

RESOLUTION NO. 2013 — 256

**A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF ST. JOHNS COUNTY, FLORIDA APPROVING THE ISSUANCE BY THE CAPITAL TRUST AGENCY OF ITS REVENUE BONDS, FOR THE PURPOSE OF FINANCING A SENIOR LIVING FACILITY TO BE LOCATED IN UNINCORPORATED PORTION OF ST. JOHNS COUNTY, FLORIDA AND FOR PURPOSES OF SECTION 147(F) OF THE INTERNAL REVENUE CODE; PROVIDING FOR OTHER RELATED MATTERS**

**WHEREAS**, the Capital Trust Agency (the "Issuer") proposes: (i) to issue approximately \$37,500,000 of its revenue bonds (the "Bonds"), the proceeds of which will be loaned to Silver Creek St. Augustine LLLP, a Florida limited liability limited partnership, or one or more of its affiliates (as applicable, the "Borrower") for the purpose of financing the cost of the acquisition, construction, development, installation and equipping of a senior living facility to be to be known as Silver Creek Senior Care Facility to be located in the unincorporated portion of St. Johns County, St. Augustine, Florida (the "Local Facility") within the jurisdiction of St. Johns County, Florida (the "County") and (ii) request the required approval of the Bonds by the County, as applicable elected representative of the host jurisdiction in which the Local Facility is located, after notice and a public hearing for purposes of Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"); and

**WHEREAS**, the Bonds and the Local Facility have been submitted for public hearing in a manner satisfactory to the County; and

**WHEREAS**, the Issuer has represented to the County that private activity bond volume allocation from the State of Florida (the "State") Division of Bond Finance is required in order to issue the proposed Bonds.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF ST. JOHNS COUNTY, FLORIDA (the "BOARD OF COMMISSIONERS"), that:**

Section 1. Having considered any and all comments and concerns expressed at the public hearing, the Board of Commissioners hereby approves the issuance of the Bonds by the Issuer to finance costs of the Local Facility for purposes of Section 147(f) of the Code. The Local Facility is appropriate to the needs and circumstances of, and shall make a significant contribution to the economic growth of the County, including the provision of gainful employment, and advances the public health and general welfare of the County. The County is able to cope satisfactorily with the impact of the Local Facility, including utilities and public services and on account of any increases in population.

Section 2. The Issuer is hereby authorized to take all action necessary to apply for and obtain the allocation of private activity bond volume from the State, and to do all other things necessary to issue the Bonds for the Local Facility located in the County.

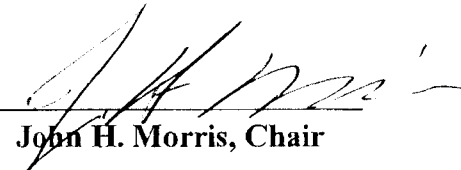
Section 3. The County shall have no obligation with respect to the Bonds and the approval given herein shall not be deemed to create any obligation or liability, pecuniary or otherwise, of the County in any respect whatsoever. The general credit or taxing power of the County and the State or any political subdivision or public agency thereof shall not be pledged to the payment of the Bonds. No statement, representation or recital made herein shall be deemed to constitute a legal conclusion or a determination by the County that any particular action or proposed action is required, authorized or permitted under the laws of the State or the United States.

Section 4. The approval given herein shall not be construed as (i) an endorsement of the creditworthiness of the Borrower or the financial viability of the Local Facility, (ii) a recommendation to any prospective purchaser of the Bonds, (iii) an evaluation of the likelihood of the repayment of the debt service on the Bonds, or (iv) an approval of any necessary zoning applications nor for any other regulatory permits relating to the Local Facility and the County shall not be construed by reason of its adoption of this resolution to have made any such endorsement, finding or recommendation or to have waived any of the County's rights or estopping the County from asserting any rights or responsibilities it may have in that regard.


Section 5. This instrument shall take effect immediately upon its adoption.

**PASSED AND ADOPTED** by the Board of County Commissioners of St. Johns County, State of Florida this 19<sup>th</sup> day of November, 2013.

**BOARD OF COUNTY COMMISSIONERS  
ST. JOHNS COUNTY, FLORIDA**

By:   
**John H. Morris, Chair**

**ATTEST: Cheryl Strickland, Clerk**

By:   
**Deputy Clerk**



**RENDITION DATE** 11/21/13

# CAPITAL TRUST AGENCY

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315 Fairpoint Drive • Gulf Breeze, Florida 32561 • Office 850-934-4046 • Fax 850-934-4048

October 14, 2013

St. Johns County Board of Commissioners  
c/o Patrick McCormack, County Attorney  
CC: Melissa Glasgow, Director of Economic Development

Via Electronic Delivery

Re: Silver Creek Senior Care Facility

Dear Mr. McCormack,

We have been asked to serve as the issuer of bonds for the above referenced project. Our agency, the Capital Trust Agency (CTA), was created in 1999 through enabling Florida Statutes that provide for governmental entities to sponsor and facilitate public purpose financings that meet applicable state and federal laws. We have worked with numerous counties and municipalities, including St. Johns, to finance tax-exempt and taxable debt projects to provide capital funding of projects beneficial to citizens of Florida.

The proposed funding will include tax-exempt bonds to be issued by CTA for the project. St. Johns County will have no legal or moral obligation to pay the bonds nor will they be reflected on the County's financial statements.

To begin the process of issuing the bonds, our agency accepted an application from the project principals and the investment banking firm they selected. We then held a board meeting and acted affirmatively on a preliminary resolution on October 14<sup>th</sup> stating our intent to finance the project. This resolution states that any final authorization (to be considered at a later date) to close the transaction must first meet all legal and financial feasibility requirements for a private activity bond allocation project such as this. Our agency will also not act favorably on a final authorizing resolution without the approval of St. Johns County.

Federal tax law requires, among other things, that a governmental unit having jurisdiction over the area where the facility is or will be located must approve the tax-exempt bond issue, even when as here another governmental unit would be issuing the bonds. Federal tax law also requires that a public hearing be held before that approval (often termed the Host Approval) is provided. Given this project's location, Host Approval would be provided by St. Johns County or the State. The financing team believes that St. Johns County would be the appropriate governmental entity to provide the Host Approval for the project. It is our understanding that the architectural professionals of the project have begun the planning and permitting steps to conform to all planning and zoning ordinances of St. Johns County. We believe the project will be a significant enhancement to the seniors' living communities needed in your area.

By giving Host Approval, the County would not be providing any municipal funds or property to the project, nor will it take any responsibility to any investors who might purchase the bonds, or anyone else. St. Johns County would merely be assisting to satisfy a technical requirement of federal tax law.

If you are agreeable to proceeding with the steps normally associated with similar financings, we ask of you the following:

---

THOMAS BOSWORTH  
ROBERT F. CLEVELAND

DIRECTORS  
J. LANCE REESE  
DEBORAH ROCHE

R.J. SNOOKS  
HARRISON WILDER

ED GRAY, III  
EXECUTIVE DIRECTOR

EDWIN A. EDDY  
SPECIAL CONSULTANT

# CAPITAL TRUST AGENCY

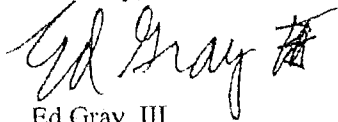
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315 Fairpoint Drive • Gulf Breeze, Florida 32561 • Office 850-934-4046 • Fax 850-934-4048

1. Convey to us your decision to proceed, including no objection to our printing a notice of public hearing as required by the federal tax regulations. This hearing can be conducted by myself as a hearing officer on behalf of St. Johns County, or can be conducted by the County through any public meeting process it prefers. The hearing can be held at a County Commission meeting or at another location convenient to the citizens as permitted by federal tax law. If the hearing is not held before the County Commission, we will produce a meeting transcript of the hearing and make it a part of the public record for submittal to the County Commission.
2. With the hearing completed, we then request the attached authorization resolution be placed as an action item at a regularly scheduled meeting of the County Commission (if the Commission holds the public hearing, it could vote on the resolution after the hearing was closed). With the passage of this resolution, we can then submit the project for an allocation of private activity bonds by applying to appropriate state agencies.

We truly believe this financing is a "win, win" for all involved. We are pleased to be a part of it, and appreciate St. Johns County giving our request for TEFRA approval due consideration.

Sincerely,



Ed Gray, III  
Executive Director

Attachments: Proposed Resolution for action by St. Johns County  
Copy of Resolution 09-13 of the Capital Trust Agency

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THOMAS BOSWORTH  
ROBERT F. CLEVELAND

DIRECTORS  
J. LANCE REESE  
DEBORAH ROCHE

R.J. SNOOKS  
HARRISON WILDER

ED GRAY, III  
EXECUTIVE DIRECTOR

EDWIN A. EDDY  
SPECIAL CONSULTANT

**RESOLUTION NO. 11-13**

**A RESOLUTION OF THE CAPITAL TRUST AGENCY  
EXPRESSING ITS INTENT TO ISSUE ONE OR MORE SERIES  
OF CAPITAL TRUST AGENCY REVENUE BONDS IN AN  
AGGREGATE PRINCIPAL AMOUNT NOT EXCEEDING  
\$37,500,000 AND APPROVING AND AUTHORIZING OTHER  
ACTIONS IN CONNECTION THEREWITH.**

**WHEREAS**, Silver Creek St. Augustine LLLP, a Florida limited liability limited partnership, or one or more of its affiliates (as applicable, the "Borrower"), has represented that the Borrower, acting for itself or through its affiliates, plans to develop, own and operate a senior living facility in St. Augustine, Florida; and

**WHEREAS**, the Capital Trust Agency (the "Agency") is a separate legal and administrative agency of the State of Florida, organized and existing under the provisions of Chapter 163, Part I, and Chapter 159, Part II, Florida Statutes; Ordinance No. 5-97, as amended, of the City of Gulf Breeze, Florida, Ordinance No. 2-00, as amended, of the Town of Century, Florida, Chapter 617, Florida Statutes, and other applicable provisions of law (collectively the "Act"), and is empowered pursuant to the Act to issue revenue bonds for the purpose of providing funds to pay all or any part of the cost of any project (as defined in the Act); and

**WHEREAS**, the Borrower has requested that the Agency issue its revenue bonds in an amount not exceeding \$37,500,000 (the "Bonds") in one or more series and loan the proceeds thereof to the Borrower for the purpose of financing the acquisition, construction, development, installation and equipping of a senior living facility, as described on Schedule 1 attached hereto (the "Senior Living Facility"), to provide assisted living and memory care housing for the elderly; and

**WHEREAS**, subject to final approval of the Agency prior to such issuance, the Agency desires to issue the Bonds and desires to authorize certain officers to take certain actions in preparation for the marketing, sale and issuance of such Bonds; and

**WHEREAS**, it is the Agency's intent that this resolution constitute an "official intent" within the meaning of Treasury Regulations Section 1.150-2 for the Agency to declare its intent to use proceeds of the Bonds to reimburse prior capital expenditures of the Borrower in connection with financing the Senior Living Facility;

**NOW, THEREFORE, BE IT RESOLVED** by the governing board of the Agency that:

**Section 1.** The Agency hereby expresses its intent to issue the Bonds in one or more series in an aggregate principal amount not exceeding \$37,500,000 under and pursuant to the Act, and loan the proceeds thereof to the Borrower, for the purposes of financing the Senior Living Facility, subject to the final approval of the terms and conditions thereof by the Agency.

**Section 2.** The officers and officials of the Agency, the Executive Director, the attorney for the Agency, Foley & Lardner LLP, bond counsel for the Agency, and McGuireWoods LLP, review bond counsel for the Agency, are hereby authorized, jointly and severally, to cooperate with

the Borrower in obtaining the required approval of the Bonds by the applicable elected representative of the host jurisdiction in which the Senior Living Facility is located, after notice and a public hearing for the purposes of Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code").

**Section 3.** The Bonds shall be sold at negotiated sale to purchaser(s) or underwriter(s) selected by the Borrower and approved by the Agency as purchaser or underwriter(s) with respect to the Bonds. The underwriter(s) is/are hereby authorized at the appropriate time to distribute a Preliminary Official Statement to potential purchasers of the Bonds, upon approval of the form thereof by the Chairman, the Executive Director or his designee.

**Section 4.** The officers, officials, attorneys and agents of the Agency are hereby authorized and directed, jointly and severally, to take such actions as they may deem necessary or advisable to assist in the marketing, sale, issuance and administration of the Bonds and otherwise effectuate the purposes of this resolution. All actions heretofore taken by the officers of the Agency for such purposes are hereby confirmed and ratified.

**Section 5.** Prior to the issuance of the Bonds, an appropriate public agency or agencies must determine, with respect to the Senior Living Facility that:

- (i) The Senior Living Facility is appropriate to the needs and circumstances of, and will make a significant contribution to the economic growth of the community in which it is located, will provide gainful employment, will promote commerce with the State of Florida and will serve a public purpose by providing housing for the elderly and advancing the economic prosperity and the general welfare of the State of Florida and its people.
- (ii) The Borrower is the financially responsible party which is fully capable and willing to fulfill (A) its obligations under the financing documents, including the obligation of the Borrower to make loan repayments under one or more loan agreements in the amounts and at the times required to provide for the timely payment of the principal of, premium, if any, and interest on the Bonds herein authorized, and (B) all other obligations and responsibilities imposed under the financing documents.
- (iii) The local public agencies will be able to cope satisfactorily with the impact of the Senior Living Facility and will be able to provide, or cause to be provided when needed, the public facilities, including utilities and public services, that will be necessary for the acquisition, construction, development, installation, equipping, operation, repair and maintenance of the Senior Living Facility and on account of any increase in population or other circumstances resulting therefrom.
- (iv) Adequate provision will be made in the financing documents for the operation, repair and maintenance of the Senior Living Facility at the expense of the Borrower and in the financing documents for the payment by the Borrower of certain fees and expenses incurred in connection with the issuance of the Bonds, and the loan repayments under one or more loan agreements sufficient to pay the principal of, premium, if any, and interest on the Bonds herein authorized.

- (v) The Senior Living Facility constitutes a “Project” within the meaning of the Act.
- (vi) All or a portion of the Senior Living Facility, operated exclusively for the elderly, will be financed with tax exempt bonds under applicable provisions of the Code as well as any necessary taxable bonds.

**Section 6.** Nothing herein shall obligate the Agency to issue the Bonds if, at any time prior to the sale thereof by the Agency to the purchaser or underwriter thereof, the Agency shall determine that it is not in the public interest or the interest of the Agency to proceed with the issuance of the Bonds for any reason whatsoever, including, without limitation, the marketing plan for the sale of the Bonds to investors.

**Section 7.** It is the intention of the Agency to issue the Bonds pursuant to the Act to create a financing program to make loans to assist in financing projects meeting the criteria set forth in the Act, which loans shall mature not later than the final maturity of the applicable series of the Bonds. The amounts to be held in any reserve fund, any loan fund, amounts to be received from the repayment of principal of and interest on the loans, the income to be derived from the investment thereof and any other available moneys under the financing program for the Senior Living Facility is expected to be sufficient to pay the debt service on the Bonds for such Senior Living Facility.

**Section 8.** The Chairman or Vice-Chairman of the Agency is hereby authorized to execute the Agency's letter or letters addressed to the Borrower in substantially the form attached to this resolution as Exhibit “A” and incorporated herein, with such changes therein, whether made prior to the execution thereof or thereafter, as shall be approved from time to time by the officer executing the same on behalf of the Agency.

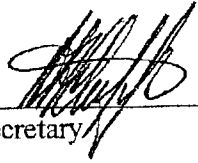
**Section 9.** The Agency hereby authorizes bond counsel and the attorney for the Agency to take all necessary action to validate the Bonds under Chapter 75, Florida Statutes, if such action shall be deemed necessary or appropriate by such counsel. The appropriate officials of the Agency are hereby authorized to provide such assistance, take such action, and execute and deliver on behalf of the Agency such documents or instruments as may be necessary or required in connection with any validation of the Bonds or satisfaction of any conditions therefor. Notwithstanding the foregoing, the Agency acknowledges that it has validated bonds for affordable housing purposes, some of which validated bonds may be allocated to the Bonds.

Section 10. This resolution shall take effect immediately upon its adoption.


Adopted on October 14, 2013.



CAPITAL TRUST AGENCY

By:   
Its: Secretary

ATTEST:

By:   
Its: Assistant Secretary

**CERTIFICATE OF ASSISTANT SECRETARY**

I, Thomas Bosworth, Assistant Secretary of Capital Trust Agency, Santa Rosa County, Florida, do hereby certify that the above and foregoing is a true and correct copy of a resolution and supporting exhibits as the same were duly adopted and passed at a public meeting of the Board of Directors of the Capital Trust Agency on the 14<sup>th</sup> day of October, 2013, and as the same appears on record in my office.

IN WITNESS WHEREOF, I hereunto set my hand and official seal this \_\_\_\_\_ day of October, 2013.



**CAPITAL TRUST AGENCY**

By:   
Its: Assistant Secretary

October 14, 2013

Silver Creek St. Augustine LLLP  
1500 S. Central Expressway, Suite 500  
McKinney, Texas 75075

Re: Proposed acquisition, construction, development, installation and equipping by Silver Creek St. Augustine LLLP (the "Borrower") of a senior living facility (the "Senior Living Facility"), to be located in the unincorporated portion of St. Johns County, St. Augustine, Florida and the financing thereof with revenue bonds issued by Capital Trust Agency.

Gentlemen:

Based upon recent discussions with representatives of the Borrower, it is the understanding of the officials and representatives of the Capital Trust Agency (the "Agency"), that the Borrower is currently undertaking the above-referenced Senior Living Facility to be known as Silver Creek Senior Care Facility will cost up to \$40 Million, approximately \$37.5 Million of which will be financed with revenue bonds; and that the acquisition and construction thereof by the Borrower will serve the senior living community, provide safe, decent and accessible living facilities for the elderly, improve living conditions and provide employment in the community where the Senior Living Facility will be located, and that the willingness of the Agency to issue and sell its revenue bonds for the purpose of financing the Senior Living Facility is an important factor under consideration by the Borrower in determining the extent of the feasibility of the Senior Living Facility.

The Agency has determined that the Agency's issuance of its bonds to assist the Borrower by financing such Senior Living Facility will promote the public purposes for which the Agency was created, will enable the Borrower to serve a public purpose by providing needed senior housing and increasing the bargaining power of the Borrower to obtain favorable financing for its development programs, and promoting and advancing the economic prosperity, living conditions and the general welfare of the State of Florida and its people. Neither this letter nor the inducement resolution constitutes final authorization to issue the bonds. Final approval will be in the form of an authorizing resolution that must be approved upon receipt of the finalized plan of finance and substantially complete offering documents acceptable to the Agency.

Accordingly, in order to induce the Borrower to incur expenses for the initiation of such Senior Living Facility and its financing, the Agency hereby makes the following proposal:

1. The Agency will, subject to the requirements of applicable law and financial feasibility, issue its revenue bonds in one or more series or installments totaling in the aggregate principal amount a sum not exceeding \$37,500,000 (the "Bonds") for the purpose of paying or financing the cost of the Senior Living Facility. The Bonds will be secured by the revenues of such Senior Living Facility, and will be issued in one or more series, such aggregate principal amount, mature at such times, bear interest at such rates and be subject to such other terms and have such security as shall be agreed upon between the Agency and the Borrower.

2. The Agency and the Borrower will enter one or more Loan Agreements (the "Agreement") which shall provide for the loan of the Bond proceeds to the Borrower, for the acquisition, construction, development, furnishing and equipping of the Senior Living Facility (including eligible reimbursement to the Borrower for costs of the Senior Living Facility incurred prior to the delivery of the Agreement) and repayment of the loan by the Borrower. The installment payments to be made by the Borrower in repayment of the loan pursuant to the Agreement shall be pledged to the payment of the principal of, interest on and redemption premium, if any, applicable to the Bonds and the fees and expenses of the trustee. The loan installments shall be fully sufficient to pay the cost of the Senior Living Facility, the cost and expenses of financing the same and the fees and expenses of the Borrower, the trustee and the Agency related thereto.

3. The Agency will cooperate in the prompt preparation of the Agreement and the necessary resolutions for the authorization and sale of the Bonds and, to the extent the Bonds are not allocated to series of Bonds already validated, will promptly proceed with validation of the Bonds in the appropriate Circuit Court, pursuant to the provisions of Chapter 75, Florida Statutes, if, in the opinion of bond counsel for the Agency or the Agency's attorney, such validation proceedings are necessary or desirable.

4. Upon delivery of the Bonds, the provisions of this proposal and the agreement resulting from its acceptance by the Borrower shall have no further effect, and in the event of any inconsistency between the terms of this proposal and the terms of the Agreement in the form in which it shall be finally approved by resolution of the Agency, the provisions of the Agreement as so approved shall control.

5. Upon acceptance by the Borrower, the Agency shall keep open and outstanding this commitment and inducement to the Borrower for a reasonable time so long as the Borrower shall be proceeding with appropriate efforts toward conclusion of any arrangements necessary to the acquisition and financing of the Senior Living Facility; provided, however, if for any reason (other than that which shall be the fault of the Agency) the Bonds are not delivered to the purchaser or purchasers thereof by October 1, 2014, then the provisions of this proposal and the agreement resulting from its acceptance by the Borrower may be cancelled at any time thereafter, at the option of the Agency and without notice to the Borrower, by resolution of the Agency, duly adopted. In such event, or in the event of its earlier cancellation by agreement between the Borrower and the Agency, neither party shall have any rights against the other and no third party shall have any rights against either party except:

(a) The Borrower and its members will pay to the Agency the amount of all expenses which shall have been incurred by the Agency in connection with the Senior Living

If this proposal shall be satisfactory to the Borrower, please have the acceptance statement which follows this proposal executed by the proper officers of the Borrower on behalf of itself duly authorized and provide an executed copy to the Agency, whereupon this proposal will constitute an agreement in principle with respect to the matters herein contained.

Yours very truly,

**CAPITAL TRUST AGENCY**

(SEAL)

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Ed Gray, III  
Executive Director

The terms and conditions contained in the foregoing proposal by the governing board of the Agency are hereby accepted as obligations of the Borrower, as of this \_\_\_\_ day of \_\_\_\_\_, 2013.

**SILVER CREEK ST. AUGUSTINE LLLP**, a  
Florida Limited Liability Limited Partnership

By: Silver Creek GenPar LLC, its  
General Partner

By: ZKV LLC

By: \_\_\_\_\_  
Jerry Green  
Managing Member

Witness:

\_\_\_\_\_  
\_\_\_\_\_

By: Silver Creek – MRM, LLC

By: \_\_\_\_\_  
Mitchell R. Montgomery  
Managing Member

Witness:

\_\_\_\_\_  
\_\_\_\_\_

## SCHEDULE 1

The Senior Living Facility consists of the acquiring, constructing, developing, furnishing and equipping of an approximately 150-unit senior living facility comprised of approximately \_\_\_\_\_ assisted living units and approximately \_\_\_\_\_ memory support units for the elderly to be known as Silver Creek Senior Care Facility, located at \_\_\_\_\_, un-incorporated St. Johns County, St. Augustine, Florida.

**Silver Creek**

Market Snapshot

St. Augustine, Florida

Montgomery Land Company – Silver Creek

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## Characteristics of the Market Area

Assumptions for the future utilization of the Project were developed by Management based on analysis of the following factors that may affect the demand for the Project's accommodations and services:

- Site description;
- Defined primary market area for the Project;
- Demographic and socioeconomic characteristics of the defined primary market area;
- Estimated age- and income-qualified households within the defined primary market area;
- Description and utilization of existing and proposed comparable retirement communities within the defined primary market area; and,
- Penetration rates for independent living, assisted living and memory support services.

Each of the above factors and the resulting assumed utilization of the Project are described in the following sections.

### *Site Description*

The Project is to be located along State Road 207 approximately three miles east of Interstate 95 between Lightsey and Holmes Roads.

### *Primary Market Area of the Project*

The primary market area for senior living services is typically defined as the geographic area from which the majority of prospective residents reside prior to assuming occupancy at a community.

Based on discussions with Management, existing senior living providers in the area and experience with similar communities, the primary market areas for the Project has been defined to be a polygon surrounding the Project site (the "AL PMA").

*Population – AL PMA*

The age distribution of the population in a geographic area is a key factor in the determination of an area's retirement housing needs. The U.S. Census Bureau has collected demographic data based on the 2010 census figures. Nielsen Claritas, a firm that specializes in the analysis of demographic data, has extrapolated the 2010 census information to derive the estimated 2013 figures and projected statistics for 2018. The following table presents population data by age cohort and the anticipated average annual compounded percentage change between 2000 and 2013 and 2013 and 2018 in the AL PMA, the state of Florida ("Florida"), and the United States.

**Table 1**  
**Historical, Estimated and Projected AL PMA,**  
**Florida and United States Populations**

|                         | 2000<br>Population<br>(Census) <sup>(1)</sup> | 2013<br>Population<br>(Estimated) | 2018<br>Population<br>(Projected) | Compounded<br>Annual<br>Percentage<br>Change<br>2000 – 2013 | Compounded<br>Annual<br>Percentage<br>Change<br>2013 – 2018 |
|-------------------------|---|-----------------------------------|-----------------------------------|---|---|
| <b>AL PMA</b>           |   |                                   |                                   |   |   |
| Total Population        | 70,400  | 104,092                           | 111,327                           | 3.1%  | 1.4%  |
| Age 65 to 74 Population | 7,164   | 11,747                            | 14,796                            | 3.9%  | 4.7%  |
| Age 75 to 84 Population | 4,557   | 6,305                             | 7,317                             | 2.5%  | 3.0%  |
| Age 85 Plus Population  | 1,286   | 2,599                             | 3,000                             | 5.6%  | 2.9%  |
| Total 65 Plus           | 13,007  | 20,650                            | 25,113                            | 3.6%  | 4.0%  |
| Total 75 Plus           | 5,843   | 8,904                             | 10,318                            | 3.3%  | 3.0%  |
| <b>Florida</b>          |   |                                   |                                   |   |   |
| Total Population        | 15,982,377                                    | 19,356,053                        | 20,322,385                        | 1.5%  | 1.0%  |
| Age 65 to 74 Population | 1,452,079                                     | 1,939,068                         | 2,316,732                         | 2.2%  | 3.6%  |
| Age 75 to 84 Population | 1,024,140                                     | 1,134,497                         | 1,260,637                         | 0.8%  | 2.1%  |
| Age 85 Plus Population  | 331,357                                       | 470,480                           | 516,471                           | 2.7%  | 1.9%  |
| Total 65 Plus           | 2,807,576                                     | 3,544,045                         | 4,093,840                         | 1.8%  | 2.9%  |
| Total 75 Plus           | 1,355,497                                     | 1,604,977                         | 1,777,108                         | 1.3%  | 2.1%  |
| <b>United States</b>    |   |                                   |                                   |   |   |
| Total Population        | 281,421,942                                   | 314,861,807                       | 325,322,277                       | 0.9%  | 0.7%  |
| Age 65 to 74 Population | 18,390,870                                    | 24,703,850                        | 30,124,562                        | 2.3%  | 4.0%  |
| Age 75 to 84 Population | 12,361,442                                    | 13,281,401                        | 14,594,994                        | 0.6%  | 1.9%  |
| Age 85 Plus Population  | 4,239,540                                     | 5,876,669                         | 6,278,130                         | 2.5%  | 1.3%  |
| Total 65 Plus           | 34,991,852                                    | 43,861,920                        | 50,997,686                        | 1.8%  | 3.1%  |
| Total 75 Plus           | 16,600,982                                    | 19,158,070                        | 20,873,124                        | 1.1%  | 1.7%  |

Source: Nielsen Claritas

(1) Nielsen Claritas plans to release the 2010 population census historical data in fall 2013.

The following table presents the percentage of total population by age group for the targeted age population in the AL PMA, Florida, and the United States.

| <b>Table 2</b>                                      |               |                |                      |
|---|---------------|----------------|----------------------|
| <b>Percentage of Total Population by Age Cohort</b> |               |                |                      |
| <b>2000 (Census)<sup>(1)</sup></b>                  |               |                |                      |
|   | <b>AL PMA</b> | <b>Florida</b> | <b>United States</b> |
| <u>Age Groupings</u>                                |               |                |                      |
| 65 plus   | 18.5%         | 17.6%          | 12.4%                |
| 75 plus   | 8.3%          | 8.5%           | 5.9%                 |
| 85 plus   | 1.8%          | 2.15           | 1.5%                 |
| <b>2013 (Estimated)</b>                             |               |                |                      |
|   | <b>AL PMA</b> | <b>Florida</b> | <b>United States</b> |
| <u>Age Groupings</u>                                |               |                |                      |
| 65 plus   | 19.8%         | 18.3%          | 13.9%                |
| 75 plus   | 8.6%          | 8.3%           | 6.1%                 |
| 85 plus   | 2.5%          | 2.4%           | 1.9%                 |
| <b>2018 (Projected)</b>                             |               |                |                      |
|   | <b>AL PMA</b> | <b>Florida</b> | <b>United States</b> |
| <u>Age Groupings</u>                                |               |                |                      |
| 65 plus   | 22.6%         | 20.1%          | 15.7%                |
| 75 plus   | 9.3%          | 8.7%           | 6.4%                 |
| 85 plus   | 2.7%          | 2.5%           | 1.9%                 |

Source: Nielsen Claritas

(1) Nielsen Claritas plans to release the 2010 population census historical data in fall 2013.

*Age- and Income-Qualified Individuals for Assisted Living Services*

Income characteristics have been applied to determine a range of market penetration rates for age qualified and age and income qualified individuals. Age- and income-qualified households for assisted living and memory support services include households (age 75 and over) with income over \$25,000 and homeowners (age 75 and over) with income between \$15,000 and \$24,999 (“the \$25,000 Income Qualification”). The following table presents the 2013 estimated and 2018 projected household income distribution for householders 75 and older in the PMA for the \$25,000 Income Qualification.

The \$25,000 Income Qualification has been determined, in part, due to Management assumes that alternative sources of income from family members as well as the “spend down” or proceeds from an asset base will be available to Residents. According to the Assisted Living Federation of America (“ALFA”), approximately 48 percent of assisted living residents who participated in a Financial Survey in 2011 indicated “family” as their primary payment source for care. In addition, a National Investment Center (“NIC”) survey reports that 26 percent of adult children of a family member assist in paying for assisted living services.

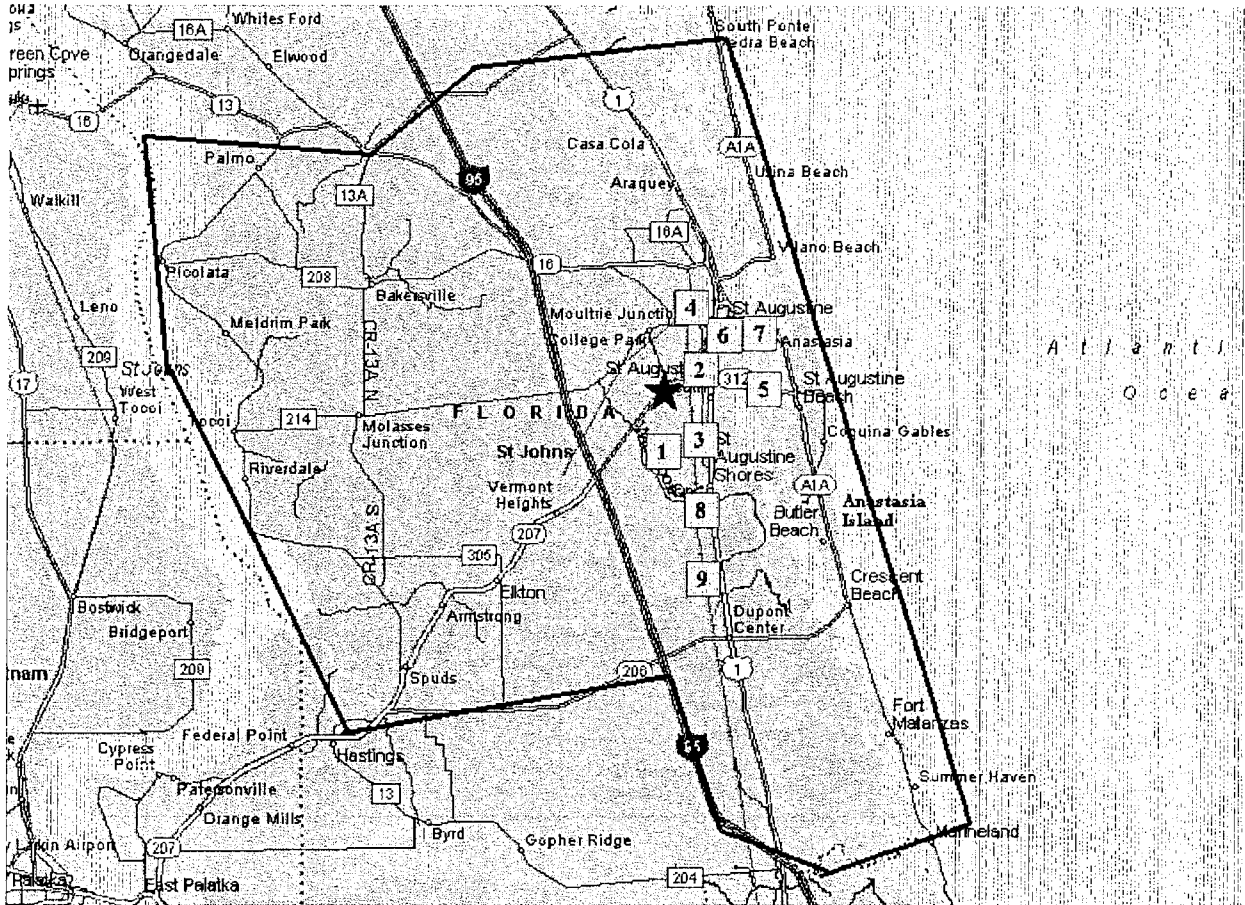
The following table presents the income eligible households for assisted living services within the AL PMA.

|   | Age 75+          |                  |
|---|------------------|------------------|
|   | 2013 (Estimated) | 2018 (Projected) |
| Total Households:   | 5,978            | 6,889            |
| <b>Household Income</b>   |                  |                  |
| Under \$15,000  | 1,469            | 1,749            |
| Renters \$15,000 – 24,999   | 331              | 384              |
| <b>Homeowners \$15,000 – 24,999</b>   | <b>847</b>       | <b>984</b>       |
| Total Under \$25,000  | 2,647            | 3,118            |
| \$25,000 – 34,999   | 911              | 1,044            |
| \$35,000 – 49,999   | 988              | 1,112            |
| \$50,000 – 74,999   | 761              | 853              |
| \$75,000 – 99,999   | 347              | 392              |
| \$100,000+  | 324              | 370              |
| Total \$25,000+   | 3,331            | 3,771            |
| <b>Total Assisted Living Age- and Income-Qualified Households – \$25,000 Income Qualification<sup>(1)</sup></b> | <b>4,178</b>     | <b>4,755</b>     |
| <b>Percentage of Assisted Living Age- and Income-Qualified Households – \$25,000 Income Qualification</b>       | <b>69.9%</b>     | <b>69.0%</b>     |

Source: Nielsen Claritas

(1) Age- and income-qualified households include households (age 75 and over) with income over \$25,000 and homeowners (age 75 and over) with income between \$15,000 and \$24,999.

The following map depicts, depicts the location of the Project and the nine existing comparable and non-comparable assisted living facilities within the AL PMA and one planned community near the AL PMA.



**Legend**

□ The AL Primary Market Area

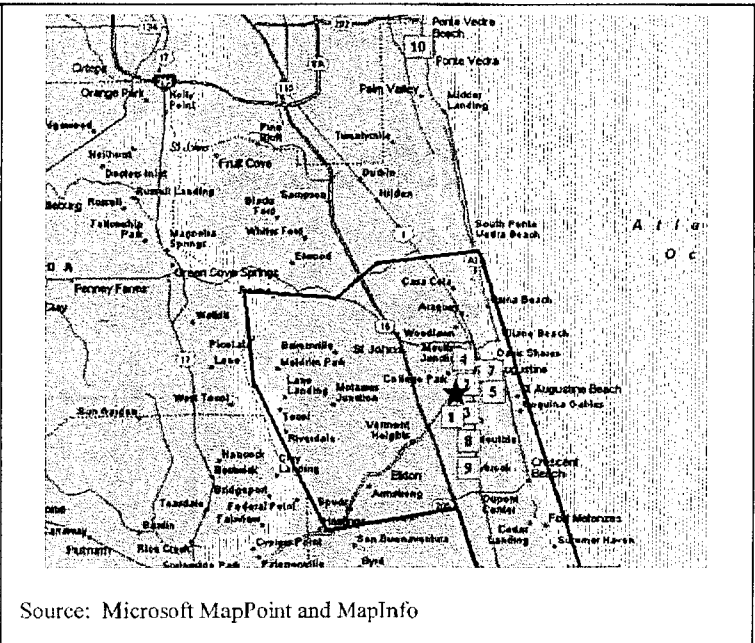
★ The Project

**Existing Communities within the AL PMA**

- 1 – Our Family and Friends
- 2 – Buckingham Smith
- 3 – Coral Landing
- 4 – Loving Care Living
- 5 – The Allegro at Harbour Island
- 6 – Grafton House
- 7 – The Pavilion at Bayview
- 8 – Emeritus at St. Augustine
- 9 – Stephens Memorial House

**Planned Communities near the AL PMA**

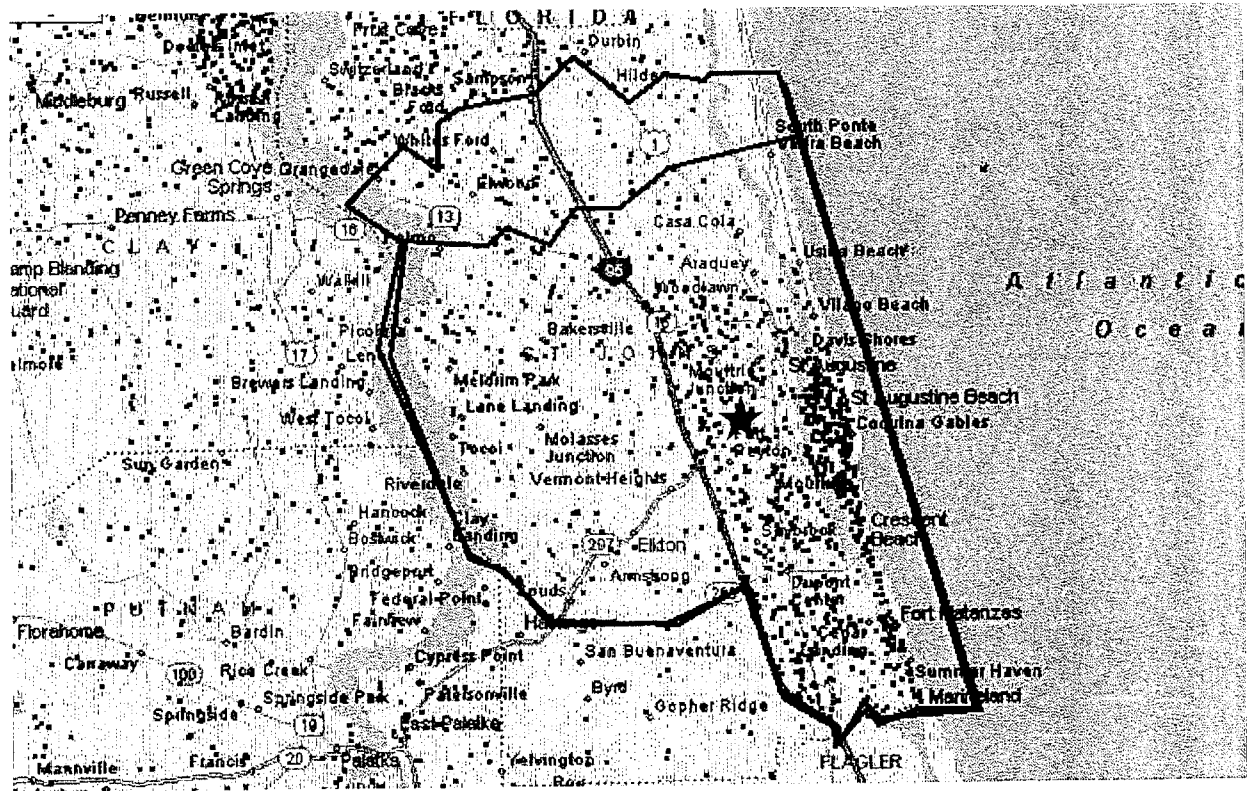
- 10 – The Palms at Ponte Vedra (see inset map)






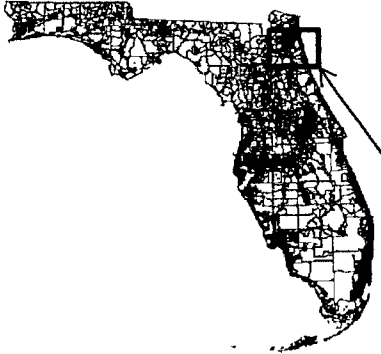


Source: Microsoft MapPoint and MapInfo

Assisted Living Dot Density Map

The following map shows the distribution of households age 75+ with annual income of \$25,000 and above and homeowners with annual income of \$15,000 to \$24,999



|   |  |
|---|--|
| <p><b>Legend</b></p> <ul style="list-style-type: none"> <li> The IL Primary Market Area</li> <li> The AL Primary Market Area</li> <li> The Project</li> </ul> <p>Age 75+ with Income \$25,000 and above and Homeowners with Income \$15,000 to \$24,999</p> <ul style="list-style-type: none"> <li> 5 Households in 2013</li> <li> 5 Households added in 2018</li> </ul> | <p><b>Florida</b></p>  <p>AL PMA</p> <p>Source: Microsoft MapPoint and MapInfo</p> |
|---|--|

*Existing Assisted Living Facilities in the AL PMA*

The following table summarizes the number of assisted living units, monthly charges and occupancy rates of the existing assisted living communities located within the AL PMA.

**Table 4**  
**Existing Assisted Living Facilities in the AL PMA**

| Name   | Driving Distance (in miles) | Year Opened | Number of Assisted Living Units | Number of Memory Support Units | Square Footage | Occupancy Percentage | Assisted Living Monthly Fees | Memory Support Monthly Fees |
|--|-----------------------------|-------------|---------------------------------|--------------------------------|----------------|----------------------|------------------------------|-----------------------------|
| Silver Creek                                 | –                           | 2015        | 102                             | 48                             |                | –                    |                              |                             |
| Buckingham Smith                             | 2.6                         | 1999        | 36                              | –                              | 200            | 100%                 | \$2,654 – 2,885              | –                           |
| Coral Landing <sup>(1)</sup>                 | 4.1                         | 1990/2001   | 28                              | 11                             | 426 – 838      | 86%                  | \$2,359 – 2,438              | \$3,214                     |
| The Allegro at Harbour Island <sup>(2)</sup> | 4.3                         | 1999        | 121                             | –                              | 348 – 1,120    | 94%                  | \$3,095 – 4,600              | –                           |
| The Pavilion at Bayview                      | 5.4                         | 1999        | 59                              | –                              | 188 – 480      | 95%                  | \$2,852 – 5,182              | –                           |
| Emeritus at St. Augustine <sup>(3)</sup>     | 6.4                         | 2000        | 67                              | 22                             | 230 – 545      | 98%                  | \$2,925 – 3,950              | \$4,350 – 4,600             |
| <b>Total/Weighted Average</b>                |                             |             | <b>311</b>                      | <b>33</b>                      |                | <b>95%</b>           |                              |                             |

Source: Management and surveys conducted by Dixon Hughes Goodman LLP through August 2013.

- 1) **The Project**
  - (a) The Project
- 2) **Buckingham Smith**
  - (a) Buckingham Smith is an affordable assisted living facility with a limited nursing services license.
  - (b) For payment, Buckingham Smith accepts Optional State Supplementation (“OSS”), Medicaid Assistive Care Services (“ACS”), the Elderly Medicaid Waiver Program and/or financial assistance from Bayview Healthcare.
- 3) **Coral Landing**
  - (a) The Bridges requires a one-time non-refundable community fee of \$500.
  - (b) Companion suites at Coral Landing are available for \$1,815 per month for traditional assisted living and \$2,652 for memory support assisted living.
  - (c) Coral Landing offers one additional level of care in traditional assisted living for \$400 per month, and the memory support monthly fee is all-inclusive.
  - (d) Occupancy for Coral Landing is as of November 30, 2012.
- 4) **The Allegro at Harbour Island**
  - (a) The Allegro at Harbour Island requires a one-time non-refundable community fee of \$2,000.
  - (b) Levels of care at The Allegro at Harbour Island range from \$525 to \$1,050 for traditional assisted living and memory support.
- 5) **The Pavilion at Bayview**
  - (a) The Pavilion at Bayview requires a one-time non-refundable community fee of \$1,500.
  - (b) The Pavilion at Bayview offers three additional levels of care as follows: Level I is \$450, Level II is \$650 and Level III is \$950.
- 6) **Emeritus at St. Augustine**
  - (a) Emeritus at St. Augustine requires a one-time non-refundable community fee starting at \$1,000. Discounts on the monthly rent are available in exchange for paying a higher community fee.
  - (b) Companion suites at Emeritus at St. Augustine are available for \$2,125 per month for traditional assisted living and \$2,700 for memory support assisted living.
  - (c) Levels of care at Emeritus at St. Augustine range from \$550 to \$1,575 for traditional assisted living and memory care.

*Non-Comparable Assisted Living Facilities within the AL PMA*

There are four non-comparable assisted living facilities within the AL PMA. These facilities are not considered comparable to Silver Creek due to the small number of assisted living beds at each facility, the limited services and amenities offered and/or the payment types accepted.

The Grafton House, which is located approximately five miles northeast of Silver Creek, is a 20-bed assisted living facility with a monthly fee of \$3,200.

Our Family and Friends, which is located approximately three and a half miles south of Silver Creek, is licensed for six assisted living beds and is currently 100 percent occupied. The monthly fee at Our Family and Friends is \$2,500 per month. Our Family and Friends accepts Medicaid payments for Assistive Care Services (“ACS”) which the State of Florida defines as “a state plan that provides care to eligible recipients who require an integrated set of services on a 24-hour-per-day basis.” In order to be eligible for ACS, an individual must be at least 18 years old, eligible for Medicaid, require assistance with activities of daily living such as bathing, walking and toileting and require assistance with medication administration.

Loving Care Living Facility, which is located approximately four miles north of Silver Creek, is licensed for eight assisted living beds and is currently 100 percent occupied. The monthly fee at Loving Care Living Facility is \$2,500.

Stephens Memorial House, which is located approximately nine miles south of Silver Creek, is licensed for fifteen assisted living beds and is currently 100 percent occupied.

*Planned Communities within the AL PMA*

There are two planned assisted living communities located within and near the AL PMA.

Plans for Morgan’s Cove, an assisted living community in St. Augustine near the intersection of Interstate 95 and State Road 214 and approximately four miles north of the Project site, are unknown. The Morgan’s Cove site is 280 acres and was originally planned and approved by St. Johns County as a single family home development in 2006, but the development did not move forward due to the economic recession. In March 2012, development plans were modified to reduce the number of single family homes and to build a 200-bed special care facility, according to the St. Augustine Record. The McGraw-Hill Companies construction planning report shows the development is in the planning phase as a 183-bed assisted living facility and that the schedule is undetermined (latest information as of May 2013).

The Palms at Ponte Vedra, located approximately 30 miles north of Silver Creek, is expected to consist of 64 assisted living units and 28 memory care units with an anticipated opening in Fall 2014.

*Fill Assumptions*

The following tables present Dixon Hughes Goodman’s recommended assumptions related to the move-ins per month for the assisted living and memory support units.

**Table 5**  
**Assumed Monthly Move-in for Assisted Living Units**

| <b>Fiscal Year/Month</b> | <b>Monthly Total</b> | <b>Cumulative Total</b> | <b>Cumulative Percentage</b> |
|--------------------------|----------------------|-------------------------|------------------------------|
| <b>2015</b>              |                      |                         |                              |
| January                  | 10.0                 | 10.0                    | 9.8%                         |
| February                 | 6.0                  | 16.0                    | 15.7%                        |
| March                    | 6.0                  | 22.0                    | 21.6%                        |
| April                    | 6.0                  | 28.0                    | 27.5%                        |
| May                      | 6.0                  | 34.0                    | 33.3%                        |
| June                     | 4.0                  | 38.0                    | 37.3%                        |
| July                     | 4.0                  | 42.0                    | 41.2%                        |
| August                   | 4.0                  | 46.0                    | 45.1%                        |
| September                | 4.0                  | 50.0                    | 49.0%                        |
| October                  | 3.0                  | 53.0                    | 52.0%                        |
| November                 | 3.0                  | 56.0                    | 54.9%                        |
| December                 | 3.0                  | 59.0                    | 57.8%                        |
| <b>2016</b>              |                      |                         |                              |
| January                  | 3.0                  | 62.0                    | 60.8%                        |
| February                 | 3.0                  | 65.0                    | 63.7%                        |
| March                    | 3.0                  | 68.0                    | 66.7%                        |
| April                    | 3.0                  | 71.0                    | 69.6%                        |
| May                      | 3.0                  | 74.0                    | 72.5%                        |
| June                     | 3.0                  | 77.0                    | 75.5%                        |
| July                     | 2.0                  | 79.0                    | 77.5%                        |
| August                   | 2.0                  | 81.0                    | 79.4%                        |
| September                | 2.0                  | 83.0                    | 81.4%                        |
| October                  | 2.0                  | 85.0                    | 83.3%                        |
| November                 | 2.0                  | 87.0                    | 85.3%                        |
| December                 | 1.9                  | 88.9                    | 87.2%                        |
| <b>2017</b>              |                      |                         |                              |
| January                  | 1.0                  | 89.9                    | 88.1%                        |
| February                 | 1.0                  | 90.9                    | 89.1%                        |
| March                    | 1.0                  | 91.9                    | 90.1%                        |
| April                    | 1.0                  | 92.9                    | 91.1%                        |
| May                      | 1.0                  | 93.9                    | 92.1%                        |
| June                     | 1.0                  | 94.9                    | 93.0%                        |
| <b>Total</b>             | <b>94.9</b>          | <b>94.9</b>             | <b>93.0%</b>                 |

Source: Dixon Hughes Goodman

**Table 6**  
**Assumed Monthly Move-in for Memory Support Units**

| <b>Fiscal Year/Month</b> | <b>Monthly Total</b> | <b>Cumulative Total</b> | <b>Cumulative Percentage</b> |
|--------------------------|----------------------|-------------------------|------------------------------|
| <b>2015</b>              |                      |                         |                              |
| January                  | 5.0                  | 5.0                     | 10.4%                        |
| February                 | 4.0                  | 9.0                     | 18.8%                        |
| March                    | 3.0                  | 12.0                    | 25.0%                        |
| April                    | 3.0                  | 15.0                    | 31.3%                        |
| May                      | 3.0                  | 18.0                    | 37.5%                        |
| June                     | 3.0                  | 21.0                    | 43.8%                        |
| July                     | 2.0                  | 23.0                    | 47.9%                        |
| August                   | 2.0                  | 25.0                    | 52.1%                        |
| September                | 2.0                  | 27.0                    | 56.3%                        |
| October                  | 2.0                  | 29.0                    | 60.4%                        |
| November                 | 2.0                  | 31.0                    | 64.6%                        |
| December                 | 2.0                  | 33.0                    | 68.8%                        |
| <b>2016</b>              |                      |                         |                              |
| January                  | 2.0                  | 35.0                    | 72.9%                        |
| February                 | 2.0                  | 37.0                    | 77.1%                        |
| March                    | 2.0                  | 39.0                    | 81.3%                        |
| April                    | 2.0                  | 41.0                    | 85.4%                        |
| May                      | 2.0                  | 43.0                    | 89.6%                        |
| June                     | 1.7                  | 44.7                    | 93.0%                        |
| <b>Total</b>             | <b>44.7</b>          | <b>44.7</b>             | <b>93.0%</b>                 |

Source: Dixon Hughes Goodman

*Summary of Existing Assisted Living Units*

There are 269 existing assisted living units at the three existing assisted living and memory support communities located within the AL PMA. Including the 102 Assisted Living Beds and 48 Memory Support Beds at the Project, the total number of existing and planned assisted living and memory support units in the PMA is 419.

**Table 7**  
**Summary of Comparable Assisted Living Units within the AL PMA**

| <b>Comparable Assisted Living Communities</b>     | <b>Existing Units</b> | <b>Planned</b> | <b>Total Units</b> |
|---|-----------------------|----------------|--------------------|
| The Allegro at Harbour Island                     | 121                   | –              | 121                |
| The Pavilion at Bayview                           | 59                    | –              | 59                 |
| Emeritus at St. Augustine                         | 89                    | –              | 89                 |
| <b>Total Comparable Units</b>                     | <b>269</b>            | <b>–</b>       | <b>269</b>         |
| The Project                                       | –                     | 150            | 150                |
| <b>Total Existing and Planned Assisted Living</b> | <b>269</b>            | <b>150</b>     | <b>419</b>         |

Source: Surveys and site visits conducted by Dixon Hughes Goodman LLP through August 2013.

*Assisted Living Penetration Analysis*

The increased size of the private paying frail elderly market has in recent years attracted providers to develop new and creative options for caring for this population. There have been few barriers to entering this market, since existing regulations generally do not restrict or limit supply. Methodologies for projecting bed need or demand for assisted living vary. The Department does not have a methodology for determining the need for assisted living units.

Research studies have identified impairment levels in activities of daily living (“ADL”) such as dressing, bathing, eating, toileting, mobility and taking medications, and instrumental activities of daily living (“IADL”) such as meal preparation, home maintenance, shopping and personal finance, all of which generally are used to measure levels of functioning and estimate the care needs of a specific population. The decision by elderly persons to enter an assisted living facility to meet their need for assistance often depends on alternatives available and is somewhat more discretionary than the decision to enter a nursing facility, according to industry research studies.

Population data and income statistics may be utilized to some extent to estimate the number of qualified households (75+) for assisted living services, yet should not be relied upon entirely as a measure of success for a facility. The amount of cross subsidization that occurs between adult caregivers (assumed to be those households aged 45 to 64 years earning in excess of \$75,000 annually) and their relatives may provide the financial means for a non-income-qualified senior to afford this level of care. Additionally, non-income-qualified seniors may have an asset base that provides the financial means to afford this level of care.

The following table estimates the number of age- and income-qualified individuals living alone and requiring assistance with ADLs in the AL PMA. Estimates of the percentage of households requiring assistance and the percentage living alone are based on the 2010 Census.

|   | 2013       | 2015       | 2016       | 2018       |
|---|------------|------------|------------|------------|
| Estimated Age-Eligible Households <sup>(1)(2)</sup>                               | 5,978      | 6,342      | 6,525      | 6,889      |
| Estimated Age- and Income-Qualified Households <sup>(1)(3)</sup>                  | 4,178      | 4,409      | 4,525      | 4,755      |
| Percentage Requiring Assistance <sup>(4)</sup>                                    | 19.7%      | 19.7%      | 19.7%      | 19.7%      |
| Percentage Living Alone <sup>(5)</sup>  | 45.7%      | 45.7%      | 45.7%      | 45.7%      |
| <b>Estimated Number of Age-Eligible Individuals<sup>(1)(2)</sup></b>              | <b>538</b> | <b>571</b> | <b>587</b> | <b>620</b> |
| <b>Estimated Number of Age- and Income-Qualified Individuals<sup>(1)(3)</sup></b> | <b>376</b> | <b>397</b> | <b>407</b> | <b>428</b> |

Source: Nielsen Claritas

(1) Based on 2013 estimated and 2018 projected population statistics as provided by Nielsen Claritas.

(2) Age eligible includes age 75 and over.

(3) \$25,000 Income Qualification includes households with annual incomes of \$25,000 and over and homeowners with income between \$15,000 and \$24,999 annually.

- (4) Percentage requiring assistance is a weighted average of the percentage of the population requiring assistance with activities of daily living as determined by the U.S. Census Bureau (Source: U.S. Census Bureau, Americans with Disabilities: 2010, p.5, Washington, DC, July 2012) and the age- and income-qualified households within the PMA.
- (5) Based on Nielsen Claritas demographic estimates.

*Assisted Living Project Penetration Rate*

The assisted living project penetration rate is the percentage of estimated age- and income-qualified households within the AL PMA that need to move into the assisted living units of the Project in order for the Project to achieve expected occupancy levels.

In order to understand the absorption required for the Project during its initial fill-up, project penetration rates are calculated for 2015 (the year of opening) and 2016 based on the number of units expected to be filled in each year. The calculations combine assisted living units and memory care units according to the fill assumptions in Tables 5 and 6 above.

The following tables present the project penetration rates for assisted living and memory support services for the \$25,000 Income Qualification for the year of opening. In 2015, it is expected that 59 assisted living units and 33 memory care units will be filled at the Project (92 units).

**Table 9**  
**Assisted Living Project Penetration Rate – 2015**

|  | Age-Eligible<br>Individuals | Age + \$25,000<br>Income Qualification |
|--|-----------------------------|--|
| Number of Qualified Individuals                                    | 571                         | 397                                    |
| Number of Qualified Individuals in Comparable Units <sup>(1)</sup> | 188                         | 188                                    |
| <b>Total Qualified Individuals (b)</b>                             | 759                         | 585                                    |
| <b>Number of Planned Units at the Project (a)<sup>(2)</sup></b>    | 69                          | 69                                     |
| <b>Project Penetration Rate for the PMA (a/b)</b>                  | <b>9.1%</b>                 | <b>11.8%</b>                           |

Source: Management and Nielsen Claritas

- (1) Reflects 269 units at the existing assisted living communities assuming that approximately 75 percent of residents (202 units) have originated from the AL PMA, assuming a 93 percent occupancy rate (188 units).
- (2) Reflects the 92 planned units at the Project (including 59 Assisted Living Beds and 33 Memory Support Beds) expected to be filled in 2015, assuming 75 percent of residents (69 units) will originate from the AL PMA.

In 2016, it is expected that 30 assisted living units and 12 memory care units will be filled at the Project (42 units).

**Table 10**  
**Assisted Living Project Penetration Rate – 2016**

|  | Age-Eligible<br>Individuals | Age + \$25,000<br>Income Qualification |
|--|-----------------------------|--|
| Number of Qualified Individuals                                    | 587                         | 407                                    |
| Number of Individuals who Moved into the Project in 2015           | 69                          | 69                                     |
| Total Number of Qualified Individuals                              | 518                         | 338                                    |
| Number of Qualified Individuals in Comparable Units <sup>(1)</sup> | 188                         | 188                                    |
| <b>Total Qualified Individuals (b)</b>                             | 706                         | 526                                    |
| <b>Number of Planned Units at the Project (a)<sup>(2)</sup></b>    | 32                          | 32                                     |
| <b>Project Penetration Rate for the PMA (a/b)</b>                  | <b>4.5%</b>                 | <b>6.1%</b>                            |

Source: Management and Nielsen Claritas

- (1) Reflects the 92 planned units at the Project (including 59 Assisted Living Beds and 33 Memory Support Beds) expected to be filled in 2015, assuming 75 percent of residents (69 units) will originate from the AL PMA.
- (2) Reflects 269 units at the existing assisted living communities assuming that approximately 75 percent of residents (202 units) have originated from the AL PMA, assuming a 93 percent occupancy rate (188 units).
- (3) Reflects the 42 planned units at the Project (including 30 Assisted Living Beds and 12 Memory Support Beds), assuming 75 percent of residents (34 units) will originate from the AL PMA.

#### *Assisted Living Market Penetration Rate*

The assisted living market penetration rate is presented as the percentage of age- and income-qualified individuals that the total market has absorbed (in current year 2013) or must absorb (over a five-year period to 2018) for the entire market to achieve stabilized occupancy. The assisted living market penetration rate is calculated by dividing the total number of assisted living units within the PMA by the total number of age- and income-qualified individuals residing within the PMA. Calculations are based on the demographics projected for the current year and the final year of the forecast to demonstrate the change in the market penetration rate based on market absorption.

The following table presents the gross market penetration rates for assisted living services for the \$25,000 Income Qualification.

|   | Age Eligible<br>Individuals |              | Age- and Income-<br>Qualified Individuals |              |
|---|-----------------------------|--------------|---|--------------|
|   | 2013                        | 2018         | 2013                                      | 2018         |
| Number of Qualified Individuals                                   | 538                         | 620          | 376                                       | 428          |
| Number of Individuals in Existing Comparable Units <sup>(1)</sup> | 188                         | 188          | 188                                       | 188          |
| <b>Total Qualified Individuals (b)</b>                            | 726                         | 808          | 564                                       | 616          |
| Number of Individuals in Existing Comparable Units <sup>(1)</sup> | 188                         | 188          | 188                                       | 188          |
| Number of Planned Units at the Project <sup>(2)</sup>             | –                           | 105          | –   | 105          |
| Number of Other Planned Units in the PMA <sup>(3)</sup>           | –                           | –            | –   | –            |
| <b>Total Units, Including the Project (a)</b>                     | <b>188</b>                  | <b>292</b>   | <b>188</b>                                | <b>292</b>   |
| <b>Gross market penetration rate for the PMA (a/b)</b>            | <b>25.9%</b>                | <b>36.2%</b> | <b>33.3%</b>                              | <b>47.5%</b> |

Source: Management and Nielsen Claritas

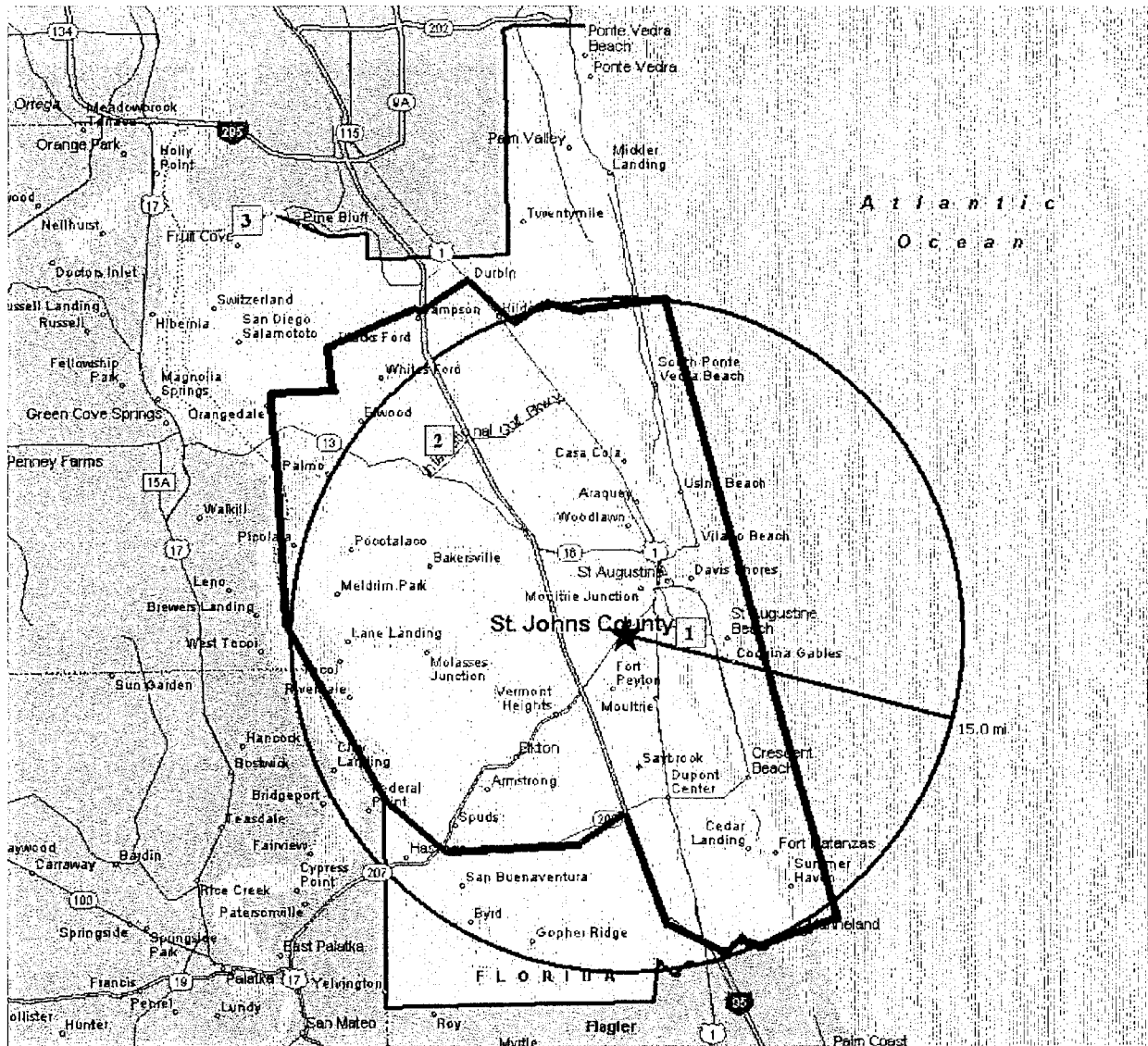
- (1) Reflects 269 units at the existing assisted living communities assuming that approximately 75 percent of residents (202 units) have originated from the AL PMA, assuming a 93 percent occupancy rate (188 units).
- (2) Reflects the 150 planned units at the Project (including 102 Assisted Living Beds and 48 Memory Support Beds), assuming 75 percent of residents (113 units) will originate from the PMA, assuming a 93 percent occupancy rate (105 units).

### **Independent Living Analysis**

For the purpose of this analysis, two primary market area scenarios are presented—a polygon PMA that generally approximates a 15-mile radius of the Project and St. Johns County.

The penetration rate calculations contemplate 150 units of independent living.

The following map depicts the IL PMAs, the Project, and other comparable retirement communities in the IL PMAs.



**Legend**

- The IL Primary Market Area
- St. Johns County
- ★ The Project

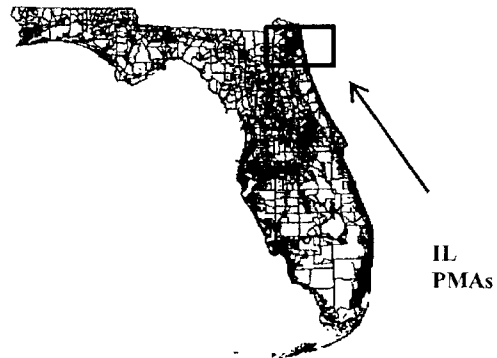
**Existing and Planned Communities within the IL PMA**

- 1 – The Allegro at Harbour Island
- 2 – Glenmoor

**Existing and Planned Communities within St. Johns County**

- 3 – Westminster Woods

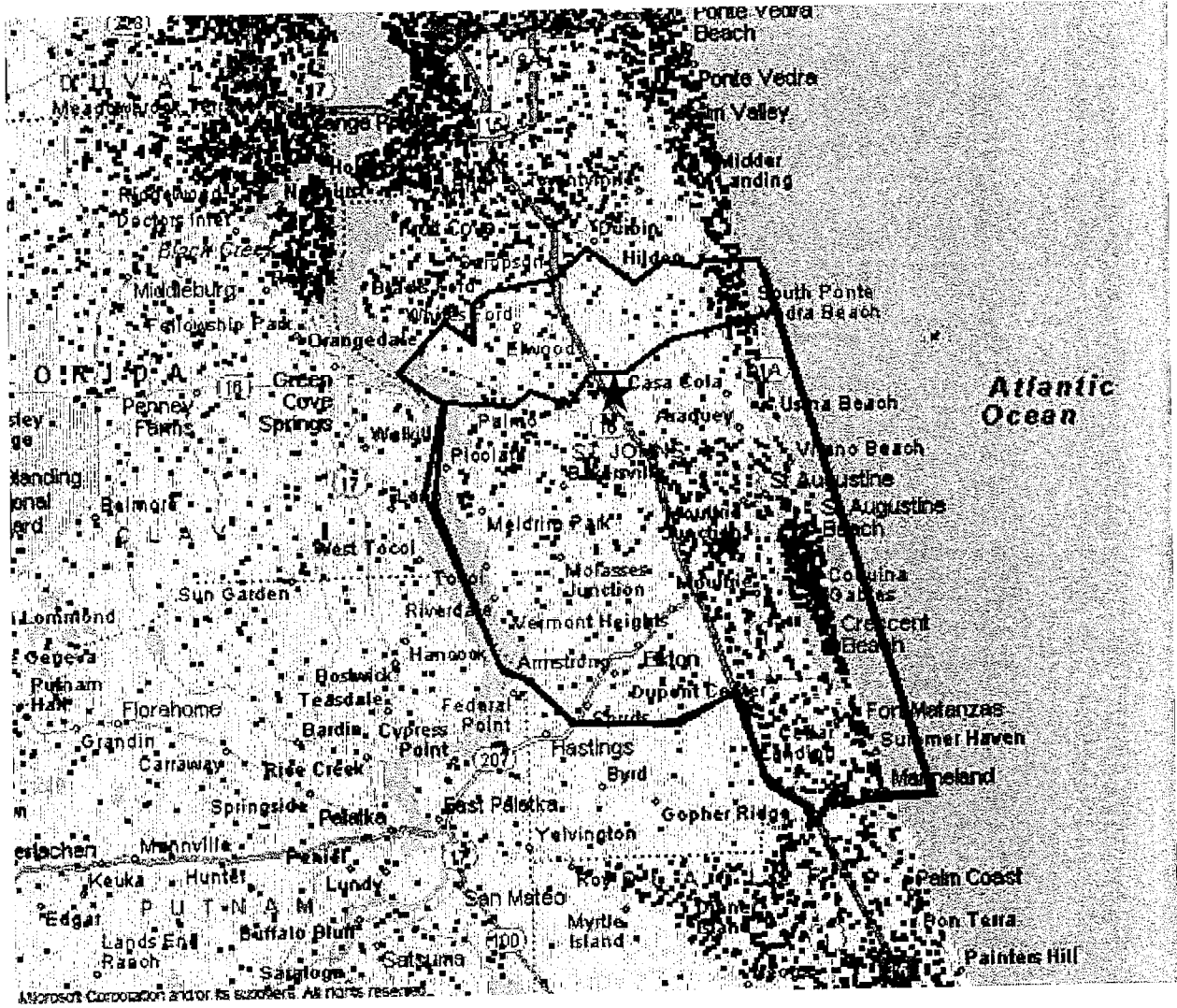
**Florida**






Source: Microsoft MapPoint and MapInfo

*Independent Living Dot Density Map*



The following map shows the distribution of age 75+ households with annual income of \$35,000 or more.



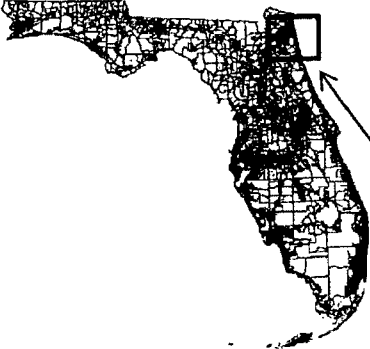
**Legend**

-  The IL Primary Market Area
-  The AL Primary Market Area
-  The Project

**Age 75+ Households with Income \$35,000 and above**

-  3 Households in 2013
-  3 Households added in 2018

**Florida**



IL PMAs

Source: Microsoft MapPoint and MapInfo

*Population – IL PMA*

The age distribution of the population in a geographic area is a key factor in the determination of an area's retirement housing needs. The U.S. Census Bureau has collected demographic data based on the 2010 census figures. Nielsen Claritas, a firm that specializes in the analysis of demographic data, has extrapolated the 2010 census information to derive the estimated 2013 figures and projected statistics for 2018. The following table presents population data by age cohort and the anticipated average annual compounded percentage change between 2000 and 2013 and 2013 and 2018 in the IL PMAs, the state of Florida ("Florida"), and the United States.

**Table 12**  
**Historical, Estimated and Projected IL PMAs,**  
**Florida and United States Populations**

|                         | 2000<br>Population<br>(Census) <sup>(1)</sup> | 2013<br>Population<br>(Estimated) | 2018<br>Population<br>(Projected) | Compounded<br>Annual<br>Percentage<br>Change<br>2000 – 2013 | Compounded<br>Annual<br>Percentage<br>Change<br>2013 – 2018 |
|-------------------------|---|-----------------------------------|-----------------------------------|---|---|
| <b>IL PMA</b>           |   |                                   |                                   |   |   |
| Total Population        | 73,199  | 122,341                           | 132,485                           | 4.0%  | 1.6%  |
| Age 65 to 74 Population | 7,339   | 13,211                            | 16,754                            | 4.6%  | 4.9%  |
| Age 75 to 84 Population | 4,643   | 6,899                             | 8,161                             | 3.1%  | 3.4%  |
| Age 85 Plus Population  | 1,303   | 2,877                             | 3,318                             | 6.3%  | 2.9%  |
| Total 65 Plus           | 13,285  | 22,987                            | 28,233                            | 4.3%  | 4.2%  |
| Total 75 Plus           | 5,946   | 9,776                             | 11,480                            | 3.9%  | 3.3%  |
| <b>St. Johns County</b> |   |                                   |                                   |   |   |
| Total Population        | 123,135                                       | 201,501                           | 218,770                           | 3.9%  | 1.7%  |
| Age 65 to 74 Population | 10,802  | 19,959                            | 25,726                            | 4.8%  | 5.2%  |
| Age 75 to 84 Population | 6,838   | 10,110                            | 12,151                            | 3.1%  | 3.7%  |
| Age 85 Plus Population  | 1,928   | 4,224                             | 4,907                             | 6.2%  | 3.0%  |
| Total 65 Plus           | 19,568  | 34,293                            | 42,784                            | 4.4%  | 4.5%  |
| Total 75 Plus           | 8,766   | 14,334                            | 17,058                            | 3.9%  | 3.5%  |
| <b>Florida</b>          |   |                                   |                                   |   |   |
| Total Population        | 15,982,377                                    | 19,356,053                        | 20,322,385                        | 1.5%  | 1.0%  |
| Age 65 to 74 Population | 1,452,079                                     | 1,939,068                         | 2,316,732                         | 2.2%  | 3.6%  |
| Age 75 to 84 Population | 1,024,140                                     | 1,134,497                         | 1,260,637                         | 0.8%  | 2.1%  |
| Age 85 Plus Population  | 331,357                                       | 470,480                           | 516,471                           | 2.7%  | 1.9%  |
| Total 65 Plus           | 2,807,576                                     | 3,544,045                         | 4,093,840                         | 1.8%  | 2.9%  |
| Total 75 Plus           | 1,355,497                                     | 1,604,977                         | 1,777,108                         | 1.3%  | 2.1%  |
| <b>United States</b>    |   |                                   |                                   |   |   |
| Total Population        | 281,421,942                                   | 314,861,807                       | 325,322,277                       | 0.9%  | 0.7%  |
| Age 65 to 74 Population | 18,390,870                                    | 24,703,850                        | 30,124,562                        | 2.3%  | 4.0%  |
| Age 75 to 84 Population | 12,361,442                                    | 13,281,401                        | 14,594,994                        | 0.6%  | 1.9%  |
| Age 85 Plus Population  | 4,239,540                                     | 5,876,669                         | 6,278,130                         | 2.5%  | 1.3%  |
| Total 65 Plus           | 34,991,852                                    | 43,861,920                        | 50,997,686                        | 1.8%  | 3.1%  |
| Total 75 Plus           | 16,600,982                                    | 19,158,070                        | 20,873,124                        | 1.1%  | 1.7%  |

Source: Nielsen Claritas

(2) Nielsen Claritas plans to release the 2010 population census historical data in fall 2013.

The following table presents the percentage of total population by age group for the targeted age population in the IL PMAs, Florida, and the United States.

| <b>Table 13</b>                                     |               |                         |                |                      |
|---|---------------|-------------------------|----------------|----------------------|
| <b>Percentage of Total Population by Age Cohort</b> |               |                         |                |                      |
| <b>2000 (Census)<sup>(1)</sup></b>                  |               |                         |                |                      |
|   | <b>IL PMA</b> | <b>St. Johns County</b> | <b>Florida</b> | <b>United States</b> |
| <u>Age Groupings</u>                                |               |                         |                |                      |
| 65 plus   | 18.1%         | 15.9%                   | 17.6%          | 12.4%                |
| 75 plus   | 8.1%          | 7.1%                    | 8.5%           | 5.9%                 |
| 85 plus   | 1.8%          | 1.6%                    | 2.15           | 1.5%                 |
| <b>2013 (Estimated)</b>                             |               |                         |                |                      |
|   | <b>IL PMA</b> | <b>St. Johns County</b> | <b>Florida</b> | <b>United States</b> |
| <u>Age Groupings</u>                                |               |                         |                |                      |
| 65 plus   | 18.8%         | 17.0%                   | 18.3%          | 13.9%                |
| 75 plus   | 8.0%          | 7.1%                    | 8.3%           | 6.1%                 |
| 85 plus   | 2.4%          | 2.1%                    | 2.4%           | 1.9%                 |
| <b>2018 (Projected)</b>                             |               |                         |                |                      |
|   | <b>IL PMA</b> | <b>St. Johns County</b> | <b>Florida</b> | <b>United States</b> |
| <u>Age Groupings</u>                                |               |                         |                |                      |
| 65 plus   | 21.3%         | 19.6%                   | 20.1%          | 15.7%                |
| 75 plus   | 8.7%          | 7.8%                    | 8.7%           | 6.4%                 |
| 85 plus   | 2.5%          | 2.2%                    | 2.5%           | 1.9%                 |

Source: Nielsen Claritas

(2) Nielsen Claritas plans to release the 2010 population census historical data in fall 2013.

*Estimated Income Qualified Households within the IL PMAs*

In order to qualify for residency at the Community, a prospective resident must be at least 55 years of age and demonstrate sufficient financial resources to pay the required Monthly Fee and other expenses related to independent living services not provided for in the Residency Agreement. Accordingly, Management has established certain criteria to identify potential residents who are eligible to reside in an Independent Living Unit at the Project. Management estimates that prospective independent living residents should have a minimum monthly income of approximately 1.5 times the Monthly Fee to become a Resident.

For purposes of quantifying the number of income-qualified households in the IL PMAs, households age 75 or older are considered to be the most likely to establish residency in an Independent Living Unit.

In addition, the following two annual household income scenarios are presented for estimating the number of income-qualified households in the PMA:

- Annual household income approximately \$35,000 or more; and
- Annual household income approximately \$50,000 or more.

The table on the following page illustrates the 2013 estimated and the 2018 projected household income distribution for householders age 65 to 74 and 75 and older in the IL PMA.

**Table 14**  
**Age- and Income-Qualified Households**  
**Within the IL PMA**

|   | 2013 (Estimated) |       |        |
|---|------------------|-------|--------|
|   | 65 – 74          | 75+   | Total  |
| Total Households:   | 8,136            | 6,468 | 14,604 |
| <u>Household Income</u>   |                  |       |        |
| Under \$35,000  | 3,040            | 3,761 | 6,800  |
| <u>\$35,000 and over</u>  |                  |       |        |
| \$35,000 - \$49,999   | 1,434            | 1,062 | 2,495  |
| \$50,000 – \$74,999   | 1,673            | 839   | 2,512  |
| \$75,000 – \$99,999   | 810              | 409   | 1,219  |
| \$100,000 plus  | 1,180            | 398   | 1,577  |
| Total \$35,000 and over   | 5,096            | 2,707 | 7,803  |
| Percentage of Income Eligible Households<br>to Total Households - \$35,000 and over | 62.6%            | 41.9% | 53.4%  |
| Total \$50,000 and over   | 3,662            | 1,645 | 5,308  |
| Percentage of Income Eligible Households<br>to Total Households - \$50,000 and over | 45.0%            | 25.4% | 36.3%  |
|   | 2018 (Projected) |       |        |
| Total Households:   | 10,287           | 7,552 | 17,838 |
| <u>Household Income</u>   |                  |       |        |
| Under \$35,000  | 3,928            | 4,438 | 8,365  |
| <u>\$35,000 and over</u>  |                  |       |        |
| \$35,000 - \$49,999   | 1,797            | 1,210 | 3,008  |
| \$50,000 – \$74,999   | 2,075            | 958   | 3,033  |
| \$75,000 – \$99,999   | 1,011            | 471   | 1,482  |
| \$100,000 plus  | 1,476            | 475   | 1,950  |
| Total \$35,000 and over   | 6,359            | 3,114 | 9,473  |
| Percentage of Income Eligible Households<br>to Total Households - 35,000 and over   | 61.8%            | 41.2% | 53.1%  |
| Total \$50,000 and over   | 4,562            | 1,904 | 6,466  |
| Percentage of Income Eligible Households<br>to Total Households - \$50,000 and over | 44.3%            | 25.2% | 36.2%  |

Source: Nielsen Claritas

The table on the following page illustrates the 2013 estimated and the 2018 projected household income distribution for householders age 65 to 74 and 75 and older in St. Johns County.

**Table 15**  
**Age- and Income-Qualified Households**  
**Within St. Johns County**

|   | 2013 (Estimated) |        |        |
|---|------------------|--------|--------|
|   | 65 – 74          | 75+    | Total  |
| Total Households:   | 12,193           | 9,363  | 21,556 |
| <u>Household Income</u>   |                  |        |        |
| Under \$35,000  | 3,993            | 5,009  | 9,002  |
| <u>\$35,000 and over</u>  |                  |        |        |
| \$35,000 - \$49,999   | 1,981            | 1,495  | 3,476  |
| \$50,000 – \$74,999   | 2,510            | 1,284  | 3,794  |
| \$75,000 – \$99,999   | 1,365            | 727    | 2,092  |
| \$100,000 plus  | 2,344            | 848    | 3,192  |
| Total \$35,000 and over   | 8,200            | 4,354  | 12,554 |
| Percentage of Income Eligible Households<br>to Total Households - \$35,000 and over | 67.3%            | 46.5%  | 58.2%  |
| Total \$50,000 and over   | 6,219            | 2,859  | 9,078  |
| Percentage of Income Eligible Households<br>to Total Households - \$50,000 and over | 51.0%            | 30.5%  | 42.1%  |
|   | 2018 (Projected) |        |        |
| Total Households:   | 15,587           | 11,015 | 26,602 |
| <u>Household Income</u>   |                  |        |        |
| Under \$35,000  | 5,175            | 5,931  | 11,106 |
| <u>\$35,000 and over</u>  |                  |        |        |
| \$35,000 - \$49,999   | 2,509            | 1,729  | 4,238  |
| \$50,000 – \$74,999   | 3,167            | 1,495  | 4,662  |
| \$75,000 – \$99,999   | 1,736            | 844    | 2,580  |
| \$100,000 plus  | 3,000            | 1,016  | 4,016  |
| Total \$35,000 and over   | 10,412           | 5,084  | 15,496 |
| Percentage of Income Eligible Households<br>to Total Households - \$35,000 and over | 66.8%            | 46.2%  | 58.3%  |
| Total \$50,000 and over   | 7,903            | 3,355  | 11,258 |
| Percentage of Income Eligible Households<br>to Total Households - \$50,000 and over | 50.7%            | 30.5%  | 42.3%  |

Source: Nielsen Claritas

The following table estimates the number of age- and income-qualified households in the two IL PMA scenarios as estimated in 2013, interpolated in 2015 and projected in 2018 based on the 2010 Census.

| IL PMA   | Age 75 and Above |       |       |
|--|------------------|-------|-------|
|  | 2013             | 2015  | 2018  |
| Total \$35,000 and over  | 2,707            | 2,870 | 3,114 |
| Percentage of Income Eligible Households to Total Households – \$35,000 and over | 41.9%            | 41.6% | 41.2% |
| Total \$50,000 and over  | 1,645            | 1,749 | 1,904 |
| Percentage of Income Eligible Households to Total Households – \$50,000 and over | 25.4%            | 25.3% | 25.2% |
| <b>St. Johns County</b>  |                  |       |       |
| Total \$35,000 and over  | 4,354            | 4,646 | 5,084 |
| Percentage of Income Eligible Households to Total Households – \$35,000 and over | 46.5%            | 46.3% | 46.2% |
| Total \$50,000 and over  | 2,859            | 3,057 | 3,355 |
| Percentage of Income Eligible Households to Total Households – \$50,000 and over | 30.5%            | 30.5% | 30.5% |

Source: Nielsen Claritas

The following table compares the percentage of age- and income-qualified households to total households for the \$35,000 and \$50,000 income qualification levels for the population age 75 and above within the IL PMAs, Florida and the United States.

|  | IL PMA | St. Johns County | Florida | United States |
|--|--------|------------------|---------|---------------|
| Percentage of Income Qualified Households to Total Households – \$35,000 | 41.6%  | 46.3%            | 35.3%   | 37.9%         |
| Percentage of Income Qualified Households to Total Households – \$50,000 | 25.3%  | 30.5%            | 21.4%   | 23.8%         |

Source: Nielsen Claritas

*Summary of Independent Living Units*

There are 521 existing independent living units at the three existing retirement communities located within the IL PMAs.

**Table 18**  
**Summary of Comparable Independent Living Units within the IL PMAs**

| <b>Comparable Retirement Communities</b>                   | <b>Existing</b> | <b>Planned</b> | <b>Total</b> |
|--|-----------------|----------------|--------------|
| <i>Rental Independent Living Units</i>                     |                 |                |              |
| Allegro at Harbour Island                                  | 77              | –              | 77           |
| <i>Entrance Fee Independent Living Units</i>               |                 |                |              |
| Glenmoor   | 156             | –              | 156          |
| Westminster Woods  | 288             | –              | 288          |
| <b>Total Comparable Units</b>                              | <b>521</b>      | <b>–</b>       | <b>521</b>   |
| The Project  | –               | 150            | 150          |
| <b>Total Existing and Planned Independent Living Units</b> | <b>521</b>      | <b>150</b>     | <b>671</b>   |

Source: Surveys and site visits conducted by Dixon Hughes Goodman LLP through August 2013.

*Independent Living Penetration Analysis*

Penetration rates are one measure of the degree to which the IL PMAs is under-served or saturated. As penetration rates increase, units may become more difficult to fill. However, higher penetration rates may not necessarily be an indication of the difficulty in achieving expected occupancy levels. Some markets may have a higher acceptance level for senior living housing options and may support higher penetration rates. Three penetration rate calculations are shown in the following tables:

*Project Penetration Rate* – The Project Penetration Rate is the percentage of age- and income-qualified households in the IL PMAs the **Project** is expected to capture in order to achieve stabilized occupancy in the year of opening. The Project Penetration Rate is calculated by dividing the number of Independent Living Units by the number of age- and income-qualified households in the IL PMAs. Seniors currently living in competitive independent living units in the IL PMAs are subtracted from the pool of age- and income-qualified households. Calculations are based on demographics interpolated for the year the Independent Living Units are expected to be available for occupancy (2015). Annual income qualifications of \$35,000 and \$50,000 were used in the Project Penetration Rate calculation to represent the pricing structure and income levels required to move into an Independent Living Unit at the Project.

*Gross Market Penetration Rate* – The Gross Market Penetration Rate is the percentage of age- and income-qualified households that the **total market** must absorb for the entire market to achieve stabilized occupancy. Market penetration is calculated by dividing the total number of existing and planned independent living units in the IL PMAs by the number of age- and income-

qualified households in the IL PMAs. Calculations are based on the demographics projected for the current year and the final year of the forecast.

The total independent living units are adjusted to reflect assumptions about the percentage of units expected to be filled from qualified households in the IL PMAs and occupancy.

The following penetration rates should be considered in conjunction with each other and other market factors such as occupancy levels at existing communities within and near the IL PMAs, the number of proposed facilities in the IL PMA s, the design of the units and community spaces at the Project, alternatives for potential residents, and marketing plans and efforts of Management.

#### *Independent Living Project Penetration Rate*

The following table depicts the Project Penetration Rates, which represent the percentage of age- and income-qualified households in the IL PMAs that the Independent Living Units are expected to capture upon opening in order to achieve stabilized occupancy, assuming annual incomes of \$35,000 and higher and \$50,000 and higher, based upon demographic projections for 2015.

**Table 19**  
**Project Penetration Rate – 2015**

|   | Age 75 and over               |                               |                               |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | The IL PMA                    |                               | St. Johns County              |                               |
|   | Annual<br>Income<br>\$35,000+ | Annual<br>Income<br>\$50,000+ | Annual<br>Income<br>\$35,000+ | Annual<br>Income<br>\$50,000+ |
| Planned units at the Project  | 150                           | 150                           | 150                           | 150                           |
| Percentage of units to be filled from the PMA <sup>(1)</sup>          | 70%                           | 70%                           | 75%                           | 75%                           |
| Planned units to be filled from the PMA                               | 105                           | 105                           | 113                           | 113                           |
| Percentage of units to be filled by age 75 and older <sup>(1)</sup>   | 90%                           | 90%                           | 90%                           | 90%                           |
| Planned units to be filled by age 75 and older                        | 95                            | 95                            | 102                           | 102                           |
| <b>Total units at the Project to be filled at 95% occupancy (a)</b>   | <b>90</b>                     | <b>90</b>                     | <b>97</b>                     | <b>97</b>                     |
| Number of age- and income-qualified households <sup>(2)</sup>         | 2,870                         | 1,749                         | 4,646                         | 3,057                         |
| Less: Existing inventory of available comparable units <sup>(3)</sup> | 221                           | 221                           | 495                           | 495                           |
| <b>Net number of age- and income-qualified households (b)</b>         | <b>2,649</b>                  | <b>1,528</b>                  | <b>4,151</b>                  | <b>2,562</b>                  |
| <b>Project Penetration Rate (a/b)</b>                                 | <b>3.4%</b>                   | <b>5.9%</b>                   | <b>1.3%</b>                   | <b>3.8%</b>                   |

Source: Management and Nielsen Claritas

- (1) Based on surveys and interviews with the comparable communities profiled.
- (2) Interpolated using 2013 estimated and 2018 projected population statistics as provided by Nielsen Claritas.
- (3) Reflects the 233 existing units within the PMA at 95 percent occupancy (221 units).

*Independent Living Market Penetration Rate*

The following table presents the Gross Market Penetration Rate, which represents the percentage of age- and income-qualified households in the PMA that the entire market is expected to capture when the entire market has reached stabilized occupancy. The Gross Market Penetration Rate is presented as a range for the current year (2013) and the final year of Management's forecast (2018) in order to show the rate of change between years.

**Table 20**  
**Gross Market Penetration Rate – Age 75 and Above – IL PMA**

|  | Income \$35,000<br>and Above |              | Income \$50,000<br>and Above |              |
|--|------------------------------|--------------|------------------------------|--------------|
|  | 2013                         | 2018         | 2013                         | 2018         |
| Market inventory of retirement communities:                            |                              |              |                              |              |
| The Project <sup>(1)</sup>   | -                            | 150          | -                            | 150          |
| Comparable retirement communities:                                     |                              |              |                              |              |
| Existing units <sup>(2)</sup>  | 233                          | 233          | 233                          | 233          |
| Planned units  | -                            | 0            | -                            | 0            |
| Total comparable units in the PMA                                      | 233                          | 383          | 233                          | 383          |
| Percent of comparable units to be filled from the PMA <sup>(3)</sup>   | 70%                          | 70%          | 70%                          | 70%          |
| <b>Total comparable units to be filled from the PMA</b>                | <b>163</b>                   | <b>268</b>   | <b>163</b>                   | <b>268</b>   |
| <b>Total units to be filled at 95% occupancy (a)</b>                   | <b>155</b>                   | <b>255</b>   | <b>155</b>                   | <b>255</b>   |
| <b>Number of age- and income-eligible households<sup>(4)</sup> (b)</b> | <b>2,707</b>                 | <b>3,114</b> | <b>1,645</b>                 | <b>1,904</b> |
| <b>Gross Market Penetration Rate (a/b)</b>                             | <b>5.7%</b>                  | <b>8.2%</b>  | <b>9.4%</b>                  | <b>13.4%</b> |

Source: Management and Nielson Claritas

(1) Reflects the 150 Independent Living Units at the Project.

(2) Reflects the 233 existing units located within the IL PMA.

(3) Based on surveys and interviews with comparable communities in the IL PMA.

(4) Based on estimated and projected population statistics as provided by Nielsen Claritas.

**Table 21**  
**Gross Market Penetration Rate – Age 75 and Above – St. Johns County**

|  | Income \$35,000 and Above |              | Income \$50,000 and Above |              |
|--|---------------------------|--------------|---------------------------|--------------|
|  | 2013                      | 2018         | 2013                      | 2018         |
| Market inventory of retirement communities:                            |                           |              |                           |              |
| The Project <sup>(1)</sup>   | -                         | 150          | -                         | 150          |
| Comparable retirement communities:                                     |                           |              |                           |              |
| Existing units <sup>(2)</sup>  | 521                       | 521          | 521                       | 521          |
| Planned units  | -                         | 0            | -                         | 0            |
| Total comparable units in the PMA                                      | 521                       | 671          | 521                       | 671          |
| Percent of comparable units to be filled from the PMA <sup>(3)</sup>   | 75%                       | 75%          | 75%                       | 75%          |
| <b>Total comparable units to be filled from the PMA</b>                | <b>391</b>                | <b>503</b>   | <b>391</b>                | <b>503</b>   |
| <b>Total units to be filled at 95% occupancy (a)</b>                   | <b>371</b>                | <b>478</b>   | <b>371</b>                | <b>478</b>   |
| <b>Number of age- and income-eligible households<sup>(4)</sup> (b)</b> | <b>4,354</b>              | <b>5,084</b> | <b>2,859</b>              | <b>3,355</b> |
| <b>Gross Market Penetration Rate (a/b)</b>                             | <b>8.5%</b>               | <b>9.4%</b>  | <b>13.0%</b>              | <b>14.2%</b> |

Source: Management and Nielson Claritas

(1) Reflects the 150 Independent Living Units at the Project.

(2) Reflects the 521 existing units located within St. Johns County.

(3) Based on surveys and interviews with comparable communities in St. Johns County.

(4) Based on estimated and projected population statistics as provided by Nielsen Claritas.

*Market Area Real Estate*

The ability of potential residents to sell their home prior to assuming occupancy at a senior living community may have an impact on the ability of residents to pay the required monthly fee. As noted later in the report, non-income-qualified seniors may have an asset base that provides the financial means to afford this level of care. The following table summarizes the real estate statistics for St. Augustine, Florida.

| <b>St. Augustine:</b>  | <b>2011</b> | <b>2012</b> | <b>2013<sup>(1)</sup></b> |
|------------------------|-------------|-------------|---------------------------|
| Number of homes sold   | 135         | 128         | 38                        |
| Median sales price     | \$170,000   | \$206,875   | \$218,000                 |
| Average days on market | 153         | 117         | 130                       |

Source: Northeast Florida Association of Realtors, July 2013.

(1) Data as of June 31, 2013.