 767,598. The Columbia MSA added an average of 7,796 residents per year over the 2010-2015 period, and its annual growth rate exceeded the State of South Carolina rate of 0.9%.

Looking forward, the Columbia MSA's population is projected to increase at a 1.0% annual rate from 2015-2020, equivalent to the addition of an average of 8,562 residents per year. The Columbia MSA growth rate is expected to be similar to that of South Carolina.

Population Trends

	Population			Compound Ann. % Chng	
	2010 Census	2015 Est.	2020 Est.	2010 - 2015	2015 - 2020
Columbia, SC	767,598	806,579	849,388	1.0%	1.0%
South Carolina	4,625,364	4,847,878	5,090,061	0.9%	1.0%

Source: Claritas

Employment

Total employment in the Columbia MSA is currently estimated at 376,300 jobs. Between year-end 2004 and the present, employment rose by 22,000 jobs, equivalent to a 6.2% increase over the entire period. There were gains in employment in seven out of the past ten years despite the national economic downturn and slow recovery. Although the Columbia MSA's employment rose over the last decade, it underperformed South Carolina, which experienced an increase in employment of 6.6% or 122,600 jobs over this period.

A comparison of unemployment rates is another way of gauging an area's economic health. Over the past decade, the Columbia MSA unemployment rate has been consistently lower than that of South Carolina, with an average unemployment rate of 6.9% in comparison to an 8.1% rate for South Carolina. A lower unemployment rate is a positive indicator.

Recent data shows that the Columbia MSA unemployment rate is 6.1% in comparison to a 6.9% rate for South Carolina, a positive sign for the Columbia MSA economy but one that must be tempered by the fact that the Columbia MSA has underperformed South Carolina in the rate of job growth over the past two years.

Employment Trends

Year	Total Employment (Year End)			Unemployment Rate (Ann. Avg.)		
	Columbia MSA	% Change	South Carolina	% Change	Columbia MSA	South Carolina
2004	354,300		1,853,300		5.8%	6.8%
2005	361,400	2.0%	1,879,800	1.4%	5.7%	6.7%
2006	368,500	2.0%	1,940,400	3.2%	5.6%	6.4%
2007	372,100	1.0%	1,956,600	0.8%	5.0%	5.7%
2008	363,500	-2.3%	1,888,700	-3.5%	5.9%	6.8%
2009	347,000	-4.5%	1,795,500	-4.9%	9.1%	11.3%
2010	348,200	0.3%	1,825,200	1.7%	9.3%	11.2%
2011	355,600	2.1%	1,846,300	1.2%	9.1%	10.6%
2012	366,300	3.0%	1,887,400	2.2%	8.1%	9.2%
2013	376,200	2.7%	1,933,300	2.4%	6.8%	7.6%
2014	376,300	0.0%	1,975,900	2.2%	5.9%	6.4%
Overall Change 2004-2014	22,000	6.2%	122,600	6.6%		
Avg Unemp. Rate 2004-2014					6.9%	8.1%
Unemployment Rate - January 2015					6.1%	6.9%

Source: Bureau of Labor Statistics and Economy.com. Employment figures are from the Current Employment Survey (CES). Unemployment rates are from the Current Population Survey (CPS). The figures are not seasonally adjusted.

Major employers in the Columbia MSA are shown in the following table.

Major Employers - Columbia, SC

	Name	Number of Employees
1	Palmetto Health - Richland	5,000+
2	Ben Arnold Beverage Co.	1,000-4,999
3	Lexington Medical Center	1,000-4,999
4	Women's Imaging Center	1,000-4,999
5	State of SC Dept of Corrections	1,000-4,999
6	Intel Corp	1,000-4,999
7	Amick Farms	1,000-4,999
8	Dorn VA Medical Center	1,000-4,999
9	Johnson Food Svc LLC	1,000-4,999
10	Michelin Tire Mfg	1,000-4,999

Source: SC Works Online Services - scworks.org

Gross Domestic Product

The Columbia MSA ranks 72 in Gross Domestic Product (GDP) out of the nation's 381 metropolitan statistical areas.

Economic growth, as measured by annual changes in GDP, has been similar in the Columbia MSA and South Carolina overall during the past eight years. The Columbia MSA has grown at a 0.7% average annual rate while South Carolina has grown at a 0.7% rate. As the national economy improves, the Columbia MSA has recently performed better than South Carolina. GDP for the Columbia MSA rose by 2.0% in 2013 while South Carolina's GDP rose by 1.2%.

The Columbia MSA has a per capita GDP of \$41,824, which is 16% greater than South Carolina's GDP of \$36,059. This means that Columbia MSA industries and employers are adding relatively more value to the economy than their counterparts in South Carolina.

Gross Domestic Product		(\$ Mil)		(\$ Mil)	
Year		Columbia MSA	% Change	South Carolina	% Change
2006		31,690		164,130	
2007		32,304	1.9%	167,868	2.3%
2008		32,261	-0.1%	166,467	-0.8%
2009		31,492	-2.4%	160,046	-3.9%
2010		31,410	-0.3%	162,616	1.6%
2011		32,024	2.0%	167,704	3.1%
2012		32,541	1.6%	170,212	1.5%
2013		33,199	2.0%	172,176	1.2%
Compound % Chg (2006-2013)			0.7%		0.7%
GDP Per Capita 2013		\$41,824		\$36,059	

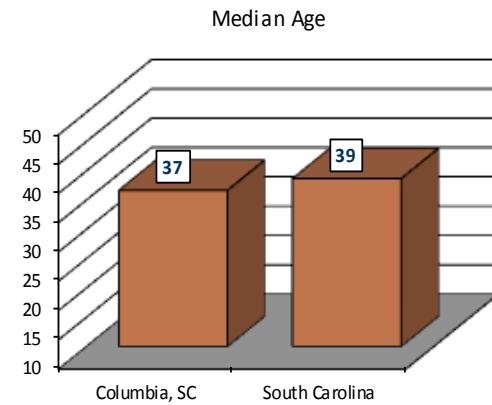
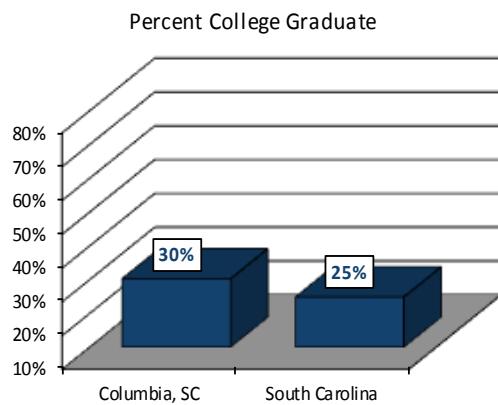
Source: Bureau of Economic Analysis and Economy.com; data released September 2014. The release of state and local GDP data has a longer lag time than national data. The data represents inflation-adjusted "real" GDP stated in 2009 dollars.

Income, Education and Age

The Columbia MSA has a higher level of household income than South Carolina. Median household income for the Columbia MSA is \$49,380, which is 9.7% greater than the corresponding figure for South Carolina.

Median Household Income - 2015		Median
Columbia, SC		\$49,380
South Carolina		\$45,004
Comparison of Columbia, SC to South Carolina		+ 9.7%
Source: Claritas		

Residents of the Columbia MSA have a higher level of educational attainment than those of South Carolina. An estimated 30% of Columbia MSA residents are college graduates with four-year degrees, versus 25% of South Carolina residents. People in the Columbia MSA are younger than their South Carolina counterparts. The median age for the Columbia MSA is 37 years, while the median age for South Carolina is 39 years.

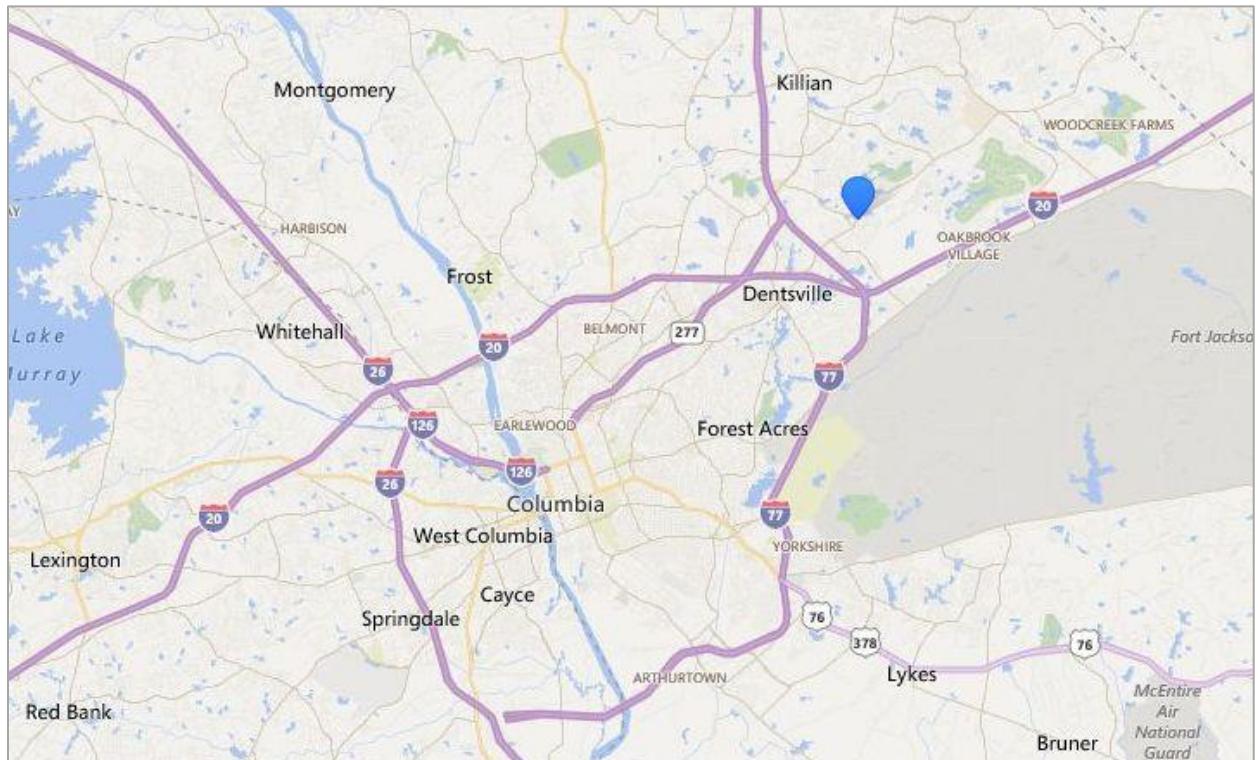
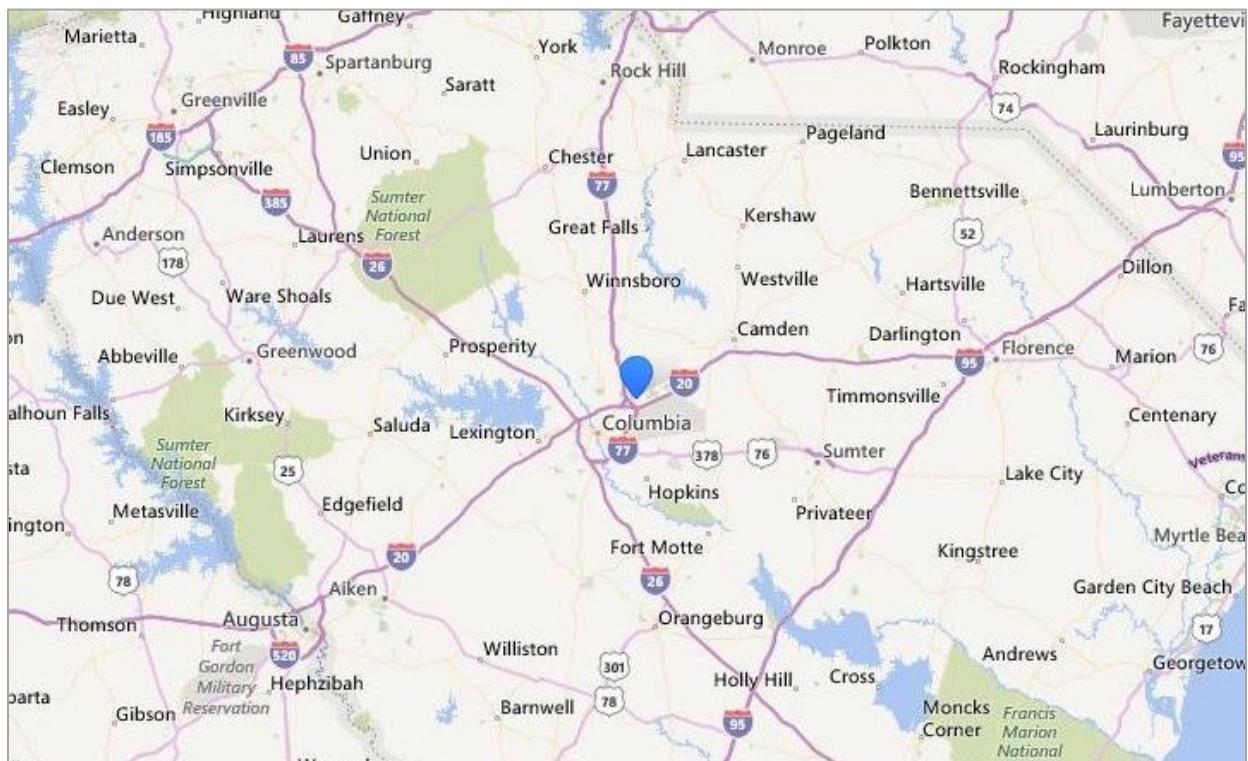
Education & Age - 2015

Source: Claritas

Conclusion

The Columbia MSA economy will benefit from a growing population base and higher income and education levels. The Columbia MSA experienced growth in the number of jobs and has maintained a consistently lower unemployment rate than South Carolina over the past decade. Moreover, the Columbia MSA generates a higher level of GDP per capita than South Carolina overall. We anticipate that the Columbia MSA economy will improve and employment will grow, strengthening the demand for real estate.

Area Map



Proposed Assisted Living Facility



Surrounding Area Analysis

Location

The subject site is adjacent to the Bi-Lo Shopping Center at Two Notch and Maingate Road and is only one mile from the Interstate 77/Two Notch Rd. interchange.

Access and Linkages

Primary highway access to the area is via Two Notch Road, which runs in a southwest/northeast direction and intersects with Interstate 20 and Interstate 77 within three miles of the subject. Overall, the primary mode of transportation in the area is the automobile. The traffic count along Two Notch Road in proximity to the subject is over 36,000 vehicles per day.

General Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

Surrounding Area Demographics					
2015 Estimates	5-Minute Drive Time	10-Minute Drive Time	15-Minute Drive Time	Columbia, SC	South Carolina
Population 2010	14,352	114,238	284,809	767,598	4,625,364
Population 2015	15,098	119,129	299,720	806,579	4,847,878
Population 2020	15,968	124,844	315,922	849,388	5,090,061
Compound % Change 2010-2015	1.0%	0.8%	1.0%	1.0%	0.9%
Compound % Change 2015-2020	1.1%	0.9%	1.1%	1.0%	1.0%
Households 2010	5,998	42,088	110,360	294,881	1,801,181
Households 2015	6,414	44,490	116,859	311,580	1,899,618
Households 2020	6,843	47,030	123,833	329,449	2,002,663
Compound % Change 2010-2015	1.4%	1.1%	1.2%	1.1%	1.1%
Compound % Change 2015-2020	1.3%	1.1%	1.2%	1.1%	1.1%
Median Household Income 2015	\$44,796	\$48,145	\$46,655	\$49,380	\$45,004
Average Household Size	2.3	2.5	2.4	2.5	2.5
College Graduate %	34%	34%	38%	30%	25%
Median Age	36	35	33	37	39
Owner Occupied %	51%	60%	57%	68%	69%
Renter Occupied %	49%	40%	43%	32%	31%
Median Owner Occupied Housing Value	\$148,572	\$149,184	\$159,580	\$145,463	\$145,242
Median Year Structure Built	1989	1984	1980	1986	1987
Avg. Travel Time to Work in Min.	21	21	22	25	26

Source: Claritas

As shown above, the current population within a 10-minute drive time of the subject is 119,129, and the average household size is 2.5. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to the Columbia MSA overall, the population within a 3-mile radius is projected to grow at a slower rate.

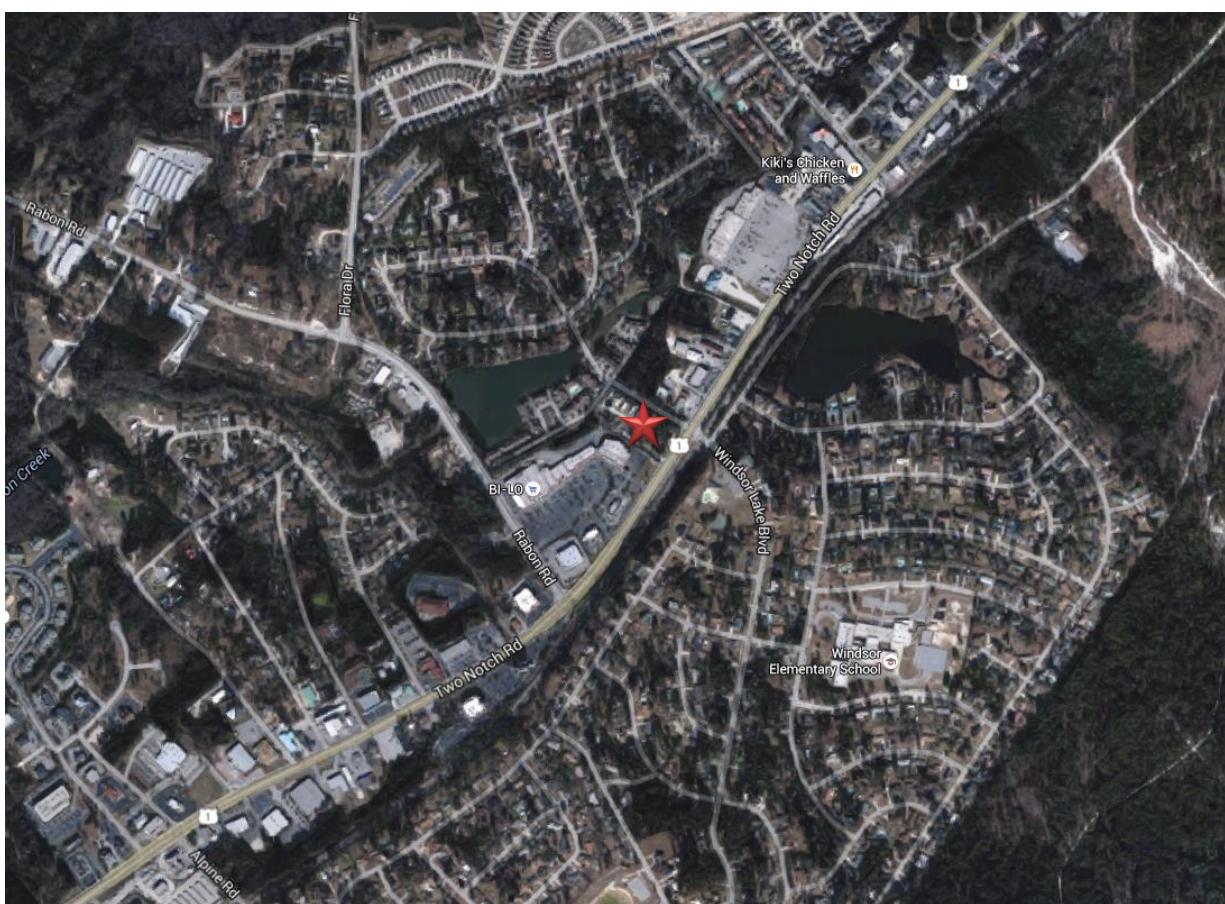
Median household income is \$48,145, which is lower than the household income for the Columbia MSA. Residents within a 10-minute drive time have a higher level of educational attainment than those of the Columbia MSA, while median owner occupied home values are higher.

Medical Facilities

The closest hospital to the subject is the Providence Hospital Northeast, approximately 2.5 miles away. Now known as Providence Orthopedic Hospital, the facility is a 74-bed fully-functioning orthopedic specialty hospital. Since its renovation, the hospital has already garnered recognition as an Aetna Institute of Quality® Orthopedic Care Facility for total joint replacement surgery as well as BlueCross BlueShield of South Carolina's Blue Distinction accolade. Along with premium orthopedic care, the hospital houses an emergency room and offices for Providence Physicians practices.

Land Use

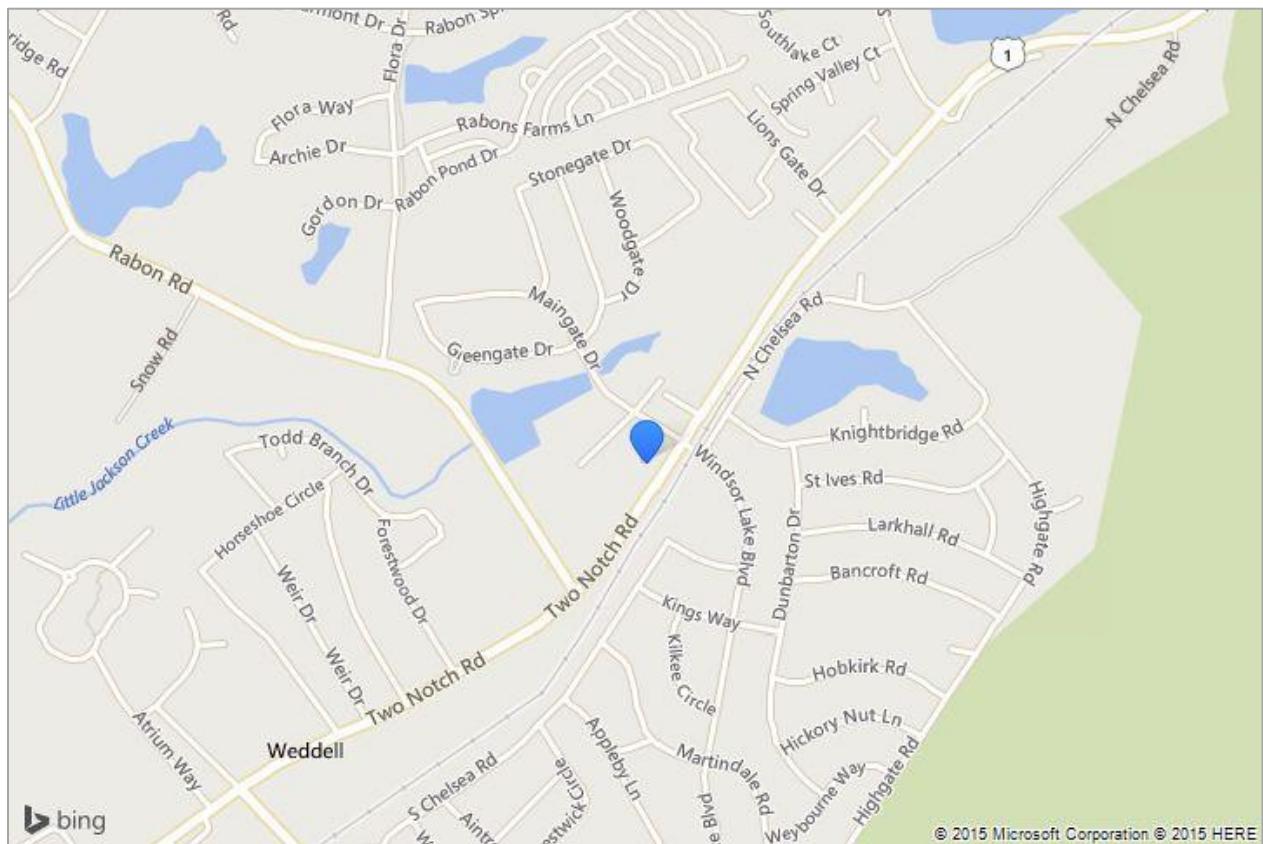
The area is suburban in character and approximately 85% developed. Property types surrounding the subject include residential on the secondary streets and commercial/industrial along the major thoroughfares. Railroad tracks along the eastern side of Two Notch Road have limited development along some stretches of that thoroughfare. The general density of the immediate area is shown below.



Outlook and Conclusions

The area is in the stability stage of its life cycle. Recent development activity has been minimal. We anticipate that property values will remain stable in the near future.

Surrounding Area Map



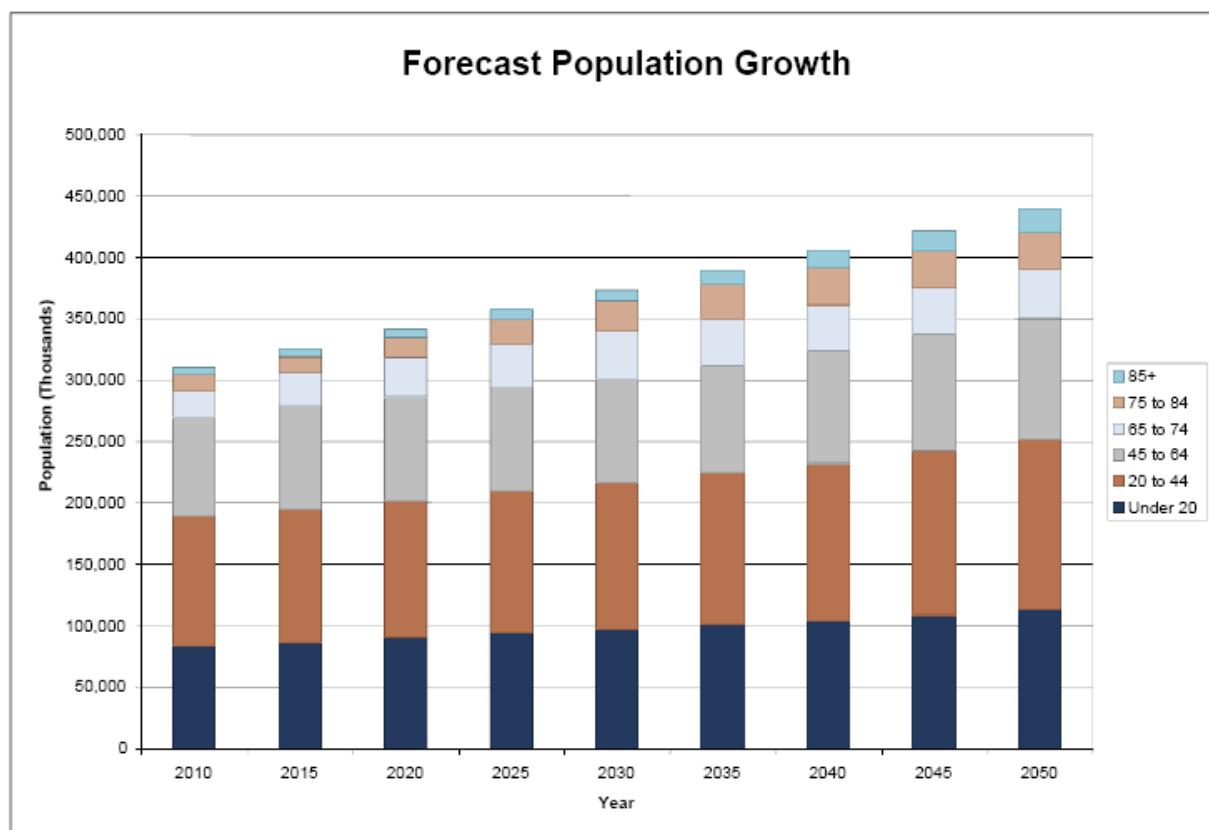
Senior Housing Market Analysis

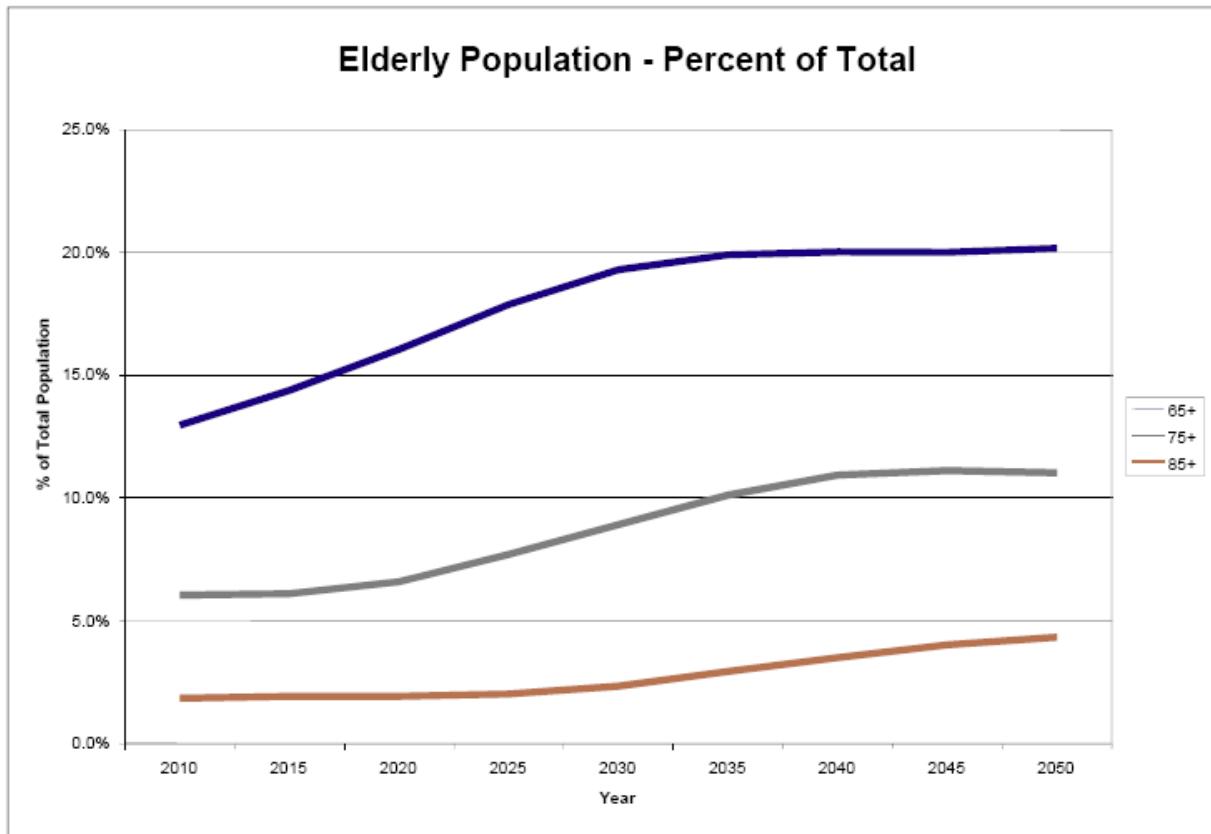
Aging Trends

There is no denying that the demographic trends impacting the seniors housing sector are positive. As of the 2010 Census, there were 40.3 million elderly Americans (those aged 65 and older), making up nearly 13% of the total population. The elderly population is expected to almost double by the year 2030 to 72 million, to make up 19% of the total population. The 2010 Census also indicated that there were 5.5 million Americans aged 85 and older, almost 2% of the total population. This population is expected to almost double by 2030 and become 2.3% of the total population. In 2050, as many as one in five Americans could be elderly.

Much of the forecast growth will occur between 2010 and 2030, when the "Baby Boom" generation enter their elderly years. This is most apparent when comparing growth rates. Between 2010 and 2030, the overall U.S. population is forecast to grow at an annual pace of 0.9% per year. Remarkably, growth in all three seniors sectors is much stronger: 3.0% per year for the 65+ population, 2.9% per year for the 75+ population and 2.1% per year for the 85+ population.

These strong rates of growth will lead to growing demand for senior housing.





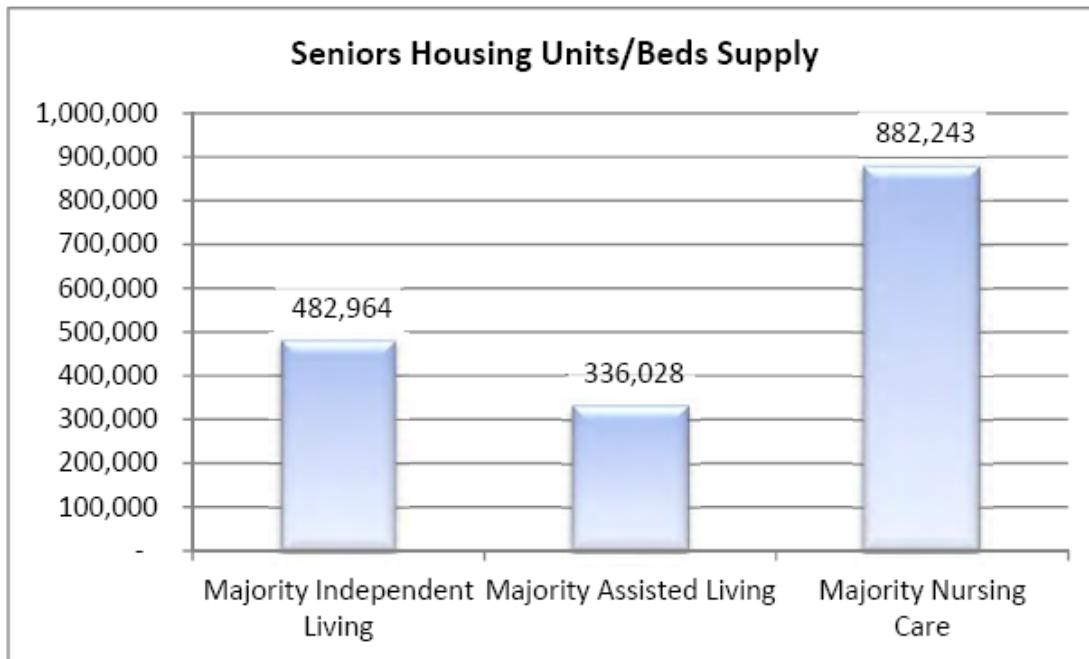
Factors Leading to Increased Demand

In addition to demographic trends, the following factors are leading to increasing demand for seniors housing and long-term care:

- Need for assistance with ADLs. According to census figures, about 6.5 million older people need assistance with ADLs. As the number of older Americans continues to increase, that number is expected to double by 2020.
- More elderly living alone. Women continue to outlive men, and the likelihood that either men or women will live alone increases with age. Societal factors, such as rising divorce rates and the growing numbers of people choosing not to marry, also contribute to this trend.
- Changes in the role of women. Women have traditionally been the primary caregivers of older people. However, the number of women in the work force grew from 20.5% in 1915 to more than 58% in 2010. With this change, fewer women are serving as caregivers, creating the need for the elderly to seek assistance outside the home.

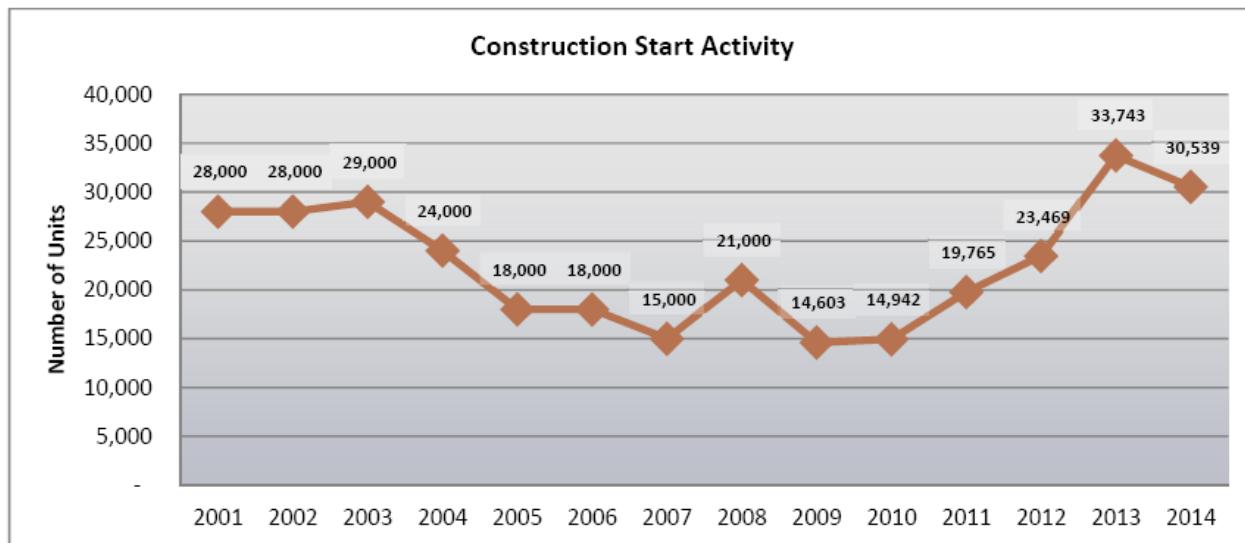
National Senior Housing Supply Trends

Senior apartments and independent living supply is typically expressed in terms of units, while assisted and nursing supply is expressed in terms of beds. NIC MAP estimated 1,701,235 units/beds in the U.S. as of the 3rd quarter 2014, as shown below.



New Development

According to NIC Map Construction Monitor for the 1st quarter of 2015, national construction start activity (not including senior apartments) was as follows.

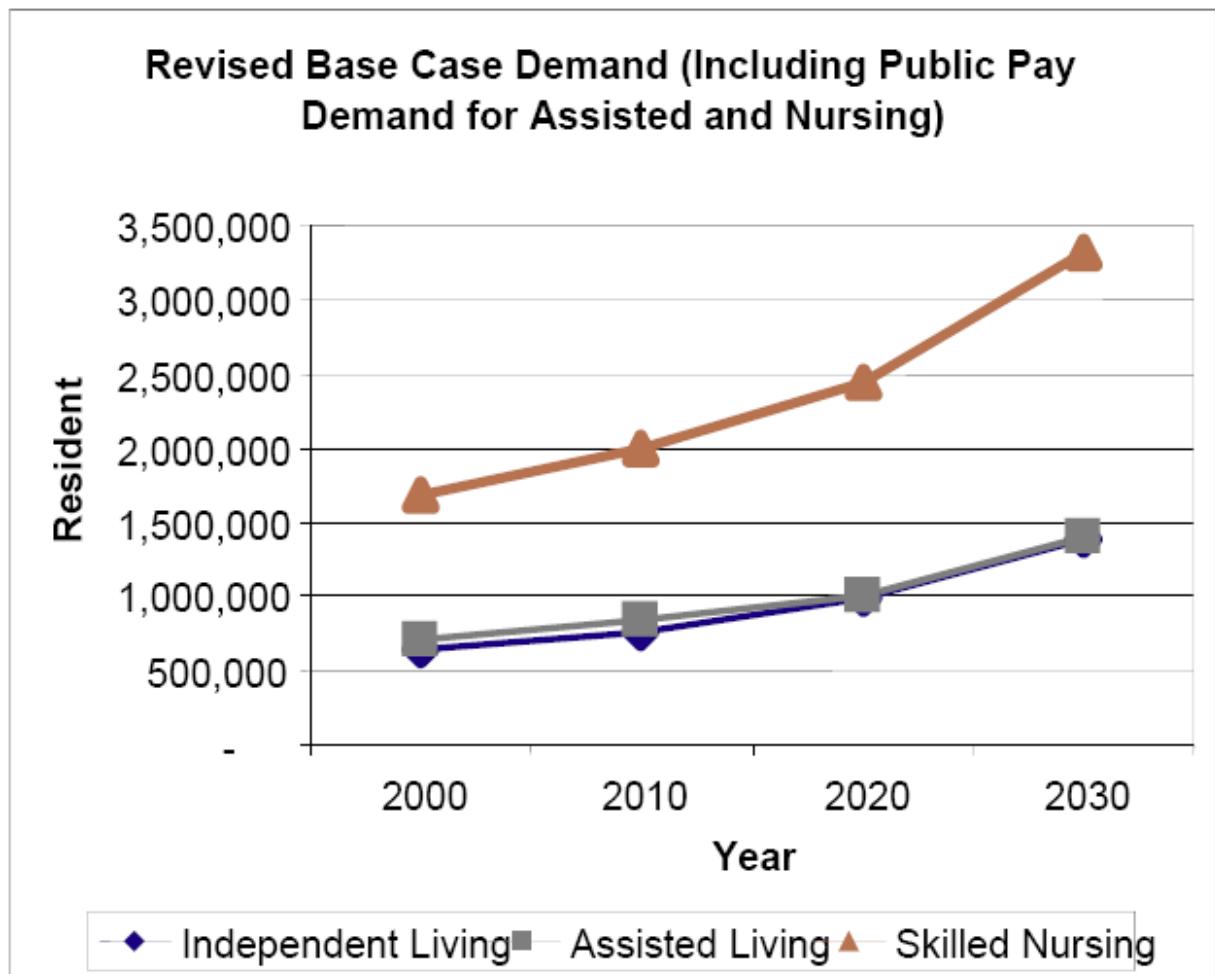


There were 335 seniors housing properties under construction as of the quarter of 2014. The majority of the construction was within new properties, with construction in these properties totaling 25,282 units spread across 335 properties. In addition, there were also 100 existing properties undergoing expansions, totaling 5,257 units.

National Demand Trends

As noted previously, demographic trends will lead to growing demand for seniors housing over the coming years. Most industry analysts agree that the level of assisted and independent living units that are supportable is not yet known. As the public becomes more educated as to seniors housing options, an increasing percentage of seniors may elect to occupy some form of seniors housing.

To date the most comprehensive estimate of demand for seniors housing was published in The Case for Investing in Seniors Housing and Long Term Care Properties with Updated Projections. The study, conducted by NIC in partnership with Price Waterhouse, LLP, produced the following base case estimates of effective demand for seniors housing.



Primary Market Area

The Primary Market Area (PMA) for any form of rental real estate property is defined as the area that a majority of the project's tenants will be drawn from. According to various industry sources, the primary market area of a seniors housing care facility is determined by the density of the population, the proximity of competing properties, and the ease of transit in the surrounding area. The primary market area for urban facilities is generally from 5 to 10 miles, for suburban facilities 5 to 20 miles, and for small town and rural facilities 20 to 30 miles. This is borne from the following data.

Distances that Residents Relocated From			
Distance	Assisted Living	Assisted & Independent Living	CCRC
Less than 5 miles	40.00%	43.50%	52.20%
5 to 10 miles	20.40%	20.00%	16.40%
11 to 25 miles	20.00%	15.30%	13.40%
25 to 50 miles	7.30%	5.90%	6.00%
More than 50 miles	12.40%	15.30%	11.90%

No similar statistics are available for nursing homes, but the indications above are believed to be representative of nursing home market areas as well. A number of factors tend to define a market area. One important factor is density. In rural areas, it may be many miles between towns large enough to sustain services, and residents are accustomed to driving significant distances to access services. Conversely, in urban or suburban areas, a resident may have a choice of competing services within a short drive of his or her home and will normally select the more proximal service provider or the service provider more convenient to access.

Physical Barriers

Physical barriers can also shape market areas. Rivers, lakes, streams, military bases, and major highways are all examples of barriers that can constrain market areas.

There are physical barriers in the immediate proximity of the subject. Sesquicentennial State Park is located very near the subject. The 1,419 acre park will not provide any demand for the subject units.

Located 5 miles southeast of the subject, Fort Jackson was created in 1917 as the United States entered World War I. Fort Jackson is the largest and most active Initial Entry Training Center in the U.S. Army, training 50 percent of all soldiers and 60 percent of the women entering the Army each year. Providing the Army with new soldiers is the post's primary mission. Annually, 35,000 potential soldiers attend basic training and 8,000 advanced individual training soldiers train at Fort Jackson. Fort Jackson encompasses more than 52,000 acres of land, including 100 ranges and field training sites and more than 1,000 buildings. Close to 3,500 civilians are employed at Fort Jackson and 46,000-plus retirees and their families receive services from this base.

Interstates 20 and 77 are also physical barriers, but there are an adequate number of bridges to where they aren't considered detrimental.

Psychological Barriers

Barriers can also be psychological. For example, it is common for persons who live on one side of a highway to seldom access services in a similar area on the opposite side of the same freeway, even though access is not constrained. Likewise, persons living in a given town or county are often reluctant

to access services in an adjacent town or county. The subject's market area is not constrained by any known psychological barriers.

Location of Competing Facilities

The location of competing facilities is also a factor to consider. In market areas served by a greater number of competing facilities, the primary drawing area for each facility tends to be smaller since residents of the market area tend to access the service provider nearest their location. Each of these factors is considered in the delineation of the subject's PMA. The competing facilities will be discussed later in this report.

Market Area Delineation Conclusion

Considering the physical barriers, population density, and the concentration of competing facilities, we have concluded that an appropriate PMA for the subject is a 10 minute drive-time from the subject. This area is all within Richland County and a portion of the PMA borders Fort Jackson. It does not reach into the central business district of Columbia. In this market, we believe that the majority of demand will come from the PMA.

In the PMA, the current year population is 85,303. In 2010, the Census count in the area was 81,574. The rate of change since 2010 was 0.86% annually. The five-year projection for the population in the area is 89,928 representing a change of 1.06% annually from 2015 to 2020. Currently, the population is 46.8% male and 53.2% female.

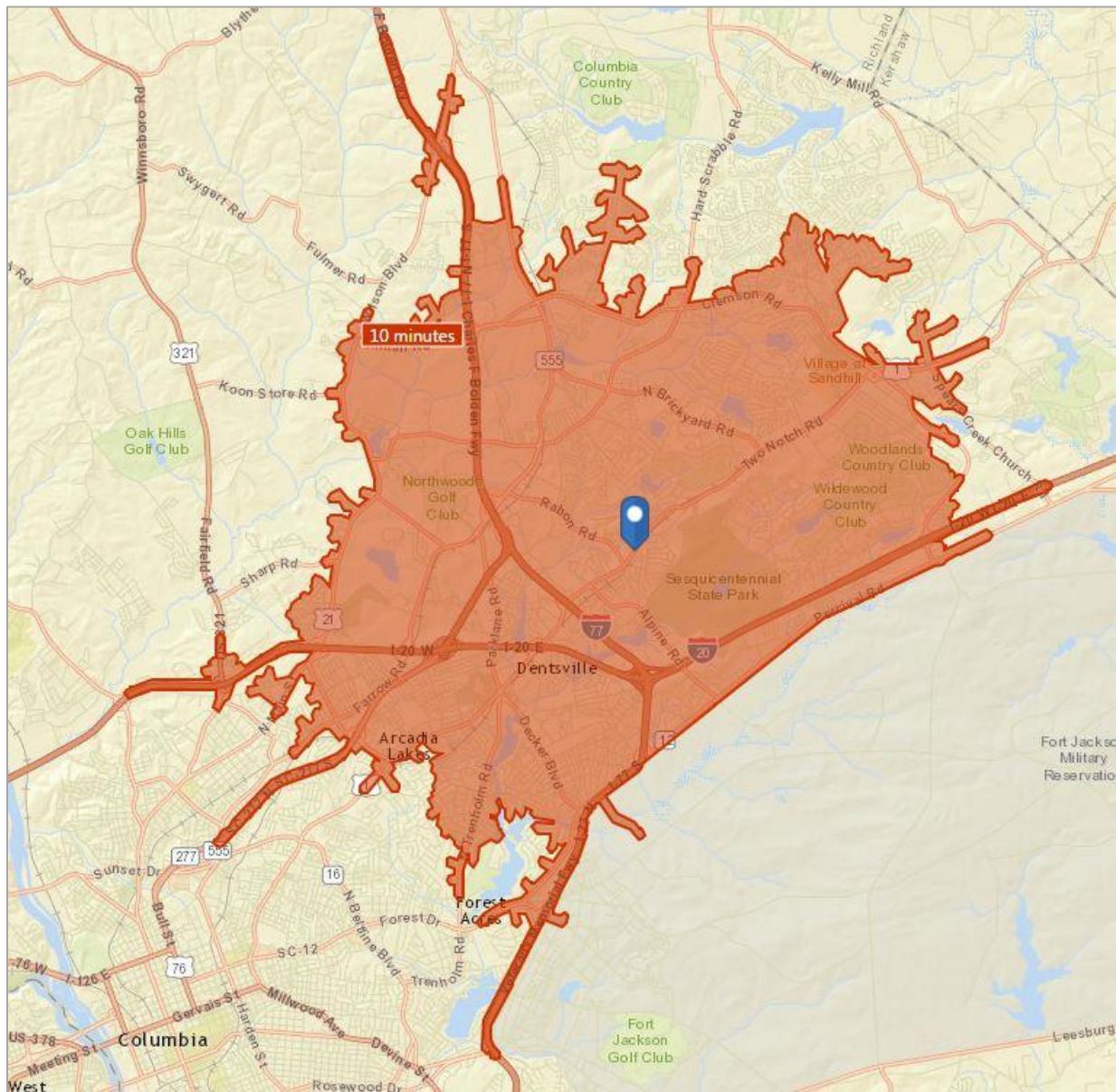
The household count in the PMA has changed from 32,493 in 2010 to 34,233 in the current year, a change of 1.00% annually. The five year projection of households is 36,203, a change of 1.13% annually from the current year total. Average household size is currently 2.46, compared to 2.47 in the year 2010. The number of families in the current year is 22,556 in the specified area.

Current median household income is \$54,195 in the PMA, compared to \$53,217 for all U.S. households. Median household income is projected to be \$60,067 in five years, compared to \$60,683 for all U.S. households. Current average household income is \$73,676 in this area, compared to \$74,699 for all U.S. households. Average household income is projected to be \$81,533 in five years, compared to \$84,910 for all U.S. households. Current per capita income is \$29,670 in the area, compared to the U.S. per capita income of \$28,597. The per capita income is projected to be \$32,922 in five years, compared to \$32,501 for all U.S. households.

Currently, 54.5% of the 37,125 housing units in the PMA are owner occupied; 37.7%, renter occupied; and 7.8% are vacant. Currently, in the U.S., 55.7% of the housing units in the area are owner occupied; 32.8% are renter occupied; and 11.6% are vacant. In 2010, there were 35,426 housing units in the area - 57.1% owner occupied, 34.7% renter occupied, and 8.3% vacant. The annual rate of change in housing units since 2010 is 2.10%. Median home value in the area is \$178,467, compared to a median home value of \$200,006 for the U.S. In five years, median value is projected to change by 2.79% annually to \$204,817.

The primary market area is shown on the following page.

10 Minute Drive-Time



State Community Residential Care Facilities

There are a total of 17,248 beds in 472 facilities in South Carolina. This indicates that the average facility size is 36.5 beds. This is smaller than the subject's proposed 100 beds.

Richland County Community Residential Care Facilities

The subject is currently one of fifty-eight licensed community residential care facilities, totaling 1,388 beds, in Richland County.

The Richland County facilities:

- Range from 5 to 132 beds
- Average 23.9 beds, which is 65.6% of the statewide average
- include only two facilities with Alzheimer Care, totaling 6 beds

Property Analysis

Land Analysis

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. The rectangular shape is suitable as well. We are not aware of any other particular restrictions on development.

The site is currently improved with several residential structures, which would be demolished in order to construct the subject facility.

The subject site is located on a portion of Two Notch Road that experience a traffic count of around 36,000 vehicles per day. A preliminary site plan was provided.

Improvements Description and Analysis

The subject will be a licensed Community Residential Care Facility (CRCF). The State of South Carolina defines this type of facility as:

A facility which offers room and board and which, unlike a boarding house, provides/coordinates a degree of personal care for a period of time in excess of 24 consecutive hours for two or more persons, 18 years old or older, not related to the licensee within the third degree of consanguinity. It is designed to accommodate residents' changing needs and preferences, maximize residents' dignity, autonomy, privacy, independence, and safety, and encourage family and community involvement. Included in this definition is any facility (other than a hospital), which offers or represents to the public that it offers a beneficial or protected environment specifically for individuals who have mental illness or disabilities. These facilities may be referred to as "assisted living" provided they meet the above definition of community residential care facility.

The subject is a proposed assisted living facility, which would be a licensed Community Residential Care Facility licensed by the State of South Carolina. The subject site is a 2.76 acre rectangular parcel.

Improvements Analysis

Quality and Condition

The quality of the proposed facility is considered to be consistent with that of competing properties. With it being proposed, it would obviously be in better condition.

Unit Sizes

There would be seven different floorplans, ranging from a 298 square foot Studio to an 889 square foot Grand Suite. These floorplans are included following this section of the report. All units will have private bathrooms. Information provided indicates that the units will not have kitchenettes.

Common Areas

The common areas on the first floor will include a 35-seat dining room, a 110-seat dining room, a private dining room, TV room, courtyard, wellness center, laundry, kitchen and professional offices. There will be two elevators to provide access to all floors.

The second, third and fourth floors will have common gathering space, a laundry room, hallway $\frac{1}{2}$ bath and caregiver station.

ADA Compliance

Based on our inspection and information provided, we are not aware of any ADA issues. However, we are not expert in ADA matters, and further study by an appropriately qualified professional would be recommended to assess ADA compliance.

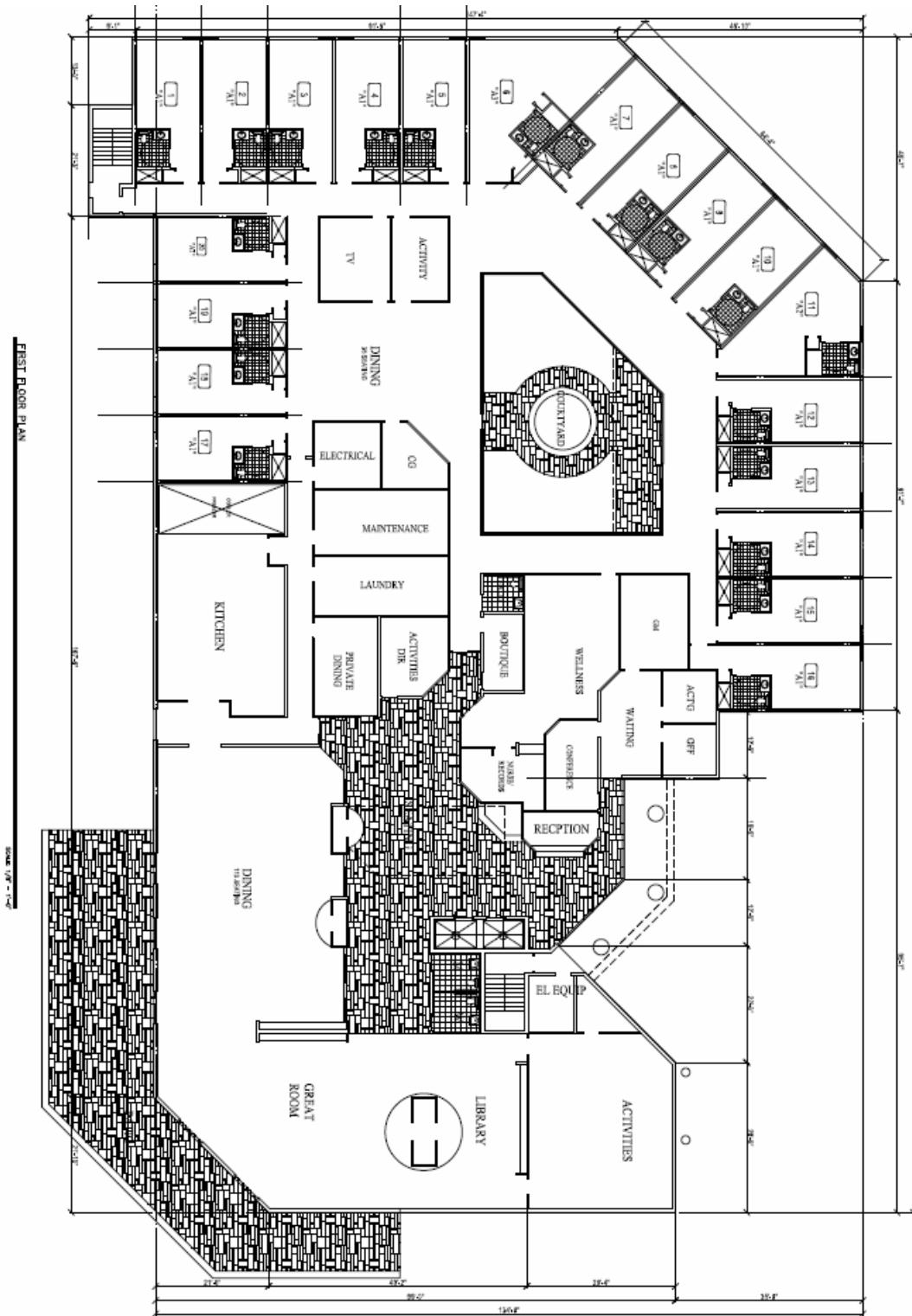
Hazardous Substances

An environmental assessment report was not provided for review and environmental issues are beyond our scope of expertise. No hazardous substances were observed during our inspection of the improvements; however, we are not qualified to detect such substances. Unless otherwise stated, we assume no hazardous conditions exist on or near the subject.

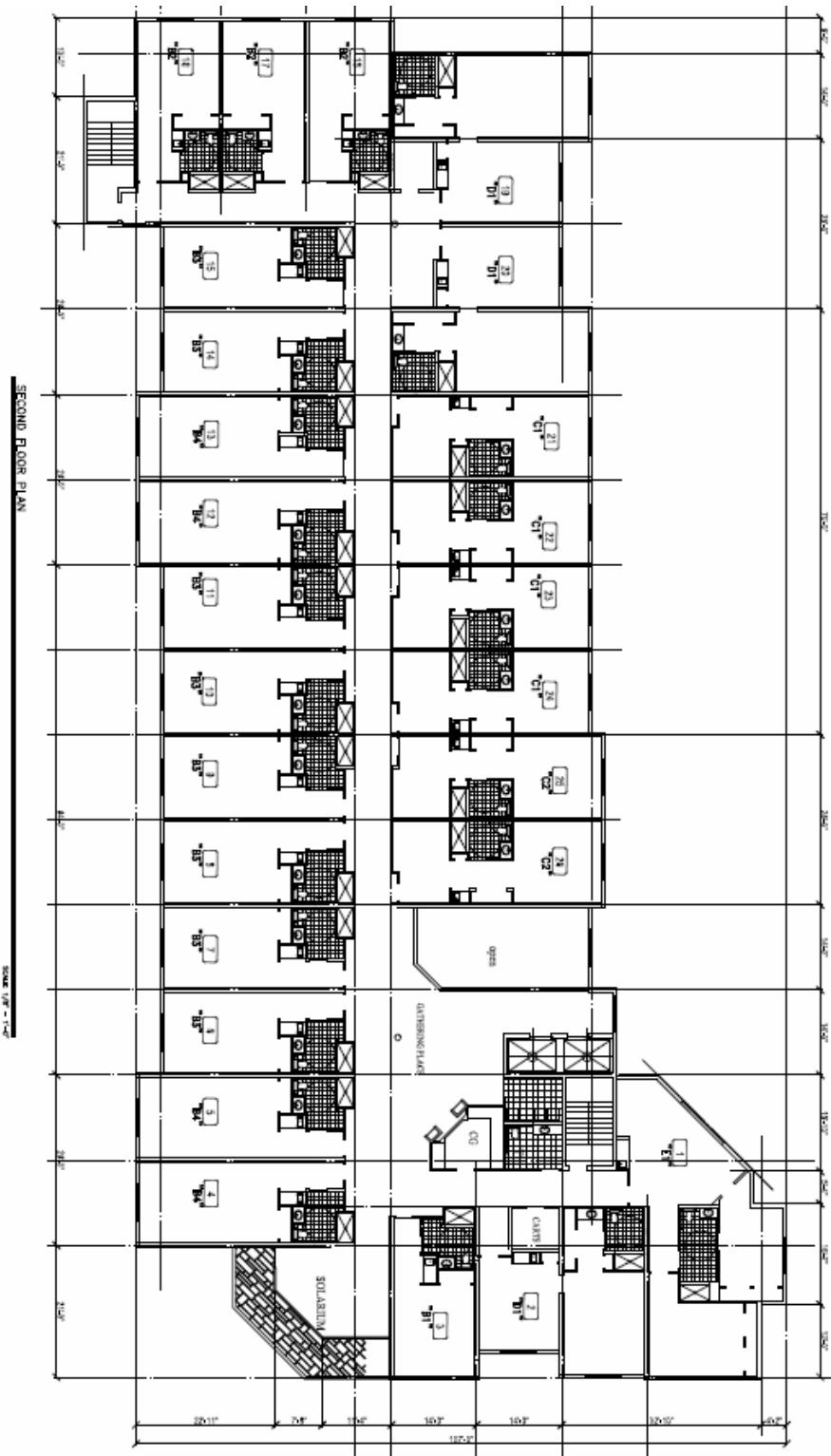
Aerial Tax Map

Proposed Assisted Living Facility

First Floor Plan



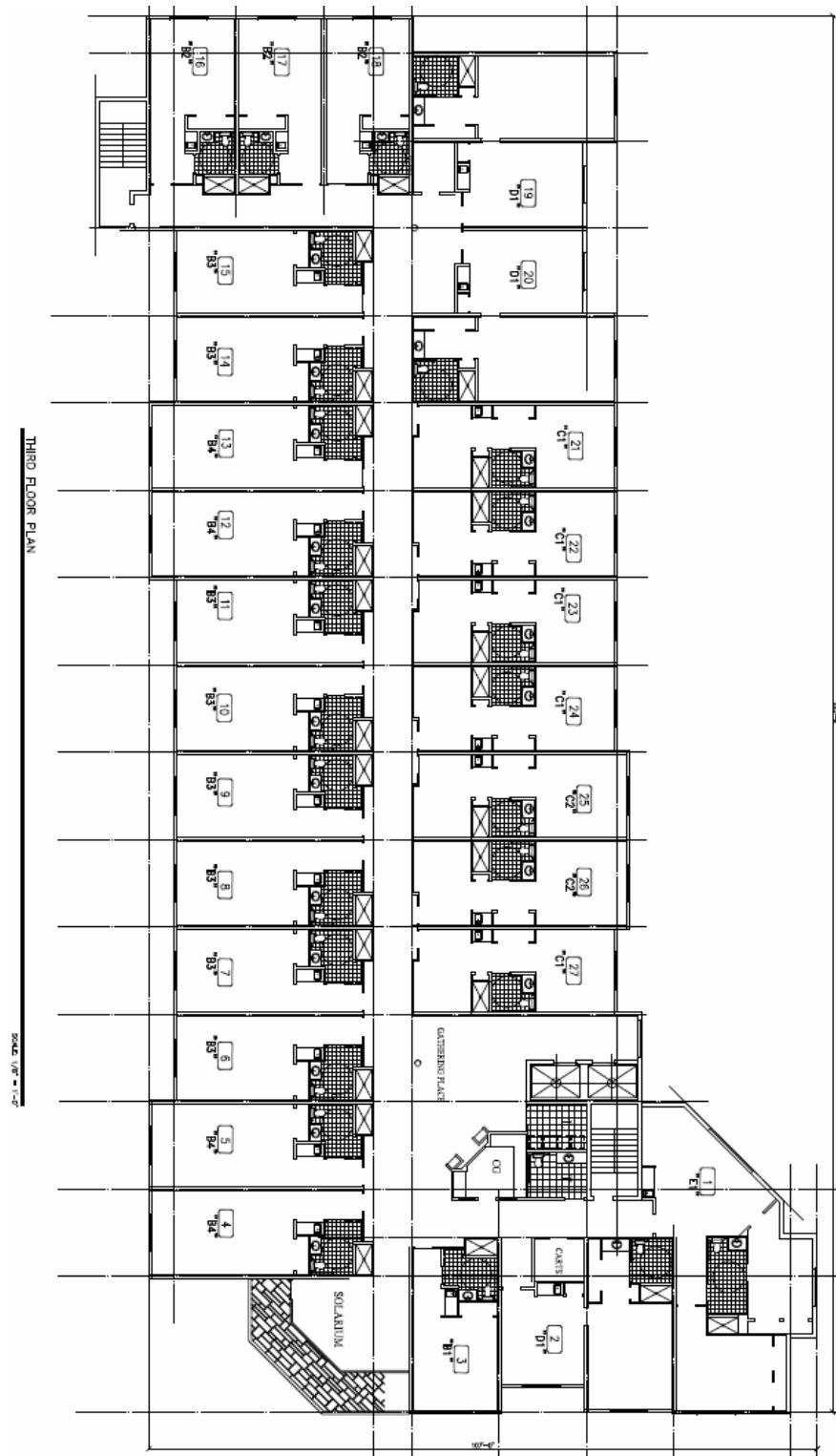
Second Floor Plan



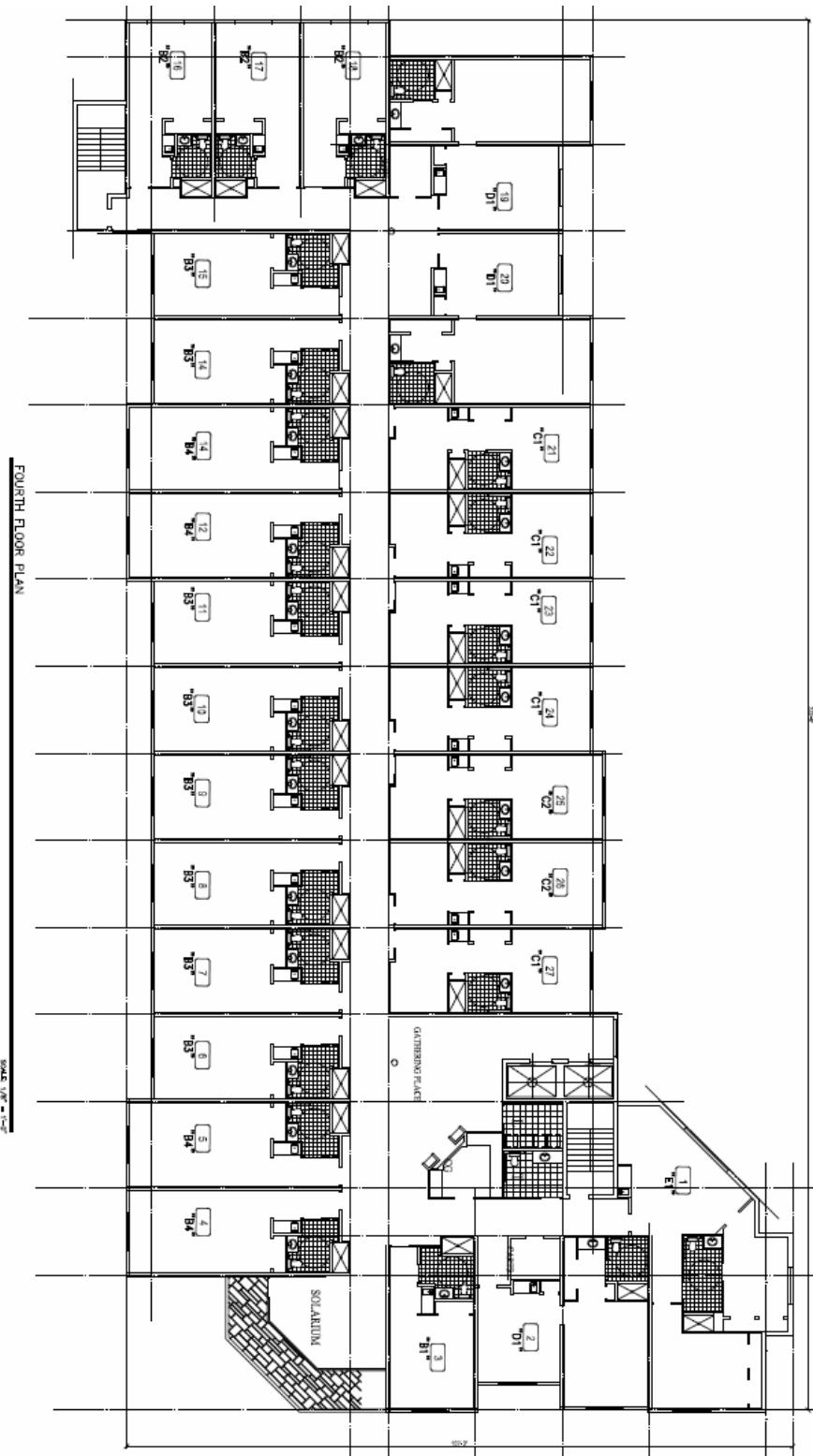
Proposed Assisted Living Facility



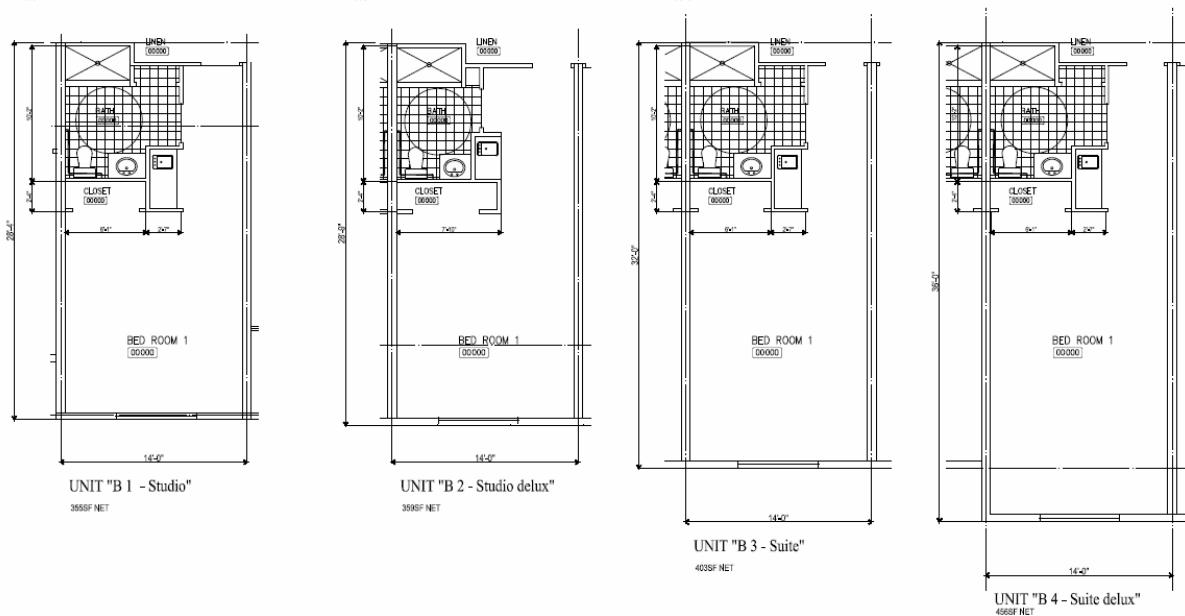
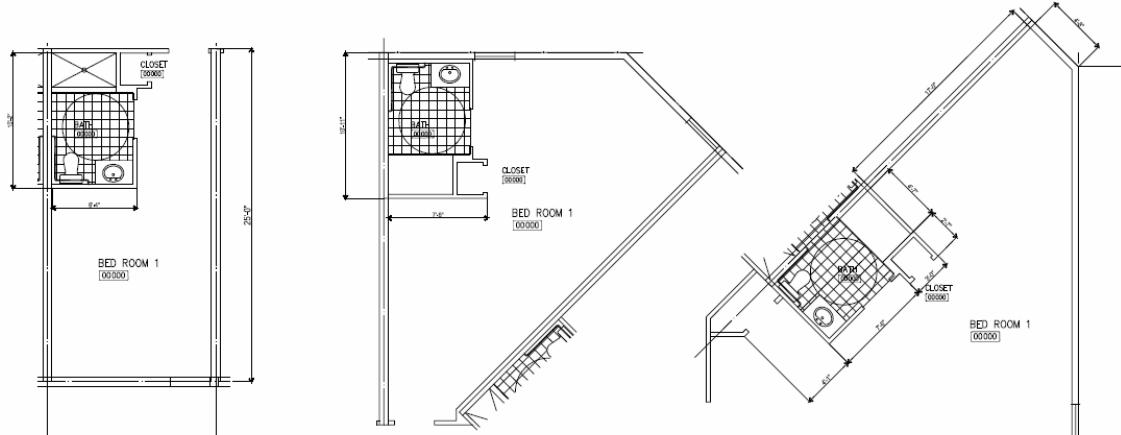
Third Floor Plan



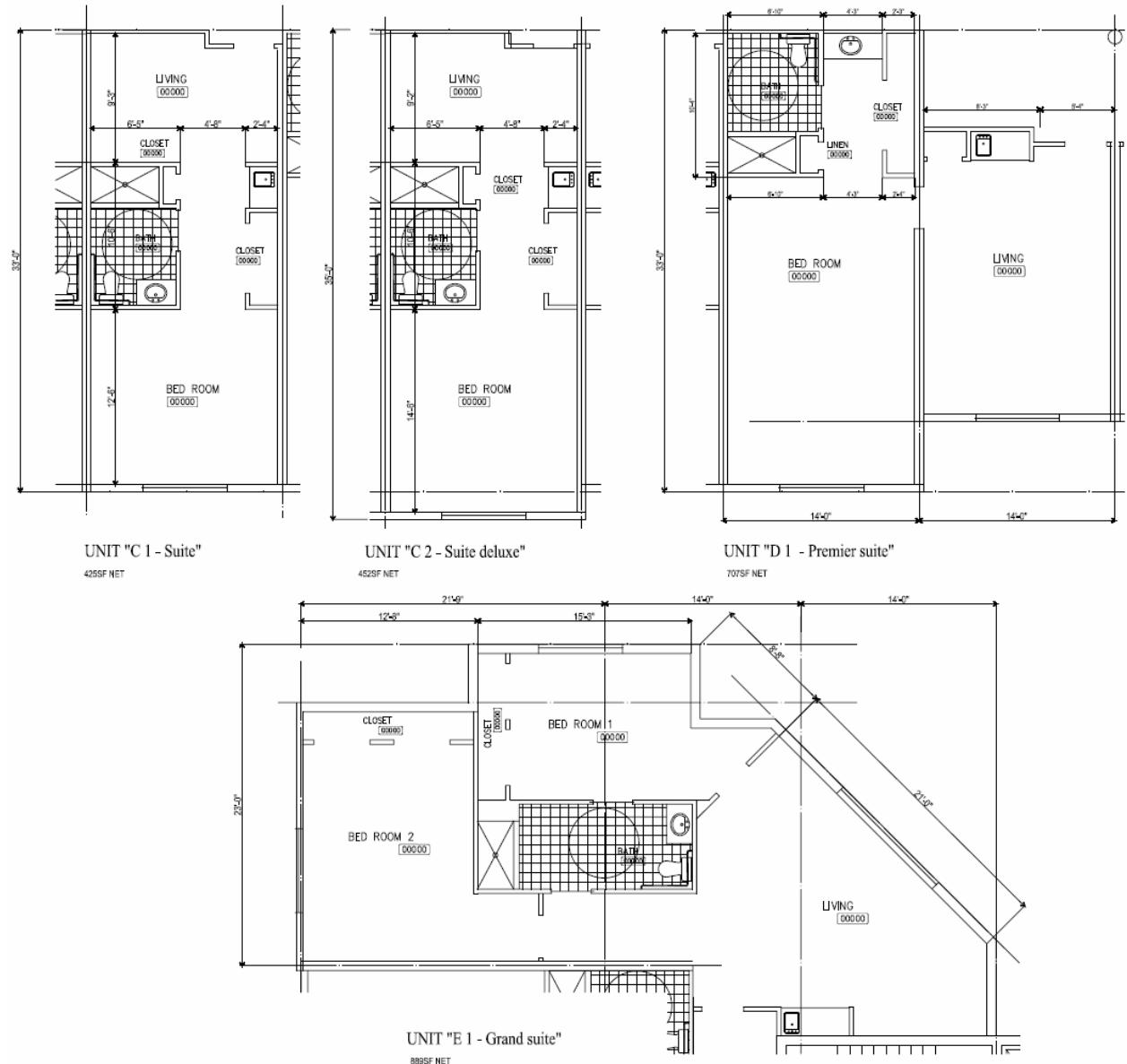
Fourth Floor Plan



Room Designs



Room Designs



Partial Elevation

ENLARGED AT ENTRY

Proposed Site Plan



Highest and Best Use

The subject site and proposed use was analyzed for the highest and best use of the land as though vacant and the property as if improved. Senior housing is legally permissible and physically possible, but based upon this study, does not appear to be financially feasible or the maximally productive use of the site.

Market Analysis

Assisted Living Supply Analysis

We will now focus upon the assisted living segment of the market. Bed licenses are granted based upon double occupancy in many rooms. In practice, a lesser number of rooms are typically occupied by more than one person. For this reason, we will analyze operating beds as opposed to licensed beds. For purposes of this report, a facility's operating beds is considered the optimal number of persons that the facility is designed to accommodate at one time. This figure is generally equal to or greater than the number of units and equal to or less than the number of licensed beds. Our analysis also disregards small board and care facilities in and around the market area, although we know such facilities to be present. Board and care facilities generally have less than 25 licensed beds, are operated by "mom and pop" type operators, and offer Valuation Methodology accommodations and services of lesser quality. For consistency, such facilities are also excluded from the penetration rates utilized in the demand analysis.

In this analysis, six facilities have been analyzed. Four are well within the Primary Market Area, while two (Comps 5 and 6) are located on the northern fringe of the Primary Market Area. Details on the six comparables are presented on the following pages.

Seniors Housing Rent Survey Profile

Rent Survey No. 1

Location & Property Identification

Property Name:	Crossings at Columbia
Sub-Property Type:	Assisted Living Residence
Address:	2300 Clemson Rd.
City/State/Zip:	Columbia, South Carolina 29229
County:	Richland
MSA:	Columbia, SC
IRR Event ID:	1251220



Property Data

Year Built/Renov.:	2015/
Property Condition:	Excellent
Construction Quality:	Good
No. of Buildings/Stories:	1/2

Project Amenities:

Activity room(s), Barber/Beauty shop(s), Cafe(s), Computer lounge(s), Library(s), Dining room(s), Water feature(s), Walking trail(s)

Unit Amenities:

Emergency pull cords, Kitchenettes, Walk-in closets, Washer/dryer units, Fire/Smoke Detectors, Controlled HVAC, Window Treatments, Private Baths

Survey Data

Date of Survey:	12/07/15
Data Source:	Judy Hook, 803-223-9560

Seniors Housing Rent Survey Profile**Rent Survey No. 1****Unit Mix/Rents**

Unit Type	# Units	SF	Rent Basis	Quoted Rent	Comm./Entry Fee	% Refundable	Meals	Care	House-keeping	Utilities
Assisted Living Units										
1/1 Priv.	350	Month	\$3,595	\$2,500		3	Base + levels	Weekly	All but tel	
1/1 Priv.	700	Month	\$4,095	\$2,500		3	Base + levels	Weekly	All but tel	
2/1 SP	940	Month	\$4,895	\$2,500		3	Base + levels	Weekly	All but tel	
AL Dementia Units										
1/1 Priv.	300	Month	\$4,995	\$2,500		3	Base + levels	Weekly	All but tel	
2/1 SP	500	Month	\$4,995	\$2,500		3	Base + levels	Weekly	All but tel	

Concessions/Other Charges

Meals: 3 per day

Comments

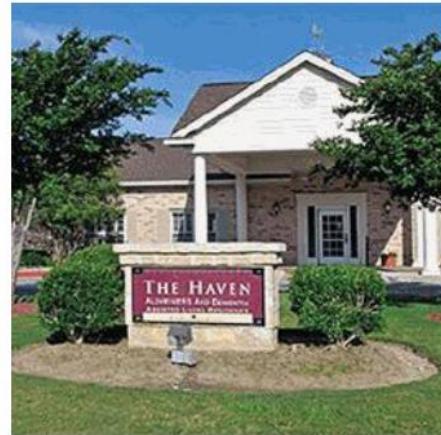
The property has numerous floor plans and prices. The numbers above represent average price and square footage. For the studios prices range from \$3,295 to \$3,895. For one bedroom they range from \$3,695 to \$4,495. The two bedroom range from \$4,795 to \$4,995. Level one care is included. Level 2 care is an additional \$550, level three care is an additional \$1,000. Memory care units ranged from \$4,795 to \$5,350 with base care. Level 2 is an additional \$700, level 3 is an additional \$1,250. Laundry is included. Property opened April 13 of 2015 and is 80% occupied.

Seniors Housing Rent Survey Profile

Rent Survey No. 2

Location & Property Identification

Property Name: The Haven In The Summit
 Sub-Property Type: Assisted Living Residence
 Address: 3 Summit Ter.
 City/State/Zip: Columbia, South Carolina 29229
 County: Richland
 MSA: Columbia, SC Metropolitan Statistical Area
 IRR Event ID: 1251016



Property Data

Year Built/Renov.: 2002/
 Property Condition: Good
 Construction Quality: Good
 No. of Buildings/Stories: 1/1

Project Amenities:

Activity room(s), Dining room(s), Cafe(s), Walking trail(s),
 Therapy room(s), Barber/Beauty shop(s), Lounge(s),
 Garden(s)

Unit Amenities:

Emergency pull cords, Kitchenettes, Private Baths, Window Treatments, Controlled HVAC, Fire/Smoke Detectors

Care Types and Occupancy

Care Type	# Units	# Beds	Occ.
Assisted Living*	48	60	
Total	48		88%
*AL Dementia Care Units included Above	48	60	
Total Units/Beds in Operation		48	

Survey Data

Date of Survey: 12/07/15
 Data Source: Gary Tyson, 803-788-4633

Seniors Housing Rent Survey Profile**Rent Survey No. 2****Unit Mix/Rents**

Unit Type	# Units	SF	Rent Basis	Quoted Rent	Comm./Entry Fee	% Refundable	Meals	Care	House-keeping	Utilities
AL Dementia Units										
1/1 Priv.	48	450	Month	\$3,800	\$1,000		3	Base + levels	Daily	All but tel
2/1 SP	12	650	-	\$3,000	\$1,000		3	Base + levels	Daily	All but tel

Comments

Some type of memory diagnosis is an entry requirement. Base rates are provided above. Level 2 care adds \$635 per month, level 3 adds \$1,155, level 4 adds \$1,600, and level 5 adds \$2,200.

Seniors Housing Rent Survey Profile

Rent Survey No. 3

Location & Property Identification

Property Name:	Wildewood Downs
Sub-Property Type:	Assisted Living Residence
Address:	731 Polo Rd.
City/State/Zip:	Columbia, South Carolina 29223
County:	Richland
MSA:	Columbia, SC Metropolitan Statistical Area
IRR Event ID:	1249244



Property Data

Year Built/Renov.:	2000/
Property Condition:	Good
Construction Quality:	Average
No. of Buildings/Stories:	2/1

Project Amenities:

Activity room(s), Library(s), Lounge(s), Water feature(s), Walking trail(s), Dining room(s), Gated Community

Unit Amenities:

Emergency pull cords, Fire/Smoke Detectors, Controlled HVAC, Window Treatments, Private Baths

Survey Data

Date of Survey:	12/04/15
Data Source:	Leann Feaster, 803-201-9658

Seniors Housing Rent Survey Profile**Rent Survey No. 3****Unit Mix/Rents**

Unit Type	#	SF	Rent Basis	Quoted Rent	Comm./Entry Fee	% Refundable	Meals	Care	House-keeping	Utilities
<u>Assisted Living Units</u>										
1/1 Priv.	49	210	Month	\$3,995	\$1,500		3	Base + levels	Weekly	All but tel
<u>AL Dementia Units</u>										
1/1 Priv.	8	210	Month	\$5,230	\$1,500		3	All-inclusive	Weekly	All but tel

Comments

For assisted living fees increase based on levels of care. Level 1 is included with the base rate. Level 2 increases by \$435, level three increases by \$895. Memory care is all-inclusive.

Property supports independent living with apartments, patio homes, and duplexes. Also supports assisted living, memory care, and skilled nursing.

Seniors Housing Rent Survey Profile

Rent Survey No. 4

Location & Property Identification

Property Name:	Brookdale Assisted Living
Sub-Property Type:	Assisted Living Residence
Address:	251 Springtree Dr.
City/State/Zip:	Columbia, South Carolina 29223
County:	Richland
MSA:	Columbia, SC
IRR Event ID:	1249158



Property Data

Year Built/Renov.:	1998/
Property Condition:	Good
Construction Quality:	Average
No. of Buildings/Stories:	1/1

Project Amenities:

Activity room(s), Barber/Beauty shop(s), Garden(s),
Lounge(s), Library(s), Therapy room(s), Walking trail(s),
Dining room(s)

Unit Amenities:

Emergency pull cords, Kitchenettes, Controlled HVAC,
Private Baths, Window Treatments, Fire/Smoke Detectors,
Walk-in closets

Survey Data

Date of Survey:	12/03/15
Data Source:	Shannon Coleman, 803-741-2600

Seniors Housing Rent Survey Profile**Rent Survey No. 4****Unit Mix/Rents**

Unit Type	# Units	SF	Rent Basis	Quoted Rent	Comm./Entry Fee	% Refundable	Meals	Care	House-keeping	Utilities
<u>Assisted Living Units</u>										
1/1 Priv.	210	Month	\$2,900	\$1,500		3	Base + a-la-carte	Weekly	All but cable/tel	
1/1 Priv.	288	Month	\$3,200	\$1,500		3	Base + a-la-carte	Weekly	All but tel	
1/1 Priv.	324	Month	\$3,625	\$1,500		3	Base + a-la-carte	Weekly	All but tel	
1/1 Priv.	360	Month	\$3,950	\$1,500		3	Base + a-la-carte	Weekly	All but tel	
2/1 Priv.	372	Month	\$4,150	\$1,500		3	Base + a-la-carte	Weekly	All but tel	
2/1 SP	474	Month	\$4,400	\$1,500		3	Base + a-la-carte	Weekly	All but tel	

Concessions/Other Charges

AL Second Person Fee Monthly:	\$950
Meals:	Three per day plus snacks

Comments

Personalized service assessment including needs and preference determines the level of care and cost. According to management the average monthly fee is \$4,600. Assisted living only, no memory care.

Seniors Housing Rent Survey Profile

Rent Survey No. 5

Location & Property Identification

Property Name:	Summers Landing
Sub-Property Type:	Assisted Living Residence
Address:	651 Polo Rd.
City/State/Zip:	Columbia, South Carolina 29223
County:	Richland
MSA:	Columbia, SC
IRR Event ID:	1249134



Property Data

Year Built/Renov.:	1997/
Property Condition:	Average
Construction Quality:	Average
No. of Buildings/Stories:	6/1

Project Amenities:

Activity room(s), Barber/Beauty shop(s), Computer lounge(s), Library(s), Lounge(s), Therapy room(s), Dining room(s)

Unit Amenities:

Emergency pull cords, Fire/Smoke Detectors, Controlled HVAC, Window Treatments, Private Baths

Survey Data

Date of Survey:	12/03/15
Data Source:	George Richardson, 803-788-9555

Seniors Housing Rent Survey Profile**Rent Survey No. 5****Unit Mix/Rents**

Unit Type	# Units	SF	Rent Basis	Quoted Rent	Comm./Entry Fee	% Refundable	Meals	Care	House-keeping	Utilities
<u>Assisted Living Units</u>										
1/1 Priv.	40	250	Month	\$2,800		3	All-inclusive	Weekly	All but tel	
2/1 SP	5	450	Month	\$3,800		3	All-inclusive	Weekly	All but tel	
<u>AL Dementia Units</u>										
1/1 Priv.	10	250	Month	\$3,000		3	All-inclusive	Weekly	All but tel	
2/1 SP	5	400	Month	\$4,000		3	All-inclusive	Weekly	All but tel	

Concessions/Other Charges

Meals: Three per day

Seniors Housing Rent Survey Profile

Rent Survey No. 6

Location & Property Identification

Property Name:	The Palmettos
Sub-Property Type:	Assisted Living Residence
Address:	7811 Parklane Rd.
City/State/Zip:	Columbia, South Carolina 29223
County:	Richland
MSA:	Columbia, SC
IRR Event ID:	1249117



Property Data

Year Built/Renov.:	2011/
Property Condition:	Good
Construction Quality:	Good
No. of Buildings/Stories:	1/1

Project Amenities:

Activity room(s), Barber/Beauty shop(s), Cafe(s), Exercise facility(s), Garden(s), Library(s), Lounge(s), Therapy room(s), Dining room(s)

Unit Amenities:

Emergency pull cords, Kitchenettes, Private Baths, Window Treatments, Controlled HVAC, Fire/Smoke Detectors

Survey Data

Date of Survey:	12/03/15
Data Source:	Kimberly Davila, 803-741-7233

Seniors Housing Rent Survey Profile

Rent Survey No. 6

Unit Mix/Rents

Unit Type	# Units	SF	Rent Basis	Quoted Rent	Comm./Entry Fee	% Refundable	Meals	Care	House-keeping	Utilities
<u>Assisted Living Units</u>										
Studio Priv.	331	Month	\$3,520	\$1,000		3	Base + levels	Weekly	All but cable/tel	
1/1 Priv.	432	Month	\$4,280	\$1,000		3	Base + levels	Weekly	All but cable/tel	
1/1 Priv.	439	Month	\$4,280	\$1,000		3	Base + levels	Weekly	All but cable/tel	
2/1 Priv.	496	Month	\$4,720	\$1,000		3	Base + levels	Weekly	All but cable/tel	
<u>AL Dementia Units</u>										
1/1 Priv.	312	Month	\$5,330	\$1,000		3	All-inclusive	Weekly	All but cable/tel	
1/1 Priv.	326	Month	\$5,760	\$1,000		3	All-inclusive	Weekly	All but cable/tel	
1/1 Priv.	486	Month	-	\$1,000		3	All-inclusive	Weekly	All but cable/tel	

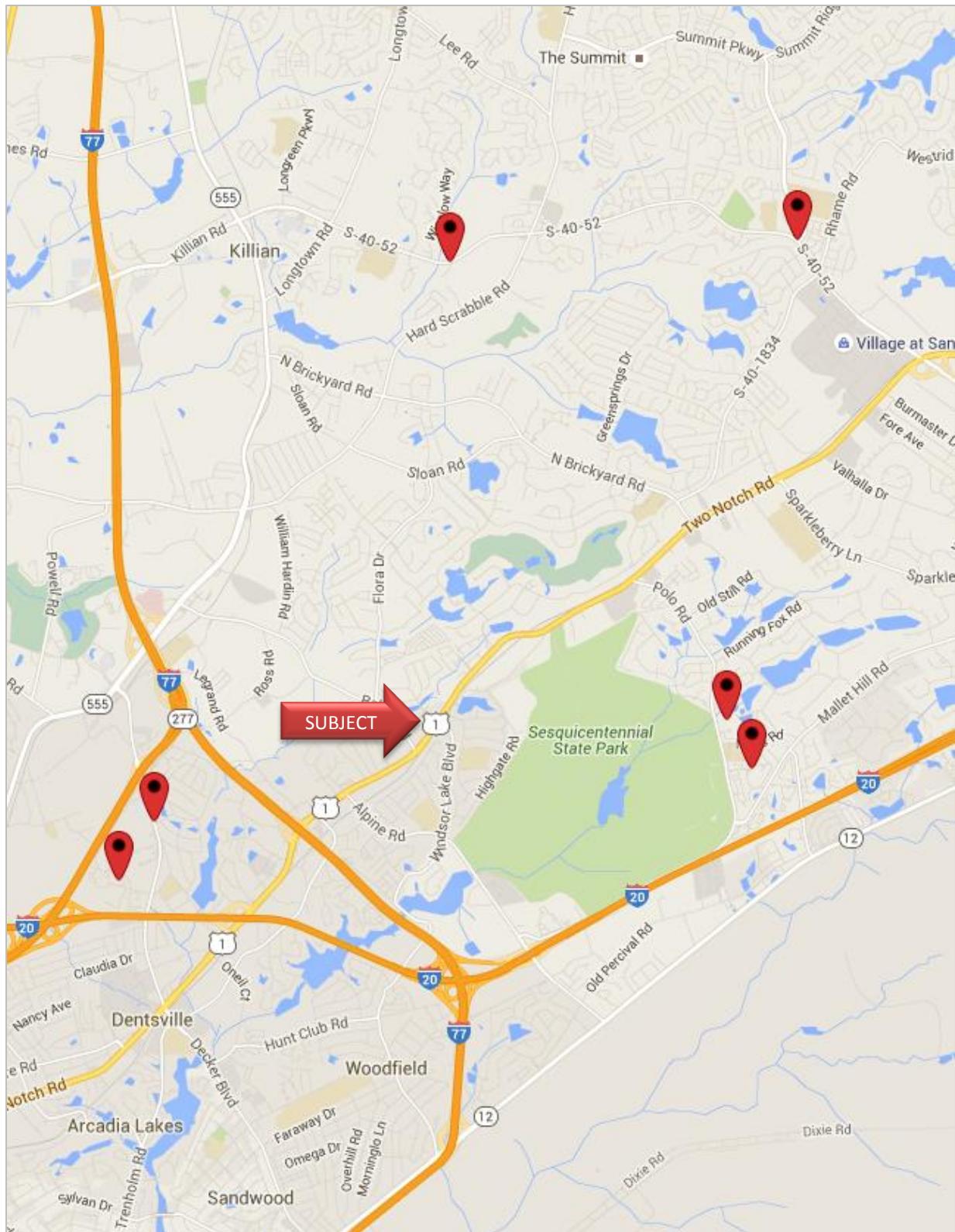
Concessions/Other Charges

AL Second Person Fee \$1,000
Monthly:

Meals: Three per day

Comments

55 assisted living unit with companion option and 20 private memory care units. Cable, telephone, and scooter fees extra.



The following table summarizes assisted living facilities within the subject's Primary Market Area that would be direct competitors of the subject.

Competitors Within Primary Market Area

#	Name	Miles from Subject	Year Built	Avg. Beds/Room	Beds
1	Wildewood Downs 731 Polo Road Columbia, SC	3.2	2000	1.2	57
2	Brookdale Assisted Living 251 Springtree Dr. Columbia, SC	3.4	1998	1.2	52
3	Summers Landing 651 Polo Road Columbia, SC	2.9	1997	2.5	59
4	The Palmettos 7811 Parklane Columbia, SC	2.8	2011	1.1	85
5	Crossings at Columbia 2300 Clemson Road Columbia, SC	5.5	2015	1.2	110
6	Haven in the Summit 3 Summit Terrace Columbia, SC	5.1	2002	1.25	60
Total Excluding Subject					423

The smaller, five to twenty bed facilities were not included. Note that the total number of beds within the PMA represents 30% the total numbers of beds licensed in Richland County.

An adjustment could be made to account for some of the facilities being on the outskirts of the PMA. Comparable 5, which is on the northern border of the Primary Market Area, is considered to be only 25% competitive. While the subject may include some memory care units, the all-memory-care facility that is comparable 6 is considered to be 0% competitive for the purposes of this analysis. This is shown below.

Competitors Within Primary Market Area

#	Name	Miles from Subject	Year Built	Avg. Beds/Room	Beds	% Competitive	# of Competitive Beds
1	Wildewood Downs 731 Polo Road Columbia, SC	3.2	2000	1.2	57	100%	57
2	Brookdale Assisted Living 251 Springtree Dr. Columbia, SC	3.4	1998	1.2	52	100%	52
3	Summers Landing 651 Polo Road Columbia, SC	2.9	1997	2.5	59	100%	59
4	The Palmettos 7811 Parklane Columbia, SC	2.8	2011	1.1	85	100%	85
5	Crossings at Columbia 2300 Clemson Road Columbia, SC	5.5	2015	1.2	110	25%	28
6	Haven in the Summit 3 Summit Terrace Columbia, SC	5.1	2002	1.25	60	0%	0
Total Excluding Subject					423		281
Subject Facility Two Notch Road Columbia, SC					100		
Total Including Proposed Subject Beds							381

This result is a calculated number of competitive beds of 281, excluding the subject's planned beds.

Occupancy of Competitive Supply

The occupancy and waiting list status of competitive supply of assisted living is generally not considered to be reliable. Administrators rarely provide accurate information due to fear that new competition will be built. Information gathered indicates that most facilities in the immediate area, that market toward the private pay residents, are experiencing occupancy rates in the 80% to 90% range. The higher fee facilities generally have a lower overall occupancy in South Carolina. The occupancy is also affected by the types of room configurations at facilities.

Assisted Living Under Construction or Proposed

We researched and submitted requests for information about potential senior housing pipeline projects. Our conclusions depend on the accuracy and completeness of the data provided by the cities. Our research revealed one development that is under construction.

- The Blake at Woodcreek Farms, located in Elgin, a suburb of northeast Columbia, is a two level 100 unit Class A retirement center featuring a commercial kitchen and dining room, a physical and occupational therapy center, salon and massage services, and multiple recreational areas. Through this development, The Blake, which has other locations in Alabama, Florida, Louisiana, and Mississippi, now brings its “southern sensibilities and compassionate care” facility concept to South Carolina. Frampton Construction signed a contract with Cardinal Ventures in August of 2015 and broke ground in September. The Blake at Woodcreek Farms is expected to open in the fall of 2016. This facility is outside the Primary Market Area.

Memory Care Supply Analysis

We will now focus upon the memory care segment of the assisted living market. Alzheimer's disease is a progressive, degenerative disease that attacks the brain and results in impaired memory, thinking, and behavior. It was first described by Dr. Alois Alzheimer in 1906 and has since been diagnosed in millions of people. The exact causes have yet to be discovered. Memory care is an umbrella term used to describe the loss of cognitive or intellectual function. Many conditions can cause memory care issues. Issues related to depression, drug interaction, thyroid, and other problems may be reversible if detected early. Several other diseases also cause memory care issues, such as Parkinson's, Creutzfeldt-Jakob, Huntington's, and Multi-Infarct or vascular disease, caused by multiple strokes in the brain.

The following statistics from the National Alzheimer's Association's *2014 Alzheimer's Disease Facts and Figures* report delineate the strong need for facilities that care for persons with memory care issues:

- Alzheimer's is a progressive, degenerative disease of the brain and the most common form of memory care disease.
- An estimated 5.2 million Americans of all ages have Alzheimer's in 2014. This figure includes 5.0 million people aged 65 and older and 200,000 individuals under age 65 who have younger-onset memory care issues.
- One in nine people aged 65 and older (11%) has Alzheimer's.
- Of those with Alzheimer's, an estimated 4% are under age 65, 15% are 65 to 74, 44% are 75 to 84, and 38% are 85 and older.
- More women than men have memory care issues. Almost two-thirds of all Americans living with Alzheimer's are women. Of the 5.0 million people over age 65 with Alzheimer's in the United States, 3.2 million are women and 1.8 million are men. Based on estimates from ADAMS, 16% of women aged 71 and older have memory care issues compared with 11% of men.
- People with fewer years of education appear to be at higher risk for memory care issues than those with more years of education. Prevalence and incidence studies show that having fewer years of education is associated with a greater likelihood of having and a greater risk of developing memory care issues.
- The number of Americans surviving into their 80s and 90s and beyond is expected to grow dramatically due to advances in medicine and medical technology, as well as social and environmental conditions. Additionally, a very large segment of the American population – the baby boom generation – is reaching retirement age.
- By 2030, the segment of the U.S. population aged 65 years and older is expected to double, and the estimated 72 million older Americans will make up approximately 20% of the total population (up from 13% in 2010). As the number of older Americans grows rapidly, so too will the numbers of new and existing cases of memory care issues.

- In 2000, there were an estimated 411,000 new (incident) cases of Alzheimer's disease. For 2010, that number was estimated to be 454,000 (a 10% increase); by 2030, it is projected to be 615,000 (50% increase from 2000); and by 2050, 959,000 (130% increase from 2000).
- By 2025, the number of people aged 65 and older with Alzheimer's disease is estimated to be over 7.1 million. This is a 40% increase from the 5.0 million aged 65 and older currently affected.
- By 2050, the number of people aged 65 and older with Alzheimer's disease may triple, from 5.0 million to a projected 13.8 million, barring the development of medical breakthroughs to prevent or more effectively treat the disease.

In the past, most persons with memory care issues have been cared for in the home by informal caregivers (friends or relatives) or through home health care agencies or other providers. With the continuing increase in two-income households and the recognition that caring for a person with memory care issues can be physically and mentally taxing, many informal caregivers are seeking options outside the home. This led to growth in the number of facilities providing specialized care for persons with memory care issues.

Facilities providing specialized care for persons with memory care issues generally follow one of two models: the nursing care model or the assisted living model. Generally, the nursing care model can be characterized as being for patients who have relatively extensive health care needs in addition to requiring care for memory care issues. The nursing care model is a type of care subject to greater regulation than assisted living care. Staffing requirements for nursing care are typically greater, and the associated costs for care are higher. As many persons with memory care issues are otherwise healthy, the assisted living model is the leading model for the care of persons with memory care issues.

Existing Supply of Memory Care

According to the Department of Health and Environmental Control, there are sixteen facilities in Richland County that are licensed for Alzheimer care. The facilities are licensed for a total of 342 Alzheimer Care beds. Eight of the Richland County facilities have a dedicated Alzheimer Unit. The Alzheimer Units total 196 beds.

The memory care beds within the Primary Market Area total 134 beds, as shown below.

PMA Facilities Offering Memory Care

#	Name	Beds	Rooms	Alzheimer		Alzheimer	
				Care	# of Beds	Unit	# of Beds
1	Wildewood Downs 731 Polo Road Columbia, SC	57	49	Yes	8	Yes	8
2	Brookdale Assisted Living 251 Springtree Dr. Columbia, SC	52	42	Yes	42	No	0
3	Summers Landing 651 Polo Road Columbia, SC	59	24	Yes	14	No	0
4	The Palmettos 7811 Parklane Columbia, SC	85	75	Yes	10	Yes	24
5	Crossings at Columbia 2300 Clemson Road Columbia, SC	110	89	No	0	No	0
6	Haven in the Summit 3 Summit Terrace Columbia, SC	60	48	Yes	60	Yes	60
Totals		423	327		134		92

Occupancy of Competitive Supply

Information provided indicates that the facilities that are approved for Alzheimer care are able to keep these beds full. Those that were interviewed declined to provide information regarding any type of waiting list.

Memory Care under Construction or Proposed

We researched and submitted requests for information about potential senior housing pipeline projects. Our conclusions depend on the accuracy and completeness of the data provided by the cities. Our research revealed no competitive projects under construction or proposed:

Barriers to Entry

The subject is in a market with limited barriers to entry. Vacant sites are plentiful and zoning and building permits are easily obtained. Thus, it is likely that future competition will be developed as warranted by demand.

Seniors Housing Demand Analysis

We will now analyze demand for seniors housing. Our analysis will show demand estimates for the current year and 5 years from the current year.

The demand estimates will be based upon the quantity of four potential target groups who are likely users of seniors housing. Analysis of these four target groups will provide four separate indications of demand for seniors housing. We will then consider each one of them to derive our demand conclusions, much as the three approaches to value in an appraisal are reconciled into a single value estimate. The target groups are as follows:

Target Group 1

Although the vast majority of persons entering seniors housing are age 80 and over, some persons between the ages of 65 and 80 elect to live in seniors housing. Therefore, the broadest potential target group for seniors housing is persons age 65 and over. The number of persons age 65 plus is often considered in bed need methodologies adopted by various state licensing agencies.

Target Group 2

The next potential target group typically examined in evaluating demand for seniors housing is the number of households headed by a householder age 75 and over. The vast majority of seniors housing residents fall into the 75+ range.

Target Group 3

The next target group consists of the age qualified population that has adequate income to live in elderly housing. Many operators consider \$25,000 to be the minimum qualifying income. Although research has shown that many seniors with lesser income levels can afford to reside in seniors housing due to having income from other sources or assets to spend down, \$25,000 is widely considered a benchmark for the private pay market. Thus, this target group consists of the number of households with household income of \$25,000+ headed by a householder age 75+.

Target Group 4

This group consists of a group referred to in the industry as adult children. Children and/or other relatives of seniors generally play a significant role in the placement of a senior in a seniors housing facility. Market areas where there are large concentrations of persons in the 45 to 64 age group can often support a significantly larger supply of seniors housing than would be indicated through analysis of seniors already residing in the area. This is because in-migration of seniors into markets with large adult child populations is common, as the elderly are often relocated to a facility near the home of their adult children or other relative. Many operators of seniors housing have recognized the importance of the adult child market. Thus, this target group is the number of persons in the age 45 to 64 age bracket.

Income and ADL Qualification

Some in the industry apply additional qualifications to further refine the potential target market before applying a penetration rate. These further qualifications might include quantification of seniors likely to require assistance with ADLs and quantification of seniors by living arrangements (restricting the market to those living alone under the assumption that few seniors living with spouses will choose seniors housing). However, there are no reliable local sources to accurately estimate these factors in a given market area, typically leading to the use of national statistics. These further qualifications tend to complicate the application and derivation of penetration rates and are a futile exercise since the same national data are typically applied to each market area. For this reason, we will not attempt to further qualify the potential market.

Discussion of Achievable Penetration Rates

There are no industry standard definitions for penetration or capture rates. For purposes of this analysis, a penetration rate is considered to be the number of beds or units of a specific type that should be demanded at market equilibrium within a given market area, divided by the quantity of persons or households of a specific type in the same market area. For example, if 100 beds of assisted living should be demanded, and there are 1,000 persons age 65+ that reside in the PMA, the indicated penetration rate is 10%.

In order to determine appropriate penetration rates, we consulted national demand estimates provided in *The Case for Investing in Seniors Housing and Long Term Care Properties with Updated Projections*. We have also relied upon actual penetration rates being realized based upon data from NIC Map.

The penetration rates are based upon demand for public and private pay. The inclusion of public pay demand significantly impacts the nursing home sector and has a lesser but still notable impact upon the other two sectors. It is important to note that in states where Medicaid waivers and/or other public pay alternatives are not available, these penetration rates may not be realized. These demand estimates, derived from the most complete and authoritative study of national demand in existence, will be used as the basis for estimating demand in the subject's market area.

IRR has been evaluating seniors housing facilities since the mid 1980s. Over the years, we have worked with many of the most prolific developers of seniors housing in the nation including Sunrise Senior Living, Holiday Retirement, Senior Resource Group, Emeritus and Capital Senior Living. Most of the successful developers and operators of private pay seniors housing target the adult child population (persons age 45 to 64). In our tours of literally hundreds of facilities nationally, we always ask the source of residents and how often the decision is made by an adult child caregiver. In most instances, the adult child caregiver is noted as being the primary decision maker, and in many markets, more than 50% of the residents are brought in from outside the PMA by adult child caregivers that live in the PMA. Thus, in our analysis, the adult child market (Target Group 4) is given considerable weight.

We have also field tested the penetration rates derived from *The Case for Investing in Seniors Housing and Long Term Care Properties with Updated Projections* in the preparation of more than 3,000 market studies and appraisals of seniors housing assets prepared over the past 10+ years. We have found these penetration rates to be excellent predictors of actual market conditions. In other words,

when our demand analysis indicated there to be an undersupply, we typically found high market occupancy levels indicating unmet demand. Alternatively, when our demand model showed an oversupply, we have typically seen low market occupancy levels.

Demand Estimates

The following table shows the estimated number of persons or households in each target group for a number of time periods, and the indicated demand for each period based upon the penetration rates previously discussed.

Demand Analysis

	Year	
	2015	2020
Target Group 1 - Persons Age 65+		
PMA Persons Age 65+	12,021	14,344
Estimated Penetration Rate	2.0%	2.0%
Estimated Market Area Demand	240	287
Target Group 2 - Households Age 75+		
PMA Households Age 75+	3,085	3,590
Estimated Penetration Rate	6.6%	6.6%
Estimated Market Area Demand	204	237
Target Group 3 - Households Age 75+ with Income \$25,000+		
PMA Households Age 75+ with Income \$25,000+	2,045	2,598
Estimated Penetration Rate	14.8%	14.8%
Estimated Market Area Demand	303	385
Target Group 4 - Persons Age 45-64 (Adult Children)		
PMA Persons Age 45-64 (Adult Children)	21,525	21,153
Estimated Penetration Rate	1.1%	1.1%
Estimated Market Area Demand	237	233
Demand Indications	270	309
Adjustment for Local Market	100%	100%
Concluded Demand (Number of Beds)	270	309

The demand indication for each target group is independent of the other three demand indications. In this case, our final demand conclusion is weighted **50% to Target Group 3 (age and income qualified seniors) and 50% to Target Group 4 (adult children)**. These two indications of demand are the best indicators of demand for private pay seniors housing.

Comparison of Supply and Demand

The following table summarizes our conclusions of supply and demand for assisted living. The existing supply figure does not include the planned 100 beds at the subject.

Supply and Demand Indicators	
Year	2015
Demand Indications	270
Adjustment for Local Market	0
Concluded Demand (Number of Beds)	270
Less Existing Competitive Supply	281
Existing Unmet Demand or Oversupply	-11

Our analysis shows that the PMA has an over-supply of assisted living beds, with an excess of 11 beds indicated. This figure does not include the planned 100 beds at the subject. The demand within the PMA is expected to grow by 39 beds over the next five years, based upon the demand model.

As noted previously, demand for memory care is a subset of overall assisted living demand. Memory care facilities are normally licensed the same as standard assisted living facilities. Furthermore, it is relatively easy for facilities to begin or cease providing specialized memory care since the physical plant requirements are not significantly different and the license is not different. We have previously determined demand for all assisted living, including memory care.

As of the 1st quarter of 2015, NIC MAP reported that there were 334,970 assisted living units and 89,753 memory care units in the top 100 metro markets. Thus, the combined assisted living supply count inclusive of memory care was 424,723 units. The memory care assisted living supply figure in turn equated to 21.1% of the total assisted living supply. The average occupancy was 90.2% for assisted living and 87.5% for memory care, indicating that demand between the two segments is near a balanced level. Also, memory care is currently the fastest growing segment of age-qualified housing.

However, we believe this provides just a starting point, and, in fact, understates potential demand for memory care for several reasons. Firstly, memory care units are much more likely to be semiprivate than traditional assisted living, and the statistics noted above are based upon units, not beds. Therefore, the quantity of memory care units above has a much higher level of double occupancy, thus the demand on a bed, rather than unit basis, would be much higher as a percent of total demand. Furthermore, many residents of traditional assisted living have mild to moderate memory care issues and would be better suited for residency in a memory care facility, but the supply of memory care units is lacking in many markets.

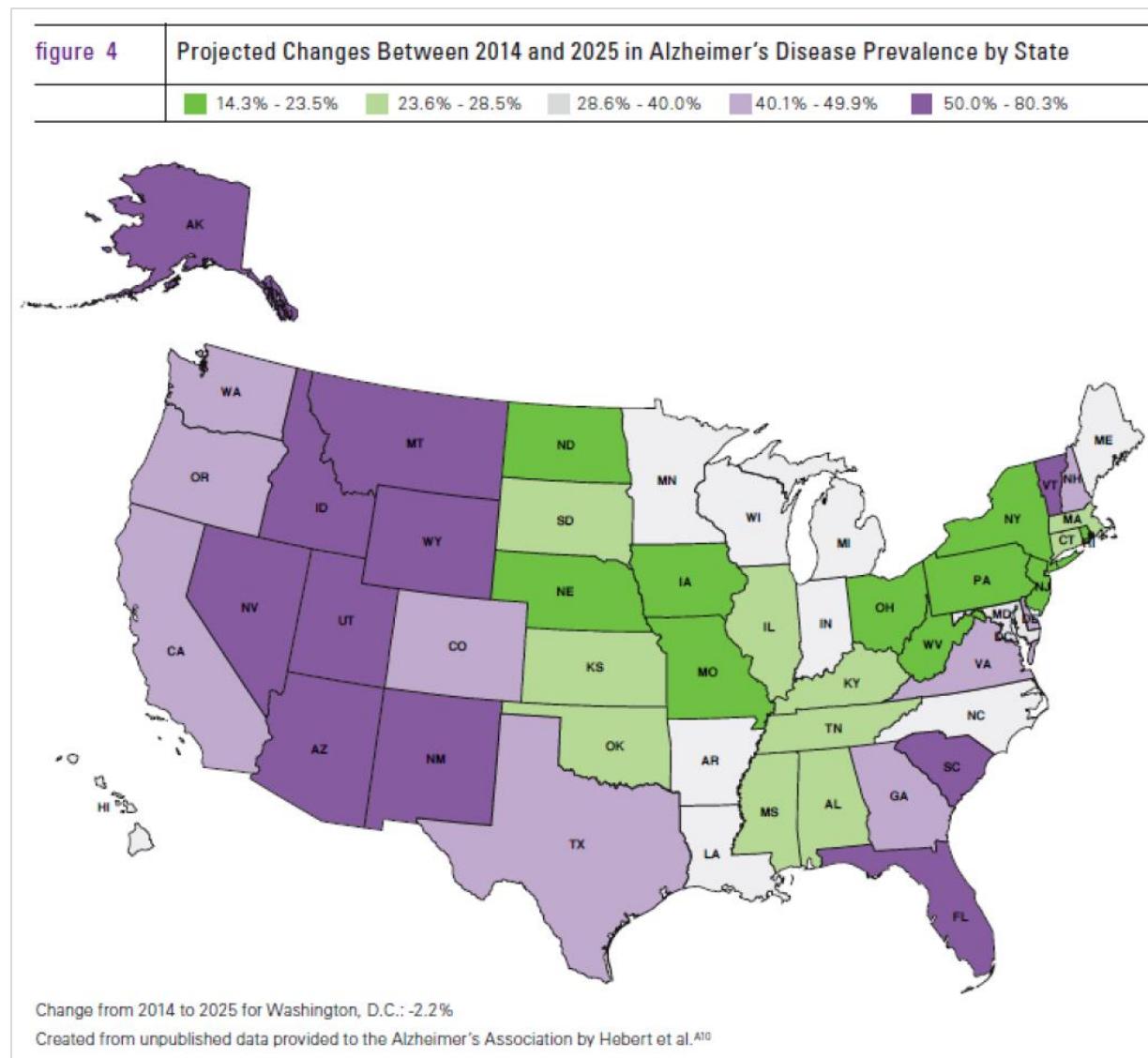
According to the Alzheimer's Association, there are approximately 469,000 people age 65 or older that developed Alzheimer's disease in the United States in 2014. Also, the Alzheimer's Association provided the following data regarding projected change by state for those residents with Alzheimer's disease.

table 2

Projections of Total Numbers of Americans Age 65 and Older with Alzheimer's by State

State	Projected Number w/Alzheimer's (In thousands)	Projected Number w/Alzheimer's (In thousands)	Percentage Change 2014-2025	State	Projected Number w/Alzheimer's (In thousands)	Projected Number w/Alzheimer's (In thousands)	Percentage Change 2014-2025
2014	2025			2014	2025		
Alabama	86.0	110.0	27.9	Montana	18.0	27.0	50.0
Alaska	6.1	11.0	80.3	Nebraska	33.0	40.0	21.2
Arizona	120.0	200.0	66.7	Nevada	37.0	64.0	73.0
Arkansas	52.0	67.0	28.8	New Hampshire	22.0	32.0	45.5
California	580.0	840.0	44.8	New Jersey	170.0	210.0	23.5
Colorado	63.0	92.0	46.0	New Mexico	34.0	53.0	55.9
Connecticut	72.0	91.0	26.4	New York	380.0	460.0	21.1
Delaware	16.0	23.0	43.8	North Carolina	150.0	210.0	40.0
District of Columbia	9.2	9.0	-2.2	North Dakota	14.0	16.0	14.3
Florida	480.0	720.0	50.0	Ohio	210.0	250.0	19.0
Georgia	130.0	190.0	46.2	Oklahoma	60.0	76.0	26.7
Hawaii	25.0	35.0	40.0	Oregon	59.0	84.0	42.4
Idaho	22.0	33.0	50.0	Pennsylvania	270.0	320.0	18.5
Illinois	210.0	260.0	23.8	Rhode Island	22.0	27.0	22.7
Indiana	100.0	130.0	30.0	South Carolina	79.0	120.0	51.9
Iowa	62.0	73.0	17.7	South Dakota	16.0	20.0	25.0
Kansas	50.0	62.0	24.0	Tennessee	110.0	140.0	27.3
Kentucky	67.0	86.0	28.4	Texas	330.0	490.0	48.5
Louisiana	81.0	110.0	35.8	Utah	28.0	42.0	50.0
Maine	25.0	35.0	40.0	Vermont	11.0	17.0	54.5
Maryland	97.0	130.0	34.0	Virginia	130.0	190.0	46.2
Massachusetts	120.0	150.0	25.0	Washington	97.0	140.0	44.3
Michigan	170.0	220.0	29.4	West Virginia	36.0	44.0	22.2
Minnesota	88.0	120.0	36.4	Wisconsin	100.0	130.0	30.0
Mississippi	51.0	65.0	27.5	Wyoming	8.5	13.0	52.9
Missouri	110.0	130.0	18.2				

Created from unpublished data provided to the Alzheimer's Association by Hebert et al.¹⁰



As shown in the figures above, between 2014 and 2025, every state and region across the country is expected to experience double-digit percentage increases in the numbers of people with Alzheimer's due to increases in the proportion of the population 65 and older.

Major operators of memory care facilities such as Brookdale, Capital Senior Living, and Benchmark believe that demand for memory care is as high as 38% of total assisted living demand. Based upon this, we will estimate demand for memory care at 35% of total assisted living demand. This would indicate minimal demand for additional memory care beds. One facility in the PMA, Haven in the Summit, is a dedicated Alzheimer facility. It is licensed by the State of South Carolina as an Alzheimer Unit, and has 60 beds. It should also be noted that Brookdale of Columbia is licensed for 42 Alzheimer Beds, but reportedly does not accept Alzheimer residents currently.

Supply and Demand Conclusion

The PMA is a moderately growing market. There are low barriers to entry in this market. Our analysis shows that the assisted living and memory care markets are slightly over-supplied. This is supported by our research. The overall Columbia market is seeing new projects being built, but none were found to be within the PMA. Prior to the additional 100 beds at the subject, there is an over-supply of 11 assisted living beds. This would indicate great risk if the subject was to be built at the proposed subject site.

As a test of reasonableness, the same analysis was performed for the 29223 zip code. This analysis reflected similar indication of a slight over-supply.

Determination of Achievable Rental Rates

In this section, we will estimate achievable rental rates for the subject in current 2015 dollars. Note that our achievable rental rates assume that the proposed subject is complete and stabilized as of the effective date of this report.

Pricing Structures

There are a number of ways in which to price senior living services. A brief description of the pricing structures follows:

- A-La-Carte: Residents are charged a base rate for all basic services. Additional services are charged on an individual need.
- Tiered Rate: Residents are charged a flat rate for services or a per diem rate based upon their care level. Typically, a need assessment of each resident is performed to determine the care level required for the individual and the amount of staff assistance needed. This structure has been widely accepted by assisted living providers.
- Flat Rate: Residents are charged a flat fee based on the unit that they occupy.
- Extensive Agreement: Residents are charged one flat fee regardless of care level (congregate care, assisted living or nursing). This is normally found in older life care communities or continuing care retirement communities (CCRCs).

The subject will offer base rate pricing structure with additional care a-la-carte.

Common services included within the base assisted living and memory care monthly rates are as follows:

- Three meals per day and snacks
- Weekly housekeeping
- All utilities except telephone
- Minimal assistance with the activities of daily living (ADLs)
- 24-hour staffing
- Scheduled activities
- Scheduled transportation
- Emergency call system

Private Pay Market Rent Analysis

In addition to contract rent, our analysis considers the market rent of each basic unit type within the subject. To estimate market rent, we analyze comparable rentals most relevant to the subject in terms of location, property type, building age, and quality.

Our analysis of the comparable rentals considers the following elements of comparison.

Rental Analysis Factors

Quality	Construction quality, market appeal, functional utility.
Beds per Unit	Private, semi-private or 3 bed units
Location	Market or submarket area influences on rent; surrounding land use influences.
Age/Condition	Effective age; physical condition.
Unit Features	Features included in individual units, such as private baths.
Project Amenities	Amenities available to the entire property.

Analysis of Competitive Facilities

The competing facilities and their basic monthly rate information are summarized on the following chart.

Primary Market Area

#	Name	Year Built	Beds	Rooms	Assisted Living Rates		
					Low	High	Memory Care
1	Wildewood Downs 731 Polo Road Columbia, SC	2000	57	49	\$3,995	\$4,995	\$5,230
2	Brookdale Assisted Living 251 Springtree Dr. Columbia, SC	1998	52	42	\$2,900	\$4,400	N/A
3	Summers Landing 651 Polo Road Columbia, SC	1997	59	24	\$2,800	\$3,800	\$200 extra
4	The Palmettos 7811 Parklane Columbia, SC	2011	85	75	\$3,520	\$4,720	\$5,545
5	Crossings at Columbia 2300 Clemson Road Columbia, SC	2015	110	89	\$3,595	\$4,895	\$4,995
6	Haven in the Summit 3 Summit Terrace Columbia, SC	2002	60	48	N/A	N/A	\$3,800
			423	327			
Average					\$3,362	\$4,562	\$4,893

South Carolina Data

As shown below, the private pay rates at the subject would fall at the low end of the range reported in the Genworth Cost of Care Survey 2015. The survey includes assisted living facilities within larger continuing care facilities, which would drive the average up.

South Carolina

	RATE RANGE			MEDIAN ANNUAL RATE ¹	FIVE-YEAR ANNUAL GROWTH ²
	MINIMUM	MEDIAN	MAXIMUM		
Assisted Living Facility (One Bedroom - Single Occupancy)	\$1,341	\$3,125	\$5,700	\$37,500	3%

Assisted Living Facility Monthly Rates (One Bedroom - Single Occupancy)

Region	Minimum	Rate Range Median	Maximum	Median Annual Rate ¹	Five-Year Annual Growth ²
USA	\$600	\$3,600	\$11,250	\$43,200	2%
South Carolina - Whole State	\$1,341	\$3,125	\$5,700	\$37,500	3%
Charleston-North Charleston	\$1,351	\$3,050	\$4,605	\$36,600	0%
Columbia	\$1,400	\$3,150	\$5,000	\$37,800	5%
Florence	\$1,400	\$1,787	\$4,900	\$21,444	-7%
Greenville-Anderson-Mauldin	\$1,341	\$3,333	\$5,700	\$39,990	2%
Hilton Head Island-Bluffton-Beaufort	\$1,750	\$3,700	\$4,944	\$44,400	0%
Myrtle Beach-Conway-North Myrtle Beach	\$2,845	\$3,466	\$3,810	\$41,595	-2%
Spartanburg	\$1,351	\$2,899	\$4,300	\$34,793	10%
Sumter	\$1,500	\$2,192	\$4,395	\$26,301	1%
South Carolina - Rest of State	\$1,351	\$2,775	\$4,552	\$33,300	3%

Source: Genworth Cost of Care Survey 2015

Assisted Living Costs in Nearby Cities

Charleston - \$3,558

Goose Creek - \$3,982

Summerville - \$4,045

Mount Pleasant - \$5,229

* The costs above represent the AVERAGE monthly cost of assisted living for a one person bedroom in that city.

Source: AssistedLiving.com

There would be seven different floorplans, ranging from a 298 square foot Studio to an 889 square foot Grand Suite. These floorplans were presented earlier in this report. All units will have private bathrooms. Information provided indicates that the units will not have kitchenettes. As shown above, the proposed rates are at the lower end of the range of the facilities researched.

Private Pay Rent Conclusion

Information provided indicates that the proposed rates for the subject units will range from \$2,500 to \$4,410 per month. It was determined earlier in this report that the Primary Market Area is over-served by 11 beds. While the subject's proposed rates are at the low end of the range, they aren't considered to be below market. The rates would make the subject desirable, but the demand model still indicates an over-supply of 11 beds.

Conclusions and Recommendations

Pertinent conclusions and recommendations are as follows:

Legal Constraints Analysis

The subject's proposed use represents a legal, conforming use under the current site zoning. Furthermore, the subject's expansion, as proposed with assisted living and memory care beds, will be licensed by the State of South Carolina as a community residential care facility. We are aware of no pending changes in the regulatory environment in the State of South Carolina that would negatively impact the subject.

Market Area Description and Analysis

The subject site is located in northeast Columbia, South Carolina, which is a rapidly growing area of town. Considering the physical and psychological barriers, population density, and the competing facilities' concentration, we have concluded that an appropriate Primary Market Area (PMA) for the subject is the 10 minute drive-time from the subject property. In this market, we believe that the majority of demand will come from the PMA – no measurable draw from a secondary market area is forecast. The PMA is experiencing moderate population growth and has below average income levels. The area is considered to be in a stage of growth. Between 2015 and 2020, the market area is forecast to experience growth in demand for seniors housing at an average rate relative to the nation as a whole.

Supply And Demand Analysis

The PMA is considered to be in a stage of growth with limited barriers to entry. Our analysis shows the assisted living and memory care segments to be under-supplied at this time. This is supported by the higher occupancy levels of existing facilities in the PMA. Excluding the subject expansion, no new units are forecast to come in line within the PMA during near-term. As will be presented in this report, the PMA currently has an oversupply of 11 assisted living beds.

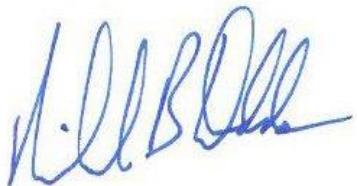
Thus, there does not appear to be sufficient demand to support the development of the subject as proposed with 100 assisted living beds (including memory care beds).

Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Michael B. Dodds, MAI, CCIM, made a personal inspection of the property that is the subject of this report.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.

14. As of the date of this report, Michael B. Dodds, MAI, CCIM, has completed the continuing education program for Designated Members of the Appraisal Institute.



Michael B. Dodds, MAI, CCIM
Certified General Real Estate Appraiser
South Carolina Certificate # CG-543

Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The values found herein is subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – Columbia, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
22. Integra Realty Resources – Columbia is not a building or environmental inspector. Integra Columbia does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.

It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the

appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.

24. Integra Realty Resources – Columbia, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).

25. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.

26. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

Addendum A

Analyst Qualifications

Michael B. Dodds, MAI, CCIM

Experience

A founding partner of Integra Realty Resources (IRR), and the Senior Managing Director of the Columbia and Greenville, South Carolina offices of IRR. Entered appraisal field in 1984 appraising commercial, residential, and rural properties for tax assessment purposes. Since 1986 has been responsible for valuation and consultation assignments on properties located in 27 states.

SC Chapter of the Appraisal Institute Positions:

Chapter Chair Public Relations Committee 2007
Chapter Co Chair Public Relations Committee 2006
Chapter President 2003
Chapter Board Member 1998 2003
Chapter Vice President 2001
Treasurer 1999
Young Advisory Council Delegate 1994, 1996, 1997
Young Advisory Council Discussion Leader – 1998

SC Chapter of the CCIM Institute Positions

Chapter Board Member 1996 1998
Editorial Advisory Board Member 2006

Member of: Greater Columbia Association of Realtors; South Carolina Bankers Association; Urban Land Institute

Michael was appointed by Governor Nikki Haley to the South Carolina Real Estate Appraisers Board. The Senate confirmed the appointment on February 22, 2012. The term of the initial appointment began immediately, with an immediate reappointment commencing May 31, 2012, and to expire May 31, 2015.

Professional Activities & Affiliations

Appraisal Institute, Member (MAI) Appraisal Institute

Licenses

Georgia, Certified General Appraiser, 319054, Expires November 2015

North Carolina, Certified General Appraiser, A4105, Expires June 2016

South Carolina, Certified General Appraiser, 543, Expires June 2016

Education

B.A. Degree, University of South Carolina, Columbia, South Carolina 1985

Successfully completed real estate related courses and seminars sponsored by the Appraisal Institute and accredited universities.

Successfully completed real estate investment courses sponsored by the CCIM Institute.

Currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.

Integra Realty Resources
Columbia

500 Lawand Drive
2nd Floor
Columbia, SC 29210

T 803.772.8282
F 803.772.0087

irr.com



Michael B. Dodds, MAI, CCIM

Qualified Before Courts & Administrative Bodies

US Federal Bankruptcy Court

Integra Realty Resources
Columbia

500 Lawand Drive
2nd Floor
Columbia, SC 29210

T 803.772.8282
F 803.772.0087

irr.com

BCD 1102337

State of South Carolina
Department of Labor, Licensing and Regulation
Real Estate Appraisers Board

MICHAEL B DODDS

Is hereby entitled in practice as a:

Certified General Appraiser

License Number: **543**

Expiration Date: 06/30/2016

POCKET CARD


Administrator

NORTH CAROLINA APPRAISAL BOARD

APPRaiser Qualification Card

Expires June 30, 2016

REGISTRATION / LICENSE / CERTIFICATE HOLDER



APPRAISER'S SIGNATURE

EXECUTIVE DIRECTOR

MICHAEL BRYON DODDS

ORIGINALLY LICENSED

02/23/2007

319054
Status ACTIVE

END OF RENEWAL
11/30/2015

CERTIFIED GENERAL REAL PROPERTY
APPRaiser

THIS LICENSE EXPIRES IF YOU FAIL TO PAY
RENEWAL FEES OR IF YOU FAIL TO COMPLETE ANY
REQUIRED EDUCATION IN A TIMELY MANNER.

State of Georgia
Real Estate Commission
Suite 1000 - International Tower
229 Peachtree Street, N.E.
Atlanta, GA 30303-1605



WILLIAM L. ROGERS, JR.
Real Estate Commissioner

56560361

mdodds@irr.com - 803.772.8282 x110



Integra Realty Resources, Inc.

Corporate Profile

Integra Realty Resources, Inc. offers the most comprehensive property valuation and counseling coverage in the United States with 62 independently owned and operated offices in 34 states and the Caribbean. Integra was created for the purpose of combining the intimate knowledge of well-established local firms with the powerful resources and capabilities of a national company. Integra offers integrated technology, national data and information systems, as well as standardized valuation models and report formats for ease of client review and analysis. Integra's local offices have an average of 25 years of service in the local market, and all but one are headed by a Senior Managing Director who is an MAI member of the Appraisal Institute.

A listing of IRR's local offices and their Senior Managing Directors follows:

ATLANTA, GA - Sherry L. Watkins., MAI, FRICS
AUSTIN, TX - Randy A. Williams, MAI, SR/WA, FRICS
BALTIMORE, MD - G. Edward Kerr, MAI, MRICS
BIRMINGHAM, AL - Rusty Rich, MAI, MRICS
BOISE, ID - Bradford T. Knipe, MAI, ARA, CCIM, CRE, FRICS
BOSTON, MA - David L. Cary, Jr., MAI, MRICS
CHARLESTON, SC - Cleveland "Bud" Wright, Jr., MAI
CHARLOTTE, NC - Fitzhugh L. Stout, MAI, CRE, FRICS
CHICAGO, IL - Eric L. Enloe, MAI, FRICS
CINCINNATI, OH - Gary S. Wright, MAI, FRICS, SRA
CLEVELAND, OH - Douglas P. Sloan, MAI
COLUMBIA, SC - Michael B. Dodds, MAI, CCIM
COLUMBUS, OH - Bruce A. Daubner, MAI, FRICS
DALLAS, TX - Mark R. Lamb, MAI, CPA, FRICS
DAYTON, OH - Gary S. Wright, MAI, FRICS, SRA
DENVER, CO - Brad A. Weiman, MAI, FRICS
DETROIT, MI - Anthony Sanna, MAI, CRE, FRICS
FORT WORTH, TX - Gregory B. Cook, SR/WA
GREENSBORO, NC - Nancy Tritt, MAI, SRA, FRICS
GREENVILLE, SC - Michael B. Dodds, MAI, CCIM
HARTFORD, CT - Mark F. Bates, MAI, CRE, FRICS
HOUSTON, TX - David R. Dominy, MAI, CRE, FRICS
INDIANAPOLIS, IN - Michael C. Lady, MAI, SRA, CCIM, FRICS
JACKSON, MS - J. Walter Allen, MAI, FRICS
JACKSONVILLE, FL - Robert Crenshaw, MAI, FRICS
KANSAS CITY, MO/KS - Kenneth Jagers, MAI, FRICS
LAS VEGAS, NV - Charles E. Jack IV, MAI
LOS ANGELES, CA - John G. Ellis, MAI, CRE, FRICS
LOS ANGELES, CA - Matthew J. Swanson, MAI
LOUISVILLE, KY - Stacey Nicholas, MAI, MRICS
MEMPHIS, TN - J. Walter Allen, MAI, FRICS
MIAMI/PALM BEACH, FL - Scott M. Powell, MAI, FRICS

MIAMI/PALM BEACH, FL - Anthony M. Graziano, MAI, CRE, FRICS
MINNEAPOLIS, MN - Michael F. Amundson, MAI, CCIM, FRICS
NAPLES, FL - Carlton J. Lloyd, MAI, FRICS
NASHVILLE, TN - R. Paul Perutelli, MAI, SRA, FRICS
NEW JERSEY COASTAL - Halvor J. Egeland, MAI
NEW JERSEY NORTHERN - Barry J. Krauser, MAI, CRE, FRICS
NEW YORK, NY - Raymond T. Cirz, MAI, CRE, FRICS
ORANGE COUNTY, CA - Larry D. Webb, MAI, FRICS
ORLANDO, FL - Christopher Starkey, MAI, MRICS
PHILADELPHIA, PA - Joseph D. Pasquarella, MAI, CRE, FRICS
PHOENIX, AZ - Walter 'Tres' Winius III, MAI, FRICS
PITTSBURGH, PA - Paul D. Griffith, MAI, CRE, FRICS
PORTLAND, OR - Brian A. Glanville, MAI, CRE, FRICS
PROVIDENCE, RI - Gerard H. McDonough, MAI, FRICS
RALEIGH, NC - Chris R. Morris, MAI, FRICS
RICHMOND, VA - Kenneth L. Brown, MAI, CCIM, FRICS
SACRAMENTO, CA - Scott Beebe, MAI, FRICS
ST. LOUIS, MO - P. Ryan McDonald, MAI, FRICS
SALT LAKE CITY, UT - Darrin W. Liddell, MAI, CCIM, FRICS
SAN ANTONIO, TX - Martyn C. Glen, MAI, CRE, FRICS
SAN DIEGO, CA - Jeff A. Greenwald, MAI, SRA, FRICS
SAN FRANCISCO, CA - Jan Kleczewski, MAI, FRICS
SARASOTA, FL - Carlton J. Lloyd, MAI, FRICS
SAVANNAH, GA - J. Carl Schultz, Jr., MAI, FRICS, CRE, SRA
SEATTLE, WA - Allen N. Safer, MAI, MRICS
SYRACUSE, NY - William J. Kimball, MAI, FRICS
TAMPA, FL - Bradford L. Johnson, MAI, MRICS
TULSA, OK - Robert E. Gray, MAI, FRICS
WASHINGTON, DC - Patrick C. Kerr, MAI, SRA, FRICS
WILMINGTON, DE - Douglas L. Nickel, MAI, FRICS
CARIBBEAN/CAYMAN ISLANDS - James Andrews, MAI, FRICS

Corporate Office

1133 Avenue of the Americas, 27th Floor, New York, New York 10036

Telephone: (212) 255-7858; Fax: (646) 424-1869; E-mail info@irr.com

Website: www.irr.com



Addendum B
Engagement Letter

Integra Realty Resources
Columbia

500 Lawand Drive
2nd Floor
Columbia, SC 29210

T 803.772.8282
F 803.772.0087
www.irr.com



November 11, 2015

Mr. Dale Gilliland
Gilliland and Associates, Inc.
301-C South Buncombe Road
PO Drawer 1908
Greer, South Carolina 29650

SUBJECT: Proposal/Authorization for Consulting Services
 Proposed Residential Care Facility,
 Two Notch Road, Columbia, SC (the "Subject Property")

Dear Dale:

Upon your acceptance of this letter agreement, Integra Realty Resources – Columbia ("IRR – Columbia"), will prepare a market study to determine the supply and demand characteristics that would affect the construction of the Subject Property.

The purpose of the market study is to provide an analysis of the supply and demand characteristics of the residential care market in northeast Columbia, SC. The intended use of the market study is to assist in decision making regarding the construction of a new community residential care facility. The report will be prepared in conformance with and subject to, the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and the *Uniform Standards of Professional Appraisal Practice (USPAP)* developed by the Appraisal Standards Board of the Appraisal Foundation. The Ethics Rule of USPAP requires us to disclose to you any prior services we have performed regarding the Subject Property within a three year period immediately preceding the acceptance of this assignment, either as an appraiser or in any other capacity. We represent that we have not performed any services that require disclosure under this rule.

In accordance with our correspondence, the scope of this assignment will require IRR – Columbia to analyze the subject's competitive position in the marketplace, and determine whether there is adequate demand for additional beds. Competing facilities will be compared to the subject with respect to location, reputation, historical private pay ratios, bed configurations and condition of the improvements. We will, to the best of our ability, confirm that no other new beds are proposed for the market.

Mr. Gilliland
November 11, 2015
Page 2

Federal banking regulations require banks and other lending institutions to engage appraisers where FIRREA compliant appraisals must be used in connection with mortgage loans or other transactions involving federally regulated lending institutions. Given that requirement, this appraisal may not be accepted by a federally regulated financial institution.

The study will be communicated in a Narrative Report. All work will be performed under the direct supervision of the undersigned, together with other staff members. The study and this letter agreement will be subject to our standard assumptions and limiting conditions a copy of which is attached as Attachment I.

IRR – Columbia is an independently owned and operated company. The parties hereto agree that Integra Realty Resources, Inc. ("Integra") shall not be liable for any claim arising out of or relating to any appraisal report or any information or opinions contained therein as such appraisal report is the sole and exclusive responsibility of IRR – Columbia. In addition, it is expressly agreed that in any action which may be brought against IRR – Columbia and/or any of its officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), arising out of, relating to, or in any way pertaining to this engagement letter, the appraisal reports or any related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further expressly agreed that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the assignment (unless the appraisal was fraudulent or prepared with intentional misconduct). It is expressly agreed that the fees charged herein are in reliance upon the foregoing limitations of liability.

The total fee for this assignment will be \$3,250 and the delivery date will be 28 days from your acceptance of this letter agreement, and receipt of deposit/retainer of \$2,000. The delivery date is subject to extension based upon late delivery of the requested data. The fees will be due and payable within 30 days of the delivery of the reports. It is understood that simple interest of 15% per annum will accrue on any unpaid balance for compensation due, subject to reduction pursuant to any applicable usury law. We shall also be entitled to recover our costs (including attorneys' fees), associated with collecting any amounts owed or otherwise incurred in connection with this assignment. If the assignment is cancelled by either party prior to completion, you agree to pay us for all our expenses and our time to date based upon the percentage of work completed. Upon default, we shall be permitted to file a lien against the Subject Property for any amounts owed pursuant to this engagement.

Four copies of the report will be provided. The 28 day delivery date is contingent upon the absence of events outside our control, timely access for inspection of the Subject Property, as well as our receipt of all requested information necessary to complete the assignment.

In the event that we receive a subpoena or are called to testify in any litigation, arbitration or administrative hearing of any nature whatsoever or as a result of this engagement or the related report, to which we are not a party, you agree to pay our then current hourly rates for such preparation and presentation of testimony. You agree that: (i) the data collected by us in this assignment will remain our property; and (ii) with respect to any data provided by you, IRR – Columbia and its partner companies may utilize, sell and include such data (either in the aggregate or individually), in the Integra database and for use in derivative products. You agree that all data already in the public domain may be utilized

Mr. Gilliland

November 11, 2015

Page 3

on an unrestricted basis. Finally, you agree that we may use commercially available as well as proprietary software programs to perform your assignment (web based and others).

If you are in agreement with the terms set forth in this letter and wish us to proceed with the engagement, please sign below and return one copy to us. Thank you for this opportunity to be of service and we look forward to working with you.

Sincerely,

INTEGRA REALTY RESOURCES – COLUMBIA



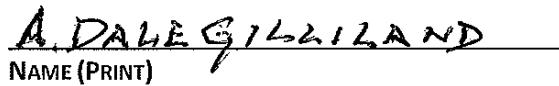
Michael B. Dodds, MAI, CCIM
Senior Managing Director

Attachments

AGREED & ACCEPTED THIS 13 DAY OF Nov., 2015.

BY: Gilliland and Associates, Inc.



AUTHORIZED SIGNATURE

NAME (PRINT)

ATTACHMENT I

STANDARD ASSUMPTIONS & LIMITING CONDITIONS

The report and any work product related to the engagement will be limited by the following standard assumptions:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The Subject Property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the Subject Property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the Subject Property more or less valuable. Furthermore, there is no asbestos in the Subject Property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The Subject Property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

The appraisal report and any work product related to the engagement will be subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the Subject Property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the Subject Property without compensation relative to such additional employment.
6. We have made no survey of the Subject Property and assume no responsibility in connection with such matters. Any sketch or survey of the Subject Property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal covers the Subject Property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the Subject Property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.

8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations, such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the Subject Property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the Subject Property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the Subject Property at the time these leases expire or otherwise terminate.
14. Unless otherwise stated in the report, no consideration has been given to personal property located on the Subject Property or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the value stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
18. The *Americans with Disabilities Act (ADA)* became effective January 26, 1992. We have not made a specific survey or analysis of the Subject Property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the Subject Property with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
19. The appraisal report is prepared for the exclusive benefit of you, your subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.

20. No studies have been provided to us indicating the presence or absence of hazardous materials on the Subject Property or in the improvements, and our valuation is predicated upon the assumption that the Subject Property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the Subject Property. IRR – Columbia and/or any of its officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties") shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the Subject Property.
21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the Subject Property is located in an identified Special Flood Hazard Area. However, we are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the Subject Property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
22. We are not a building or environmental inspector. The Integra Parties do not guarantee that the Subject Property is free of defects or environmental problems. Mold may be present in the Subject Property and a professional inspection is recommended.
23. IRR – Columbia is an independently owned and operated company. The parties hereto agree that Integra Realty Resources, Inc. ("Integra") shall not be liable for any claim arising out of or relating to any appraisal report or any information or opinions contained therein as such appraisal report is the sole and exclusive responsibility of IRR – Columbia. In addition, it is expressly agreed that in any action which may be brought against the Integra Parties arising out of, relating to, or in any way pertaining to the engagement letter, the appraisal reports or any related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further expressly agreed that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the assignment (unless the appraisal was fraudulent or prepared with intentional misconduct). It is expressly agreed that the fees charged herein are in reliance upon the foregoing limitations of liability.
24. IRR – Columbia is an independently owned and operated company, which has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the report (even if their reliance was foreseeable).
25. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not

represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of the Subject Property.

26. All prospective opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

As will be determined during the course of the assignment, additional extraordinary or hypothetical conditions may be required in order to complete the assignment. The report shall also be subject to those assumptions.