APPRAISAL OF THE GOING CONCERN

Shepherd Premier Senior Living of Dixon
503 Countryside Lane
Dixon, Lee County, Illinois 61021

As of June 7, 2022

Prepared For:

McHenry Savings Bank
353 Bank Drive
McHenry, Illinois 60050

Prepared By:

Cushman & Wakefield of Illinois, Inc.
Valuation & Advisory
9500 Bryn Mawr Avenue, Suite 600
Rosemont, Illinois 60018

Cushman & Wakefield File ID: 22-21002-900538-001

Shepherd Premier Senior Living of Dixon

503 Countryside Lane

Dixon, Lee County, Illinois 61021

Cushman & Wakefield of Illinois, Inc.
9500 Bryn Mawr Avenue, Suite 600
Rosemont, Illinois 60018
cushmanwakefield.com

June 24, 2022

Linda Mallon
Loan Processing Systems Manager
McHenry Savings Bank
353 Bank Drive
McHenry, Illinois 60050

Re: Appraisal of the Going Concern
In an Appraisal Report

Shepherd Premier Senior Living of Dixon
503 Countryside Lane
Dixon, Lee County, Illinois 61021

C&W File ID: 22-21002-900538-001

Dear Ms. Mallon:

In fulfillment of our agreement as outlined in the Letter of Engagement, we are pleased to transmit our appraisal report on the property referenced above. The date of the report is June 24, 2022. The date of value “As-Is” was June 7, 2022, and the date of value "Upon Stabilization" is June 7, 2023.

The value opinion in this report is qualified by certain assumptions, limiting conditions, certifications, and definitions. We particularly call your attention to the extraordinary assumptions and hypothetical conditions listed after our value estimate.

This appraisal report has been prepared in accordance with our interpretation of your institution’s guidelines, Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), and the Uniform Standards of Professional Appraisal Practice (USPAP), including the Competency Provision.

The Commercial Real Estate (CRE) market is driven by investor demand and strong liquidity. Since its onset in March 2020, the COVID-19 pandemic has had a dramatic effect on both of these factors as the market navigated actual and perceived impact. We observed asset classes experiencing various impacts, both positive and negative. We observed that asset values can fall significantly in short periods of time if either demand or liquidity, often in conjunction with many other factors, change significantly. We also observed asset values rise based on new-found demand for sector or property characteristics. Either through empirical data or COVID fatigue, society and the market are perceiving that we are near the end of the pandemic. Restrictions continue to be lifted and activities, such as travel and dining, are returning to pre-pandemic levels. We are observing stabilizing trend lines in most asset classes as we see the effects of vaccinations and approach herd immunity. In spite of the threat of new variants, the uncertainty of the early months of the pandemic has been replaced with clearer expectations and forecasts of asset class and individual property performance. Of course, some uncertainty exists in most property types in terms of forecast demand, to varying degrees. As we have throughout the pandemic, Cushman & Wakefield is closely monitoring the latest developments resulting from the COVID-19 pandemic and recovery and its effect on the subject and its market.

The property consists of an existing 16 unit, assisted living facility known as Shepherd Premier Senior Living of Dixon. The facility contains 7,400± square feet of gross building area and is situated on a 0.562-acre parcel of land. The facility occupancy was 6 percent at the time of inspection. Stabilized occupancy has been forecast as 85 percent.

The property has been appraised as a going concern (also referred to in the industry as Total Assets of the Business, TAB) and assumes a fair sale, which includes the transfer of a valid operating license, an assembled workforce, and the transfer of all business assets necessary for the operation of a licensed health care facility.

Market Value

Based on the agreed to Scope of Work, and as outlined in the report, we have developed an opinion that the Market Value of the Fee Simple estate of the referenced property as a going concern, subject to the assumptions and limiting conditions, certifications, extraordinary and hypothetical conditions is as follows:

VALUE CONCLUSIONS			
Appraisal Premise	**Real Property Interest**	**Date of Value**	**Value Conclusion**
Market Value As-Is	Fee Simple Estate of the Going Concern	6/7/2022	$2,450,000
Prospective Market Value Upon Stabilization	Fee Simple Estate of the Going Concern	6/7/2023	$2,950,000

Allocations to Real Property, FF&E and Business enterprise value are detailed below.

BUSINESS ENTERPRISE ALLOCATIONS	C&W Year 1 As-Is	C&W Year 1 Upon Stabilization
	As Of: 6/7/22	**As Of: 6/7/23**
Going Concern Value	$2,450,000	$2,950,000
Allocation:		
Value of Real Property:	$1,990,000	$2,450,000
Value of FF&E	$150,000	$130,000
Allocation to BEV	$310,000	$370,000

Insurable Value

The insurable value for the improvements is estimated to be $1,250,000. We note that Insurable Value does not include any fixtures, furnishings and equipment (FF&E) that are necessary for the going concern value of the property. Insurance riders generally do not include FF&E as part of the insurable value.

The value opinions in this report are qualified by certain assumptions, limiting conditions, certifications, and definitions. The value opinions in this report are qualified by the following extraordinary assumptions and hypothetical conditions.

Extraordinary Assumptions

For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions. The use of extraordinary assumptions, if any, might have affected the assignment results.

- This appraisal assumes the subject meets the state licensing requirements over the remaining economic life of the improvements.
- The prospective market value estimate is based upon market participant attitudes and perceptions existing as of the effective date of our appraisal. We assume no material change in the physical characteristics and condition of the subject property or in overall market conditions between the date of inspection and effective date of value, except for those identified within the report.

Hypothetical Conditions

For a definition of Hypothetical Conditions please see the Glossary of Terms & Definitions. The use of hypothetical conditions, if any, might have affected the assignment results.

- None

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and Addenda.

Respectfully submitted,

CUSHMAN & WAKEFIELD OF ILLINOIS, INC.

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License No. 553.001939
License Expiration Date September 30, 2023
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Summary of Salient Facts and Conclusions

The property consists of an assisted living facility containing 16 units situated on a 0.562-acre parcel of land.

BASIC INFORMATION		
Common Property Name:	Shepherd Premier Senior Living of Dixon	
Address:	503 Countryside Lane Dixon, Illinois 61021	
County:	Lee	
Property Ownership Entity:	Avonlea Cottage of Dixon, LLC	

SITE INFORMATION		
Land Area:	**Square Feet**	**Acres**
Total Land Area:	24,500	0.562
Site Shape:	Rectangular	
Site Topography:	Gentle Slope	
Frontage:	Average	
Site Utility:	Average	
Flood Zone Status:		
Flood Zone:	FEMA Zone X	
Flood Panel Number:	17103C0230G	
Flood Map Date:	August 17, 2016	

PROPERTY INFORMATION	
Type of Property:	Assisted Living
Building Area	
Number of Units:	16 Units
Gross Building Area:	7,400 SF
Number of Buildings:	1
Number of Stories:	1
Parking Spaces:	10
Quality:	Good
Year Built:	2002
Year Renovated:	2021
Condition:	Good

MUNICIPAL INFORMATION	
Assessment Information:	
Assessing Authority	Lee County
Assessor's Parcel Identification Number	07-08-04-251-010
Current Tax Year	2022
Assessor's Full Market Value	$596,859
Current Tax Liability	$19,207
Zoning Information:	
Municipality Governing Zoning	City of Dixon
Current Zoning	R3
Is current use permitted?	Yes
Current Use Compliance	Legally Conforming

HIGHEST & BEST USE
As Though Vacant:
As Permitted By Zoning, A Residential Use
As Improved:
Continuation Of Its Current Use As A Senior Living Facility

DATES OF INSPECTION AND VALUATION	
Interest Appraised:	Fee Simple Estate of the Going Concern
Date of Inspection:	June 7, 2022
Date of Value - As-Is:	June 7, 2022
Date of Value - Upon Stabilization:	June 7, 2023

OCCUPANCY	
Current Physical Occupancy:	6%
Effective Operating Capacity:	16 units
Effective Operating Beds:	16 beds
Stabilized Occupancy:	85%

VALUATION INDICES	Market Value As-Is	Prospective Market Value Upon Stabilization
VALUE DATE	**June 7, 2022**	**June 7, 2023**
SALES COMPARISON APPROACH		
Indicated Value Rounded:	$2,400,000	N/A
Per Unit:	$150,000	
Per SF:	$324	
INCOME CAPITALIZATION APPROACH		
Direct Capitalization		
NOI (stabilized):	$228,775	$234,494
Capitalization Rate:	8.00%	8.00%
Indicated Value:	$2,436,126	$2,931,180
Indicated Value Rounded:	$2,450,000	$2,950,000
Per Unit:	$153,125	$184,375
Per SF:	$331	$399
FINAL VALUE CONCLUSION		
Real Property Interest:	Fee Simple	Fee Simple
Concluded Value:	$2,450,000	$2,950,000
Per Unit:	$153,125	$184,375
Per SF:	$331	$399
INSURABLE VALUE		
Concluded Value:	$1,250,000	N/A
EXPOSURE AND MARKETING TIME		
Exposure Time:	Three-to-Four Months	
Marketing Time:	Three-to-Four Months	

EXPOSURE TIME

Exposure time is the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.

We surveyed the following senior housing market participants, all directly involved in the marketing and sale of senior housing and healthcare properties.

Exposure Time

SOURCE	SURVEY RANGE
Blueprint - Mike Segal	SNF: 30 - 45 days initial marketing, 180 - 270 total to closing date IL/AL: 30 - 45 days initial marketing, 180 - 270 total to closing date
Colliers - Bob Gaines	SNF: 120 - 180 days, but anticipates this will shorten going forward IL/AL: 120 - 180 days, but anticipates this will shorten going forward
Senior Living Brokerage - Jeff Binder	SNF: 150 - 210 days, add 30 - 45 days for portfolios IL/AL: 90 - 150 days, add 30 - 45 days for portfolios
Evans Senior Investments - Jason Stroiman	SNF: 30-60 days, no difference for portfolios IL/AL: 30-60 days, no difference for portfolios

MARKETING TIME

In addition to USPAP's requirement for Exposure Time support, certain clients require that Marketing Time is stated and supported.

Based on our knowledge of the market and in discussions with market participants, we are of the opinion the above survey range is still applicable as an estimate for marketing time for the period immediately after the effective date of appraisal.

Subject's Strengths and Weaknesses

Subject's Strengths:

- **Age/Condition/Design**: The subject property was constructed in 2002 and renovated in 2021 and is in good condition. The subject represents a newly remodeled facility which provides a competitive advantage over many of the existing senior housing properties in the market.
- **Seniors as a Percent of the Population**: In 2021, 9.4 percent of the PMA's total population was above the age of 75. This is above the national average of 6.9 percent. However, the 75+ cohort is expected to grow at an annual rate of 2.5 percent, which is below the national rate of 4.0 percent. The supply and demand study indicates there is positive unmet demand in the subject's marketplace.

Subject's Weaknesses:

- **Demographics**: Between 2021 and 2026, the population within the PMA is expected to decrease by -0.29 percent per year, according to Experian Marketing Solutions. This is below the national rate 0.68 percent per year for the same period. Also, the PMA's adult child population is expected to decrease at a rate of -1.81 percent annually. Comparatively on a national basis, the 45-64 age group is projected to decline by -0.45 percent between 2021 and 2026.
- **Barriers to Entry/Possibility of New Competition**: There is an ample supply of available land in the PMA and limited barriers to entry. Considering that, as well as the positive population growth trends, there will continually be the possibility of new supply being added to the area.
- **Absorption Risk**: The property opened in late March 2022 and occupancy was 6% as of the date of inspection, and therefore there is fill-up risk.

Property Photographs

AERIAL MAP

View of East and North Elevations

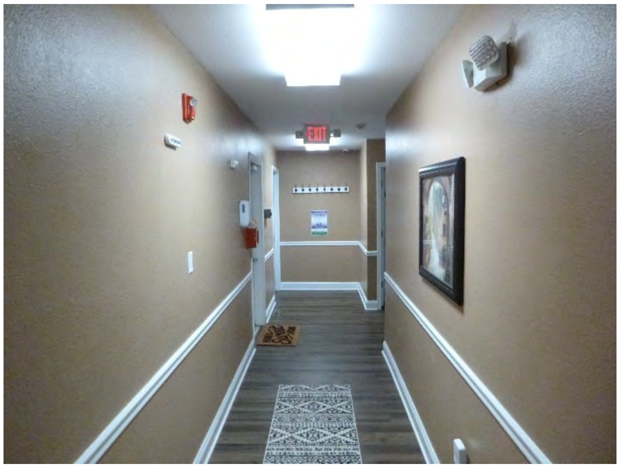
View of North and West Elevations

View of West and South Elevations

View of South and East Elevations

View North Along Countryside Lane

View South Along Countryside Lane

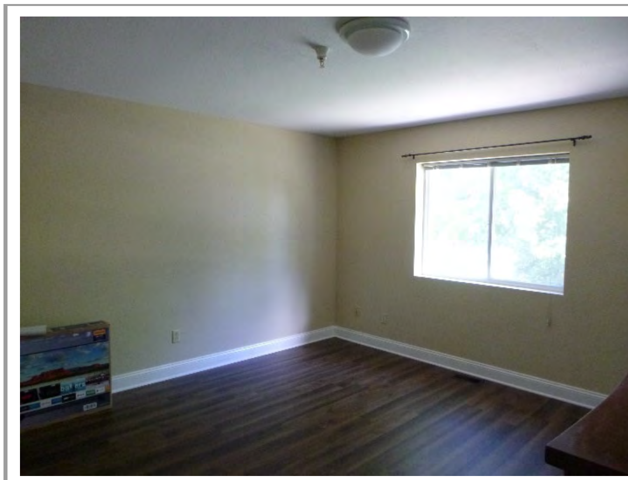


Typical Hallway

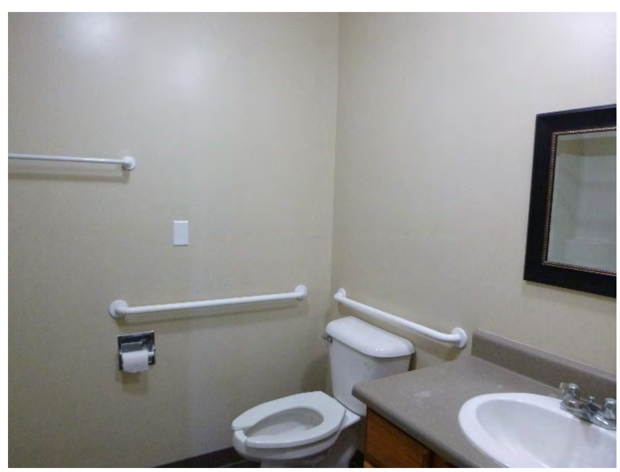
Lounge Area

Kitchen

Dining Room



Typical Resident Room



Typical Resident Bathroom

Shower

Office

Pantry/Storage

Laundry Room

Table of Contents

Introduction

Scope of Work

Overview

Scope of work is the type and extent of research and analyses involved in an assignment. To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the relevant characteristics of the subject property, and other pertinent factors. Our concluded scope of work is summarized below, and in some instances, additional scope details are included in the appropriate sections of the report:

Research

- We inspected the property and its environs. Physical information on the subject was obtained from the property owner's representative, public records, and/or third-party sources.
- Regional economic and demographic trends, as well as the specifics of the subject's local area were investigated. Data on the local and regional property market (supply and demand trends, rent levels, etc.) was also obtained. This process was based on interviews with regional and/or local market participants, primary research, available published data, and other various resources.
- Other relevant data was collected, verified, and analyzed. Comparable property data was obtained from various sources (public records, third-party data-reporting services, etc.) and confirmed with a party to the transaction (buyer, seller, broker, owner, tenant, etc.) wherever possible. It is, however, sometimes necessary to rely on other sources deemed reliable, such as data reporting services.

Analysis

- Based upon the subject property characteristics, prevailing market dynamics, and other information, we developed an opinion of the property's Highest and Best Use.
- We analyzed the data gathered using generally accepted appraisal methodology to arrive at a probable value indication via each applicable approach to value.
- The results of each valuation approach are considered and reconciled into a reasonable value estimate.

USPAP

This report is intended to comply with the reporting requirements outlined under USPAP. The report was also prepared to comply with the requirements of the Code of Professional Ethics of the Appraisal Institute and the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), Title XI Regulations.

Cushman & Wakefield of Illinois, Inc. has an internal Quality Control Oversight Program. This Program mandates a "second read" of all appraisal reports. Assignments prepared and signed solely by designated members (MAIs) are read by another MAI who is not participating in the assignment. Assignments prepared, in whole or in part, by non-designated appraisers require MAI participation, Quality Control Oversight, and signature.

For this assignment, Quality Control Oversight was provided by Gerald V. Rasmussen, MAI, FRICS. In addition to a qualitative assessment of the appraisal report, Gerald V. Rasmussen, MAI, FRICS is a signatory to the appraisal report and concurs in the value estimates set forth herein.

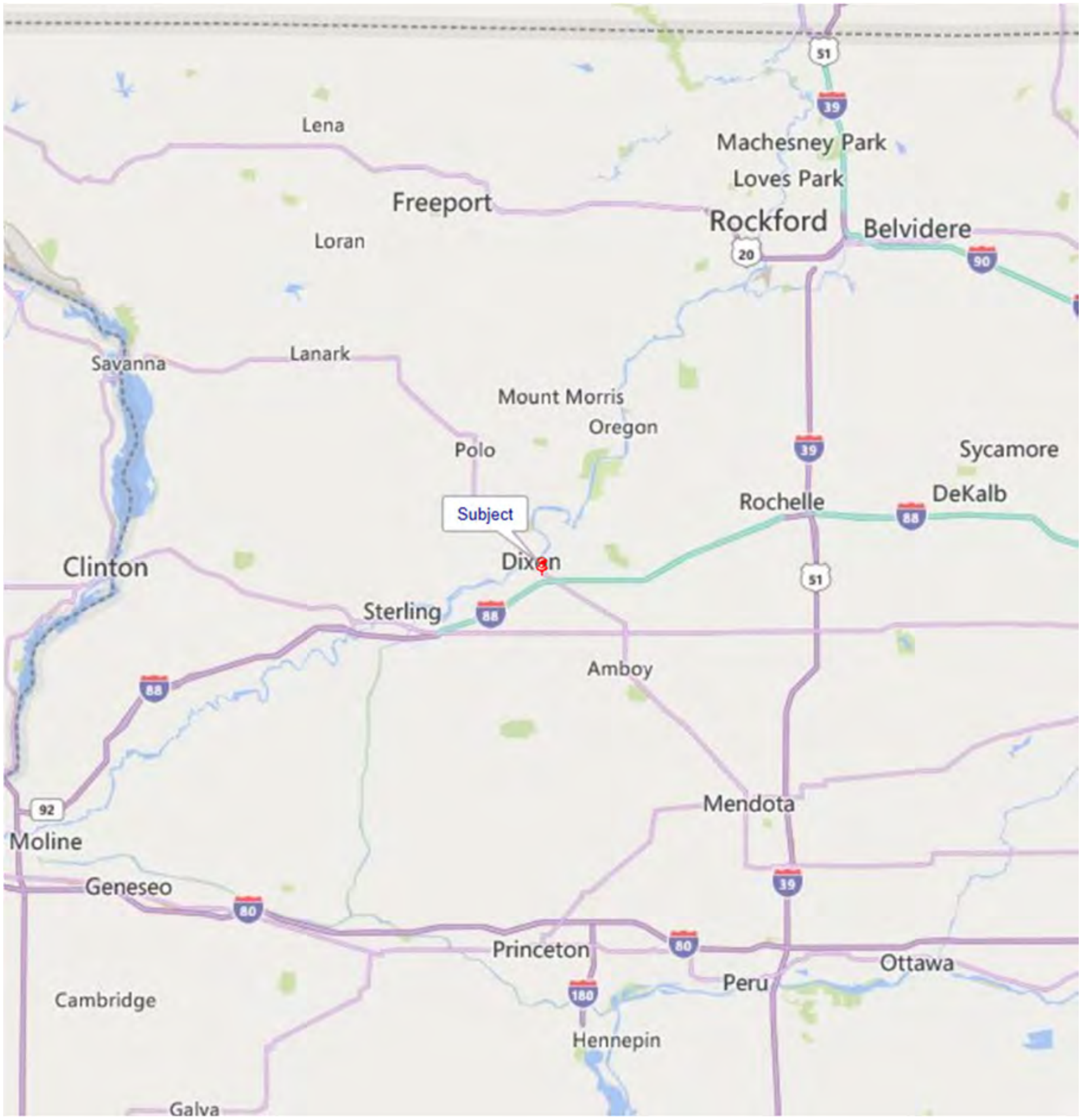
This appraisal employs the Sales Comparison Approach and the Income Capitalization Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that these approaches would be considered applicable and/or necessary for market participants. The subject's age makes it difficult to accurately form an opinion of depreciation and tends to make the Cost Approach unreliable. Investors do not typically rely on the Cost Approach when purchasing a property such as the subject of this report. Therefore, we have not utilized the Cost Approach to develop an opinion of market value.

PROPERTY		
Identification of Property		
Common Property Name:	Shepherd Premier Senior Living of Dixon	
Address:	503 Countryside Lane Dixon, Illinois 61021	
Property Latitude/Longitude:	41.84017	-89.466144
Type of Property:	Assisted Living	
Number of Units:	16	
Number of Licensed Beds:	16	
Number of Operating Beds:	16	
Gross Building Area:	7,400 SF	
Land Area Acres:	0.562	
Assessor's Parcel Identification:	07-08-04-251-010	
Legal Description:	We were not provided with a metes and bounds legal description.	
Property Ownership and Recent History		
Property Ownership Entity:	Avonlea Cottage of Dixon, LLC	
Sale History:	The property was purchased pursuant to an Articles of Agreement For Deed and Asset Purchase Agreement dated August 11, 2021 ("Purchase Agreement") which was provided to us. The buyer was Shepherd Capital Dixon, LLC and the seller was Avonlea Cottage of Dixon, LLC. The purchase price was $798,365.88, with $250,000 allocated to real property and $548,365.88 allocated to intangible assets. The buyer assumed the outstanding debt owed by seller to certain creditors. This included debt owed to two entities in the total amount of $475,000, for which promissory notes were pledged by the buyer, to be paid in full by August 11, 2026, with prepayment allowed without penalty. Upon payment of all outstanding debt, a final closing will transfer title of the property to the buyer. The Purchase Agreement includes a non-compete covenant in which the seller is not to own, operate, or become a partner, a shareholder, owner, director, officer, or agent of any entity that owns or operates an assisted living facility within a 50-mile radius of the subject, unless employed by the buyer. Subsequent to the sale, the buyer spent approximately $250,000 to renovate the property in 2021. Our value conclusion is higher than the purchase price as it reflects the completed renovations and stabilized occupancy of the property.	
Current Disposition:	To the best of our knowledge, the property is not under contract of sale nor is it being marketed for sale.	
Dates of Valuation		
Interest Appraised:	Fee Simple Estate of the Going Concern	
Date of Inspection:	June 7, 2022	
Date of Value - As-Is:	June 7, 2022	
Date of Value - Upon Stabilization:	June 7, 2023	
Property Inspection Performed by:	Martin D. Broerman, MAI	

CLIENT INTENDED USE AND USERS OF THE APPRAISAL	
Client:	The client of this report is McHenry Savings Bank.
Intended Use:	This Appraisal is intended to provide an opinion of the Market Value of the Fee Simple Estate of the Going Concern for the purpose of: • Financing All other uses are unintended, unless specifically stated in the letter of transmittal.
Intended User:	This appraisal report was prepared for the exclusive use of McHenry Savings Bank. Please be advised that with regard to appraisals of property located within the State of Illinois and covered by this agreement, and solely for purposes of compliance with I Ill. Admin. Code tit. 68, ch. VII(b), pt. 1455, 1455.250, Cushman & Wakefield of Illinois, Inc. (Illinois registration No. 558.000147 and expires December 31, 2022) is to be identified as a client. Use of this report by others is not intended by the appraiser.

Regional Analysis

REGIONAL MAP



Introduction

The short- and long-term value of real estate is influenced by a variety of interacting factors. Regional analysis identifies those factors that affect property value, and the role they play within the region. The four primary forces that determine the supply and demand for real property, and consequently affect market value, are: environmental characteristics, governmental forces, social factors, and economic trends.

The subject property is located in Dixon, Lee County, Illinois, and is not specifically part of a defined Metropolitan Statistical Area (MSA). While the subject lies somewhat outside of the Rockford MSA, it was our opinion that the Rockford MSA has the greatest impact on the subject area. Therefore, information relative to the Rockford MSA is presented.

Economic & Demographic Profile

The following profile of the Rockford MSA was provided by Moody’s Economy.com. Economy.com's core assets of proprietary editorial and research content as well as economic and financial databases are a source of information on national and regional economies, industries, financial markets, and demographics.

Economy.com's approach to the analysis of the U.S. economy consists of building a large-scale, simultaneous-equation econometric model, which they simulate and adjust with local market information, creating a model of the U.S. macro economy that is both top-down and bottom-up. In this model, those variables that are national in nature are modeled nationally while those that are regional in nature are modeled regionally. Interest rates, prices, and business investment are modeled as national variables; key sectors such as labor markets (employment, labor force), demographics (population, households, and migration), and construction activity (housing starts and sales) are modeled regionally and then aggregated to national totals. This approach allows local information to influence the macroeconomic outlook. Therefore, changes in fiscal policy at the national level (changes in tax rates, for example) are translated into their corresponding effects on state economies. At the same time, the growth patterns of large states, such as California, New York, and Texas, play a major role in shaping the national outlook.

In addition, on a regional basis, the modeling system is explicitly linked to other states through migration flows and unemployment rates. Economy.com's model structure also takes into account migration between states.

MOODY'S ANALYTICS

ROCKFORD IL

Data Buffet • MSA code: IUSA_MROC

ECONOMIC DRIVERS

MANUFACTURING | LOGISTICS | MEDICAL CENTER

EMPLOYMENT GROWTH RANK

2020-2022	2020-2025
331 5th quintile	341 5th quintile

Best=1, Worst=410

RELATIVE COSTS

LIVING	BUSINESS
85%	86%

U.S.=100%

VITALITY

RELATIVE -0.21 Rank: 266

Best=1, Worst=403

QUALITY OF LIFE

359

Best=1, Worst=378

BUSINESS CYCLE STATUS

STRENGTHS & WEAKNESSES

STRENGTHS

- Low business costs.
- Proximity to Chicago.

WEAKNESSES

- Manufacturing employment is depressed.
- Contracting population.
- High rates of crime and poverty; low per capita income.
- High volatility that creates uncertainty.
- Low concentration of prime-age workers.

FORECAST RISKS

SHORT TERM ↓ | LONG TERM ↓

COVID-19 EXPOSURE FEBRUARY 2022: 215 — 3rd quintile (Most=1, Least=403)

UPSIDE

- Logistics, healthcare lend more support.

DOWNSIDE

- Semiconductor shortage coupled with poor Jeep Cherokee sales forces Stellantis to shutter Belvidere plant for longer, causing additional layoffs.
- Manufacturing layoffs encourage even more working-age residents to leave the metro area in search of jobs elsewhere.

MOODY'S RATING

Aa3 COUNTY AS OF MAR 09, 2021

ANALYSIS

Recent Performance. Rockford's recovery is picking up steam. The labor market has overcome its midyear weakness, with nonfarm employment growth nearly triple the state and national averages in the closing months of 2021. Although transportation and utilities continue to lead the way, improvement in the bellwether manufacturing industry has helped put ROC's recovery back on track. As a result, the jobless rate ended the year nearly 3 percentage points below its April 2021 peak, despite robust labor force additions. The improvement in the labor market has been a boon to incomes. Since June, average hourly earnings growth has outstripped the state and national averages.

Manufacturing. Despite recent job gains, ROC's manufacturing industry will decelerate due to weakness at global automaker Stellantis, holding back the metro area's recovery. Declining domestic demand for the Jeep Cherokee has weighed on Stellantis—formerly Fiat-Chrysler—over the last few years. Jeep Cherokee sales and demand improved at the beginning of 2021, but lackluster demand coupled with the global semiconductor shortage has sent domestic sales into the doldrums. Sales plummeted nearly 75% year on year in the third quarter of 2021. The company's Belvidere plant has been shuttered for significant periods over the last year while also going down to a single shift in July. Decreased production at the plant has resulted in layoffs of about half of Stellantis' ROC workforce, with the most recent set of layoffs occurring in January of this year. The global semiconductor shortage will curtail production and reduce weekly hours worked through 2022, increasing the odds of additional job losses at the Belvidere plant.

Logistics hub. Although manufacturing will struggle, logistics will help pick up the slack, providing steady growth over the next few years. The metro area's low business costs, abundant land, large airport, and proximity to Chicago make it an ideal location for logistics and storage businesses. The Chicago Rockford International Airport saw a record amount of cargo volume in 2021, expanding 25% compared with 2020. To keep pace with soaring cargo volumes, the airport is undergoing a $50 million cargo center expansion. This will create up to 600 new positions, including 250 maintenance technician jobs, and provide additional space for AAR Corp, UPS, Amazon and Emery Air to expand. In the long term, the airport will be a key asset, situating ROC as a major logistics hub for the nation's third largest metro division.

Population. A shrinking and undereducated workforce will hamstring ROC's recovery. The population has declined for 12 straight years, with the biggest declines occurring among ROC's prime working-age population. Over the last decade, the size of this population cohort has declined by 10%—one of the largest drops in the country. The metro area's depleted labor force will make it tough to attract new investment and expand dynamic high-wage industries. A dearth of job opportunities will in turn perpetuate the vicious cycle of out-migration of working-age residents while undermining population-dependent industries and shrinking the tax base.

Rockford's economy will take longer than average to heal from the pandemic-induced recession. The global semiconductor shortage will weigh on manufacturing and Stellantis through 2022. Logistics will generate steady gains, but not enough to overcome troubles in manufacturing or chronic out-migration. Longer term, ROC will be a below-average performer due to its low industrial diversity and poor population trends.

Kristopher Cramer 1-866-275-3266
February 2022 help@economy.com

2015	2016	2017	2018	2019	2020	INDICATORS	2021	2022	2023	2024	2025	2026
16.8	16.3	16.3	16.9	16.6	15.2	Gross metro product (C12$ bil)	15.9	16.2	16.6	17.1	17.5	17.8
-0.7	*-2.6*	*-0.1*	*3.8*	*-2.2*	*-8.2*	*% change*	*4.4*	*2.1*	*2.7*	*2.6*	*2.4*	*2.1*
151.5	150.6	149.3	153.0	150.6	138.7	Total employment (ths)	138.4	144.1	145.9	146.8	147.3	147.6
1.3	*-0.6*	*-0.9*	*2.5*	*-1.5*	*-7.9*	*% change*	*-0.2*	*4.1*	*1.3*	*0.7*	*0.3*	*0.2*
6.9	6.6	6.4	5.6	5.4	11.4	Unemployment rate (%)	8.4	5.7	4.8	4.7	5.0	5.3
4.0	0.4	3.6	3.8	1.5	7.0	Personal income growth (%)	7.0	-0.6	4.1	4.2	3.9	3.6
49.9	52.3	53.9	57.5	61.1	60.5	Median household income ($ ths)	61.0	61.1	63.1	65.2	67.4	69.5
340.7	339.6	338.2	337.1	336.1	334.8	Population (ths)	334.6	334.3	334.3	333.9	333.4	333.1
-0.5	*-0.3*	*-0.4*	*-0.3*	*-0.3*	*-0.4*	*% change*	*-0.1*	*-0.1*	*-0.0*	*-0.1*	*-0.2*	*-0.1*
-2.5	-2.0	-2.3	-1.6	-1.7	-1.8	Net migration (ths)	-0.4	-0.9	-0.6	-0.9	-1.0	-0.8
90	193	228	209	229	151	Single-family permits (#)	193	563	667	652	604	538
44	20	7	56	71	41	Multifamily permits (#)	23	45	49	48	41	31
118.7	121.8	126.4	132.0	137.6	143.2	FHFA house price (1995Q1=100)	162.1	184.0	194.6	200.6	204.7	206.7

MOODY'S ANALYTICS / Précis® U.S. Metro / February 2022

PRÉCIS® U.S. METRO • Rockford IL

ECONOMIC HEALTH CHECK

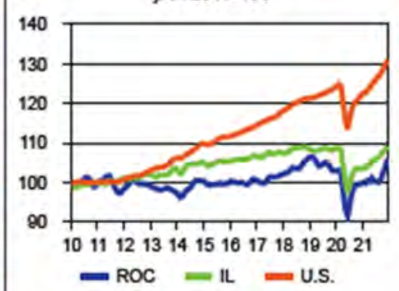
3-MO MA	Jul 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21
Employment, change, ths	-0.9	0.0	0.9	1.2	1.1	1.3
Unemployment rate, %	8.7	8.5	8.2	8.1	7.5	7.2
Labor force participation rate, %	58.6	59.2	59.7	60.0	60.2	60.6
Average weekly hours, #	34.1	33.8	33.1	32.9	33.0	33.6
Industrial production, 2012=100	98.3	98.7	98.7	98.7	99.1	99.8
Residential permits, single-family, #	165	108	108	143	130	188
Residential permits, multifamily, #	2	1	1	63	63	63
Dec/Dec	**Dec 16**	**Dec 17**	**Dec 18**	**Dec 19**	**Dec 20**	**Dec 21**
Employment, change, ths	-2.2	2.0	0.9	-3.7	-11.1	5.7

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

Sources: BLS, Census Bureau, Moody's Analytics

BUSINESS CYCLE INDEX

JAN 2011=100



Source: Moody's Analytics

CURRENT EMPLOYMENT TRENDS

% CHANGE YR AGO

Sources: BLS, Moody's Analytics

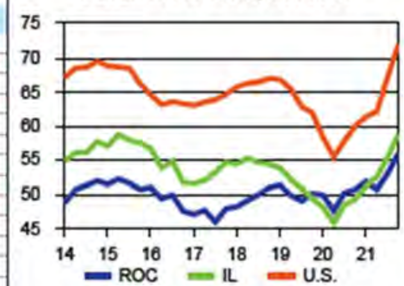
% CHANGE YR AGO, 3-MO MA

	Dec 20	Jun 21	Dec 21
Total	-7.5	4.1	2.4
Mining	-1.7	-3.9	-3.0
Construction	-7.8	2.5	4.8
Manufacturing	-7.5	-10.6	-1.1
Trade	-5.4	5.8	0.8
Trans/Utilities	-4.6	14.4	12.8
Information	-20.0	5.5	-0.4
Financial Activities	-2.6	0.9	-0.4
Prof & Business Svcs.	-3.5	0.2	-6.2
Edu & Health Svcs.	-5.0	2.9	0.7
Leisure & Hospitality	-21.8	40.5	16.1
Other Services	-9.2	10.8	1.7
Government	-4.3	3.4	4.5

Sources: BLS, Moody's Analytics

DIFFUSION INDEX

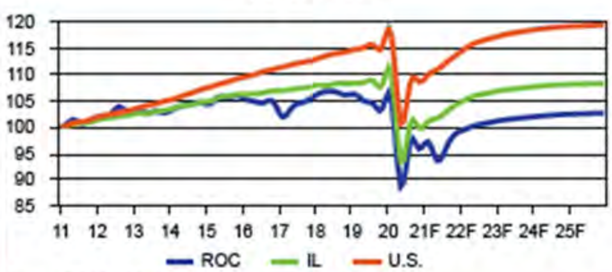
3-DIGIT NAICS LEVEL, 6-MO MA



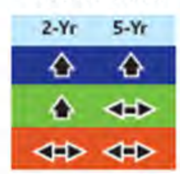
Sources: BLS, Moody's Analytics

RELATIVE EMPLOYMENT PERFORMANCE

JAN 2011=100



FORECAST VS. 6 MO PRIOR



Sources: BLS, Moody's Analytics

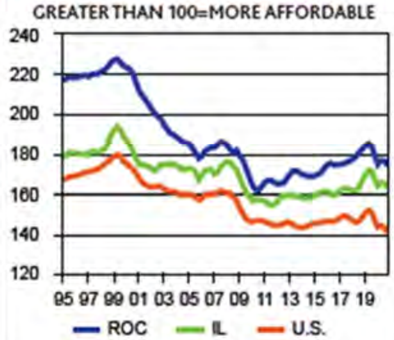
HOUSE PRICE

1998Q1=100, NSA

Sources: FHFA, Moody's Analytics

RENTAL AFFORDABILITY

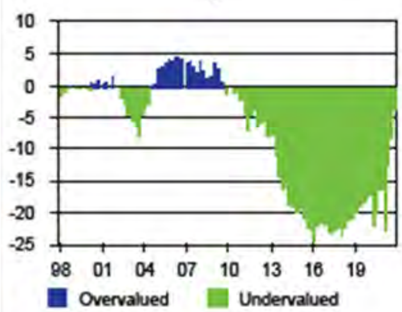
GREATER THAN 100=MORE AFFORDABLE



Sources: Census Bureau, BLS, Moody's Analytics

HOUSE PRICE TRENDS

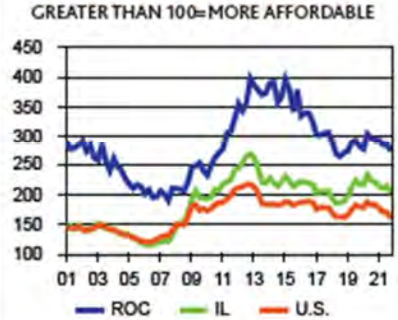
%



Sources: FHFA, Moody's Analytics

HOUSING AFFORDABILITY

GREATER THAN 100=MORE AFFORDABLE



Sources: NAR, Moody's Analytics

MOODY'S ANALYTICS / Précis® U.S. Metro / February 2022

PRÉCIS® U.S. METRO • Rockford IL

EMPLOYMENT AND INDUSTRY

TOP EMPLOYERS

Mercyhealth	4,520
Fiat Chrysler Automobiles	3,749
SwedishAmerican Health System	3,375
United Parcel Service Inc.	2,203
OSF Healthcare	2,200
UTC Aerospace Systems	2,200
Woodward	1,900
Packaging Coordinators Inc.	1,800
Walmart Inc.	1,471
Schnucks	1,300
Lowe's	1,100
Kraft Foods Inc.	850
Mondelez International	850
Servicom LLC	850
Obsidian Manufacturing Industries Inc.	816
APAC	800
General Mills/Green Giant	675
Taylor Corp.	671
Syncreon	600
Alorica	563

Source: Rockford Area Economic Development Council, 2018 Rockford IL

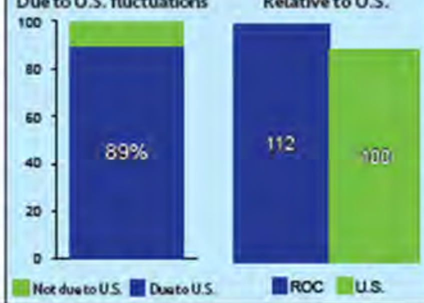
PUBLIC

Federal	941
State	700
Local	13,001

2020

INDUSTRIAL DIVERSITY

EMPLOYMENT VOLATILITY



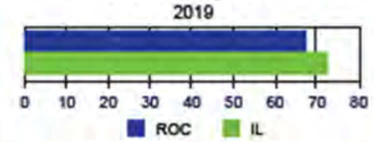
COMPARATIVE EMPLOYMENT AND INCOME

Sector	% OF TOTAL EMPLOYMENT ROC	IL	U.S.	AVERAGE ANNUAL EARNINGS ROC	IL	U.S.
Mining	0.0	0.1	0.4	nd	$68,644	$151,071
Construction	3.6	3.8	5.1	$75,792	$79,492	$76,012
Manufacturing	20.8	9.7	8.6	$79,431	$98,125	$91,702
Durable	*83.7*	*58.0*	*62.2*	*nd*	*$95,222*	*$94,522*
Nondurable	*16.3*	*42.0*	*37.8*	*nd*	*$102,120*	*$87,083*
Transportation/Utilities	5.9	5.7	4.3	$60,229	$67,023	$65,944
Wholesale Trade	3.8	4.9	4.0	$87,188	$108,775	$98,506
Retail Trade	10.8	9.7	10.5	$34,462	$41,869	$41,889
Information	0.9	1.5	1.9	$75,382	$126,017	$153,450
Financial Activities	3.5	7.1	6.1	$43,611	$81,244	$67,570
Prof. and Bus. Services	8.7	15.6	14.3	$43,949	$90,277	$82,393
Educ. and Health Services	17.4	15.7	16.4	$68,669	$64,219	$63,178
Leisure and Hosp. Services	8.3	8.1	9.2	$23,099	$31,536	$30,932
Other Services	5.6	4.1	3.7	$36,767	$46,476	$42,842
Government	10.6	13.8	15.5	$80,375	$88,077	$86,611

Sources: Percent of total employment — BLS, Moody's Analytics, 2020, Average annual earnings — BEA, Moody's Analytics, 2020

ENTREPRENEURSHIP

BROAD-BASED START-UP RATE U.S.=100, 4-QTR MA 2019



Sources: Census Bureau, Moody's Analytics

EXPORTS

Product	$ mil
Food and kindred products	ND
Chemicals	606.3
Primary metal manufacturing	ND
Fabricated metal products	302.9
Machinery, except electrical	500.3
Computer and electronic products	ND
Transportation equipment	687.6
Miscellaneous manufacturing	ND
Other products	345.5
Total	2,907.2

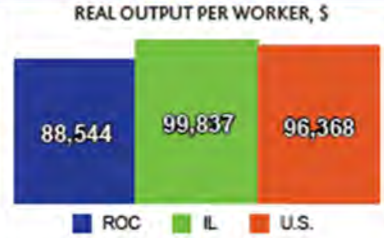
Destination	$ mil
Africa	14.8
Asia	753.6
European Union	1,014.6
Canada & Mexico	830.3
South America	180.9
Rest of world	113.0
Total	2,907.2

% of GDP	15.2
Rank among all metro areas	35

Sources: BEA, International Trade Administration, Moody's Analytics, 2019

PRODUCTIVITY

REAL OUTPUT PER WORKER, $



Sources: BEA, Moody's Analytics, 2020

BUSINESS COSTS

U.S.=100

Source: Moody's Analytics

HIGH-TECH EMPLOYMENT

	Ths	% of total
ROC	2.2	1.6
U.S.	7,881.2	5.4

HOUSING-RELATED EMPLOYMENT

	Ths	% of total
ROC	10.3	7.5
U.S.	14,778.1	10.1

Source: Moody's Analytics, 2021

LEADING INDUSTRIES BY WAGE TIER

	NAICS	Industry	Location Quotient	Employees (ths)
HIGH	3339	Other general purpose machinery manuf.	13.6	3.7
HIGH	6211	Offices of physicians	1.3	3.4
HIGH	3335	Metalworking machinery manufacturing	12.7	2.4
HIGH	3361	Motor vehicle manufacturing	6.2	1.3
MID	GVL	Local Government	1.0	14.6
MID	6221	General medical and surgical hospitals	1.6	7.5
MID	3327	Machine shops & screw, nut & bolt manuf.	9.7	3.6
MID	3363	Motor vehicle parts manufacturing	5.4	3.2
LOW	7225	Restaurants and other eating places	1.0	10.8
LOW	5613	Employment services	1.4	5.4
LOW	5614	Business support services	3.2	3.0
LOW	4451	Grocery stores	1.0	2.9

Source: Moody's Analytics, 2020

MOODY'S ANALYTICS / Précis® U.S. Metro / February 2022

Conclusion

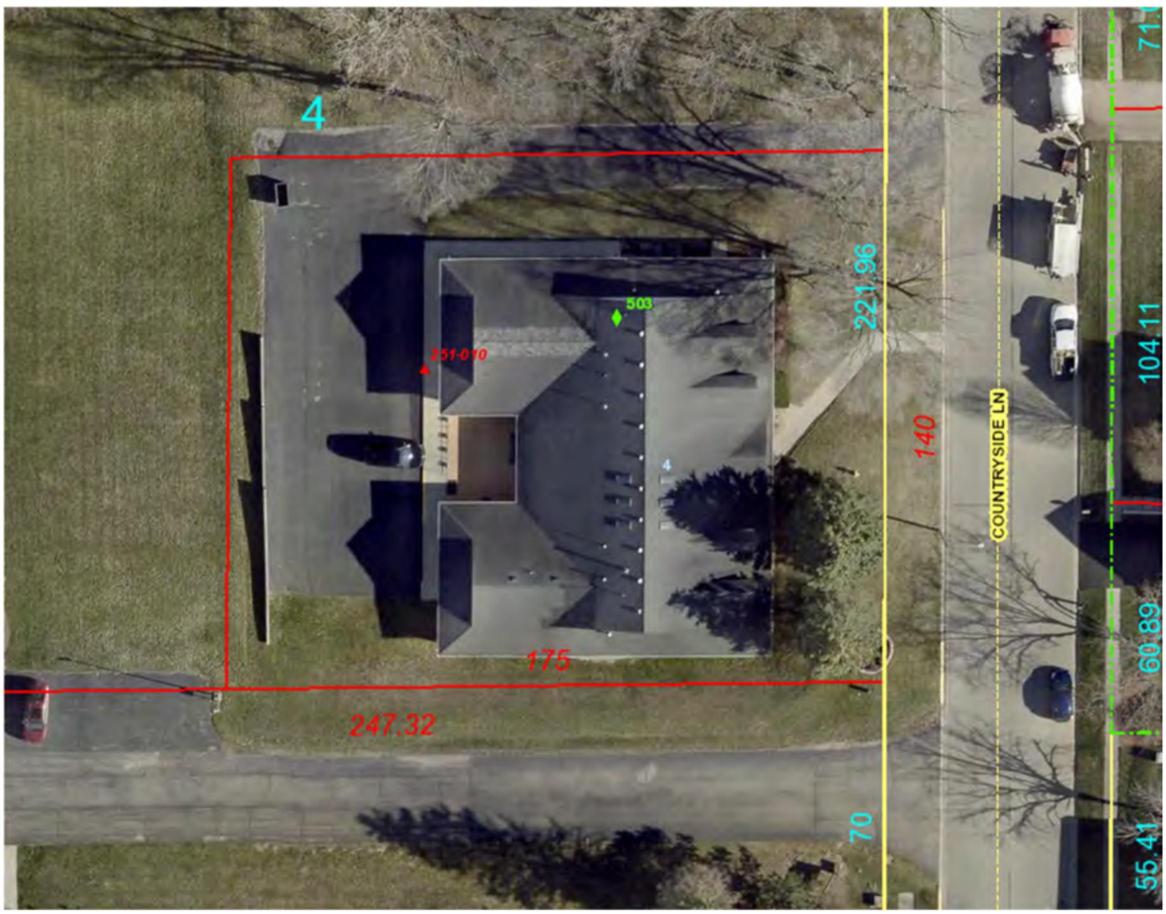
In light of the social and economic attributes of the greater Rockford area, we are cautiously optimistic about the short-term outlook. Long-term, the region should see stability and moderate growth, with increasing real estate values.

Site Description

Location:	503 Countryside Lane Dixon, Lee County, Illinois 61021 The property is located on Countryside Lane, just north of Middle Road
Shape:	Rectangular
Topography:	Gentle slope
Land Area:	0.562 acres
Frontage:	Average
Access:	Average
Visibility:	Average
Soil Conditions:	We did not receive nor review a soil report. However, we assume that the soil's load-bearing capacity is sufficient to support existing and/or proposed structures. We did not observe any evidence to the contrary during our physical inspection of the property. Drainage appears to be adequate.
Utilities	The site is served by all typical utilities, including water, sewer, electricity, and natural gas.
Site Improvements:	The site improvements include asphalt paved parking areas, curbing, signage, landscaping, and drainage.
Land Use Restrictions:	We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.
Flood Panel:	National Flood Insurance Rate Map Community Panel Number 17103C0230G (8/17/16).
Flood Zone:	FEMA Zone X: Areas of minimum flood hazard from the principal source of flood in the area and determined to be out of the 0.2 percent annual chance floodplain. No mandatory flood insurance purchase requirements apply. The flood zone determination and other related data are provided by a third-party vendor deemed to be reliable. If further details are required, additional research is required that is beyond the scope of this analysis.

Wetlands:	We were not given a wetlands survey. If subsequent engineering data reveal the presence of regulated wetlands, it could materially affect property value. We did not note the presence of wetlands during our inspection. We recommend a wetlands survey by a competent engineering firm.
Seismic Hazard:	The site is not located in a seismic hazard area.
Hazardous Substances:	We observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the services of a professional engineer for this purpose.
Overall Functionality:	The subject site is functional for the current intended use.

TAX MAP



Improvements Description

The following description of improvements is based upon our physical inspection of the improvements, review of floor plans and discussions with the subject property's management.

The unit mix is as follows.

UNIT MIX				
Shepherd Premier Senior Living of Dixon				
Description	**No. Units**	**No. Primary Beds***	**Unit Sq.Ft.**	**Total Sq.Ft.**
Assisted Living				
Studio	16	16	237	3,785
Subtotals/Averages	**16**	**16**	**237**	**3,785**
*Number of primary revenue beds. Note, this does not include spouse/sibling in this calculation, this will be accounted for later.				
Totals	**16**	**16**	**237**	**3,785**

As shown in the above chart, the facility has 16 units and is licensed for 16 assisted living units. Our forecasted number of operating beds is based on figures in the above chart, as it is reflective of the existing operations.

GENERAL DESCRIPTION	
Design:	Assisted Living facility
Year Built:	2002
Year Renovated:	2021
Number of Buildings:	1
Number of Stories:	1
Gross Building Area:	7,400± square feet
Number of Units:	16
CONSTRUCTION DETAIL	
Frame:	Wood Frame
Foundation:	Reinforced perimeter concrete foundation.
Floors:	Wood trussed floor beams.

Exterior Walls:	The exterior facade consists of a combination of brick veneer and vinyl siding.
Roof Cover:	Roofing system comprised of pitched assemblies with a composition shingle cover.
Windows:	Double pane set within vinyl frames.
MECHANICAL DETAIL	
HVAC:	The common areas and resident rooms are heated and cooled by gas fired HVAC systems.
Plumbing:	The plumbing system is assumed to be adequate for the existing use and in compliance with local law and building codes.
Electrical Service:	Electrical service is assumed adequate.
Emergency Power:	The electrical system is not backed by an emergency generator serving all building safety and support systems.
Elevator Service:	The building is single-story and has no elevator.
Fire Protection:	The building is fire sprinklered. Each unit has electric smoke detectors in compliance with local code.
Security:	Resident call systems in all of the resident living areas and bathrooms, as well as emergency battery back-up lighting system.
INTERIOR DETAIL	
Layout:	The main entrance leads to a central open common area with vaulted ceiling/skylights which consists of a large lounge/sitting area. Adjoining/extending from this area are the kitchen and pantry, large dining room, beauty salon, laundry room and a private office. The resident rooms are located along the perimeter. The resident living units consist of the living area and private bathroom.
Floor Covering:	The common areas have vinyl flooring throughout, except for the kitchen which has ceramic tile. The resident units have vinyl tile in the living area and bathrooms.
Walls:	Painted and textured gypsum board.
Ceilings:	Painted and textured gypsum board.
Bathrooms:	Each resident unit is equipped with a private bathroom. Unit bathrooms include a walk-in shower, toilet, and sink.
Kitchen Facilities:	A central commercial kitchen includes an electric range, steel hood with fire suppression system, dishwasher, stainless steel preparation table, triple basin sink, and two stainless steel refrigerators.

SITE IMPROVEMENTS	
Parking Capacity:	10 spaces
Onsite Landscaping:	A variety of trees, shrubbery and grass. All landscaped areas are not irrigated with automatic sprinkler irrigation.
Other:	Other site improvements include signage, trash enclosures, paved asphalt drives, concrete sidewalks, and exterior lighting.

SUMMARY	
Condition:	Good The improvements appear to have been receiving proper maintenance.
Quality:	The overall quality of the improvements is rated as good and is consistent with the competition in the market area.
Roof & Mechanical Inspections:	We did not inspect the roof or make a detailed inspection of the mechanical systems. The appraisers, however, are not qualified to render an opinion as to the adequacy or condition of these components. The client is urged to retain an expert in this field if detailed information is needed about the adequacy and condition of mechanical systems.
Layout & Functional Plan:	Good. The facility is considered to be functional for its intended use. There are adequate common areas and units are considered to be comparable to most competing projects within the area. The furnishings and fixtures appear to be of good quality. The living area of the facility equates to around 51.1 percent of the total area. This equates to around 48.9 percent of the facility being designated common area, above today's design of around 40 percent common area for assisted living.
Personal Property:	Personal property (furnishings, fixtures and equipment) that is considered in our value estimate includes all of the equipment required to operate the facility as an assisted living facility. These include room furnishings and kitchen equipment.

CAPITAL EXPENDITURES	
Known Costs:	Other than normal routine property maintenance, there are no major capital improvement expenditures planned in the immediate future.

DEFERRED MAINTENANCE	
	Curable physical deterioration refers to those items that are economically feasible to cure as of the effective date of the appraisal. This element of depreciation is commonly referred to as deferred maintenance and is measured as the cost of repairing or restoring the item to new or reasonably new condition. We have not been provided with a capital expenditure plan, or an engineering report that would identify specific costs required to repair deficiencies at the subject property.
FUNCTIONAL OBSOLESCENCE	
Description:	There is no functional obsolescence present at the subject property.
ECONOMIC LIFE	
Effective Age:	10 years
Expected Economic Life:	50 years
Remaining Economic Life:	40 years

COMMERCIAL TENANTS

The subject has no commercial tenants.

CONCLUSION

The subject property is a 16 unit assisted living facility. As discussed, we have estimated the facility to have 16 operating beds. The subject's construction quality is good. The facility's overall appeal is similar to the competing properties in the PMA.

Real Property Taxes and Assessments

Current Property Taxes

Taxes are levied against all real property in this locale for the purpose of providing funding for the various municipalities. The amount of ad valorem taxes is determined by the current assessed value for the property in conjunction with the total combined tax rate for the municipalities. The property is subject to the taxing jurisdiction of Lee County. The assessor's parcel identification number is 07-08-04-251-010.

The 2022 tax year is the most recent year for both assessed value and tax information for the subject. This data is shown in the following chart.

PROPERTY ASSESSMENT/TAX DATA	
Assessment Year	2022
Assessing Jurisdiction	Lee County
Assessor Parcel No.	07-08-04-251-010
Real Property	
Assessed Market Value:	
Land	$133,416
Improvements	$463,443
Assessed Market Value	$596,859
Equalization/Assessment Ratio	33.33%
Assessed Value	$198,953
Exemptions:	$0
Total Taxable Value(s)	$198,953
Tax Rate ($/$1,000 AV)	96.5420
Total Real Property Taxes	**$19,207**
Building Area (Sq.Ft.)	7,400
No. of Units	16
Assessed Market Value ($/Unit) - Real Property	$37,304
Real Property Taxes ($/Sq.Ft.)	$2.60
Real Property Taxes ($/Unit)	$1,200

For 2022, the total real estate assessment (assessor market value) is $596,859, which corresponds to an assessment equal to $37,304 per unit for the property. Based on the 33 percent equalization ratio, the taxable value for the property is $198,953.

In Lee County, a sale or transfer of a property does not necessarily result in an automatic reassessment of the property in the following year. The current market assessment of the property of $596,859 is considered low based on our market value estimates determined herein.

Tax Comparisons

We examined the actual tax burdens of similar senior properties in the market. They are illustrated in the following table.

PROPERTY TAX COMPARABLES							
Facility Name	Facility Location	Year Built	No. Units	Total Taxes	Taxes Per Unit	Assessed Market Value	Market Value Per Unit
Heritage Square	Dixon, IL	1974	76	$0	---	$0	---
Liberty Court	Dixon, IL	1998	32	$67,467	$2,108	$2,096,499	$65,516
The Meadows of Franklin Grove	Franklin Grove, IL	1997	46	$60,870	$1,323	$2,110,131	$45,872
Avonlea of Sterling	Sterling, IL	2001	30	$32,616	$1,087	$894,927	$29,831
Morningside of Sterling	Sterling, IL	2008/2015	87	$187,911	$2,160	$5,155,956	$59,264
Shepherd Premier Senior Living of Oregon	Oregon, IL	2002	16	$23,401	$1,463	$673,458	$42,091
Low					$1,087		$29,831
High					$2,160		$65,516
Average					$1,628		$48,515
Subject Property	Dixon, IL	2002	16	$19,207	$1,200	$596,859	$37,304

Based on property tax comparisons, it is our opinion that the subject's real estate taxes are reasonable. For the purposes of our Stabilized Pro Forma, we have increased the current taxes for the property by 2.5 percent.

Based on the current tax liability of $19,207, this equates to a rounded forecast tax liability of $19,700. The increased taxes will be reflected in our Stabilized Pro Forma in the Income Capitalization Approach.

Zoning

General Information

The property is zoned R3, Moderate Density Multi-Family District by the City of Dixon. Permitted uses within this district include but are not limited to single-family and multi-family and limited public and institutional uses. Senior housing is allowed with a Conditional Use permit.

Zoning Conformance

Property value is affected by whether or not an existing or proposed improvement conforms to zoning regulations as discussed below.

Conforming Uses

An existing or proposed use that conforms with the zoning code implies that there is no risk related to legal issues, and that the existing improvements could be replaced "as-of-right" based on the zoning code.

Pre-Existing, Non-Conforming Uses

In many areas, existing buildings pre-date the current zoning regulations. When an existing building represents a non-conforming use, it can still be considered a pre-existing and legal use of the property. Therefore, the rights of continued use of the building might exist, depending on local laws. However, in the event of loss or damage to the building, local laws will dictate if the existing building could be replicated.

Non-Conforming Uses

When an existing building represents a non-conforming use, there are legal ramifications to consider. Depending on local laws, a non-conforming use might remain legal via variance or special use permit. When appraising a property that has a non-conforming use, it is important to understand the local laws governing this use.

Other Restrictions

We know of no deed restrictions, private or public, that further limit the subject property's use. The research required to determine whether or not such restrictions exist, however, is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination by an attorney or title company can usually uncover such restrictive covenants. Thus, we recommend a title search to determine if any such restrictions do exist.

Zoning Conclusions

We have analyzed the zoning requirements in relation to the subject property and considered the conformance of the existing or proposed use. We are not experts in the interpretation of complex zoning ordinances but based on our review of public information, the subject property appears to be a legally conforming use subject to a Conditional Use Permit.

Detailed zoning studies are typically performed by a zoning or land use expert, including attorneys, land use planners, or architects. The depth of our study correlates directly with the scope of this assignment, and it considers all issues that have been discovered through our due diligence, and which are pertinent.

We note that this appraisal is not intended to be a detailed determination of compliance, as that determination is beyond the scope of this appraisal assignment, as agreed to with the client.

Senior Living Industry Overview

Independent Living

Congregate care or independent living units are designed for seniors who pay for some congregate services (i.e. housekeeping, transportation, meals, etc.) as part of the monthly fee or rental rate, and who require little, if any, assistance with activities of daily living. Residents of congregate/independent living units may also receive some health care services provided by in-house staff or an outside agency. Congregate units may be part of an “age in place” residence, a property that provides assisted living services, or a continuing care retirement community.

Independent living communities, particularly rental communities, are the least heavily monitored and the least governed by state regulations of all senior housing communities. In some states, this has resulted in a fair degree of flexibility in providing additional services.

Over the last decade, retirement communities have been attracting an older and somewhat frailer population than originally anticipated. The average age of entrance into an independent living facility is between the late 70’s and early 80’s, rather than the late 60’s and early 70’s as originally anticipated.

Assisted Living

The emergence of assisted living in the 1990s as an option in the long-term care continuum for elders represented the convergence of social, political, economic and treatment trends. Prior to this time, most dependent seniors had only two long-term care options: be cared for by a family member or enter an institutionalized nursing home. Today, these limited options are inadequate to serve the diverse needs of the elderly population. For many elderly, individual nursing homes are overly intensive, expensive and institutional. In response, assisted living is a favored form of long-term care for those seniors with moderate to intermediate care needs.

Although the general characteristics and philosophy behind assisted living are consistent throughout the country, there is no consensus on a legal definition of this term. Some states enacted laws using the term assisted living; however, in most jurisdictions, licensure statutes contain a variety of programs and services. In referring to residential housing and services, most state licensing laws use terms such as: adult homes, personal care homes, homes for the aged, supportive living facilities, residential care facilities, board and care homes, elderly group homes, congregate care housing and senior housing.

Typically, a resident will have a compact studio or efficiency apartment with a private bathroom. The living space may or may not include a kitchenette (sink and small refrigerator), a living room or storage space. Economics generally dictate the size of the private living space, which can range from a small one-room efficiency of less than 300 square feet to a large two-bedroom apartment of 750± square feet or larger.

Assisted living residences also provide for a considerable amount of common space for the residents. Newer assisted living facilities generally allocate approximately 40 percent of the total gross square footage of the building to common areas. Such space includes dining rooms, libraries, lounges, activity centers, kitchens and laundry rooms. The size of an assisted living facility depends on many variables, including market forces and site constraints. Most new freestanding facilities typically provide 40 to 100+ units.

The level of service in assisted living facilities varies substantially. However, there are certain basic services generally offered including:

- 24-hour a day on-site supervision or access to an emergency call system;
- Two or three meals and regular snacks are available;
- Light housekeeping and laundry services are available;

- Some level of daily personal care from the facility staff;
- A personalized health care plan delineating how a resident's health care needs may be addressed; and
- Recreational activities, social services and transportation resources.

An objective of assisted living is to enable residents to age in-place. Thus, the level of personal care, congregate services or health care services may be adjusted upwards as needed. However, this may prove difficult if residents need increasing amounts of nursing care since state law may limit or prohibit skilled nursing care in assisted living facilities. Despite this issue, there is a growing trend by states to extend the scope of assisted living services far into the long-term care continuum.

The typical assisted living resident needs assistance with approximately two ADLs. While the number of ADLs with which a person needs assistance is used clinically as a measure of dependency, such dependency does not necessarily mean that medical care is required. In assisted living facilities, residents generally have at least one ADL dependency, and it is not uncommon that they have as many as three or four.

Memory Care

In a 2020 study by the Alzheimer's Association (2020 Alzheimer's Disease Facts and Figures), Alzheimer's disease is the most common cause of dementia among people age 65 and older, accounting for 60 to 80 percent of cases. The report indicates that studies have consistently shown that active management of Alzheimer's and other dementias can improve the quality of life of affected individuals and their caregivers.

The risk factors for dementia and Alzheimer's disease are age, genetics and family history. Age is the greatest of these three risk factors. The percentage of those with Alzheimer's dementia increases dramatically with age:

- 3 percent of people age 65-74
- 17 percent of people age 75-84
- 32 percent of people age 85 or older

Currently, an estimated 5.8 million Americans aged 65 or older have Alzheimer's disease. Of these 5.8 million, 80 percent are age 75 or older. The number of Americans with Alzheimer's is increasing every year because of the steady growth in the older population, and this number will continue to increase and escalate rapidly in the coming years as the baby boom generation ages.

The report further found:

- Of people aged 85+, 32 percent have Alzheimer's disease.
- In 2011, the first baby boomers turned 65. By 2029, all baby boomers will be at least 65 years old.
- By 2025, the number of people age 65 and older with Alzheimer's disease is estimated to reach 7.1 million — a 22 percent increase from the 5.8 million age 65 and older currently affected in 2020.
- In 2020, the 85-years-and-older population includes about 2.1 million people with Alzheimer's disease, or 35 percent of the Alzheimer's population. When the first wave of baby boomers reaches age 85 (in 2031), over 3.0 million people age 85 and older will have Alzheimer's.
- Total annual payments for health care, long-term care and hospice for people with Alzheimer's disease and other dementias are projected to increase from $305 billion in 2020 to more than $1.1 trillion in 2050 (in 2020 dollars). Medicare and Medicaid currently cover most of the costs of care.
- Studies indicate that people age 65 and older survive an average of four-to-eight years after a diagnosis of Alzheimer's dementia, yet some live as long as 20 years with Alzheimer's dementia.

Occupancy Patterns

Occupancy data compiled by the American Seniors Housing Association (ASHA), and published in *The State of Seniors Housing 2021,* for the various senior housing community types (congregate, assisted and CCRCs) has been summarized in the following table.

MEDIAN STABILIZED OCCUPANCY RATES (NATIONAL) Senior Housing Facilities - All Communities						
Property Type	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Independent Living						
(Independent Only)	93.6%	93.2%	89.6%	89.2%	87.3%	84.2%
(Independent With Assisted Living)	92.1%	91.6%	89.9%	87.5%	90.1%	84.5%
Assisted Living						
(Assisted Only)	89.5%	88.7%	89.5%	90.2%	88.2%	82.4%
(Assisted with Memory Care)	90.9%	89.4%	89.3%	90.2%	86.5%	81.9%
CCRCs (for & non-profit)	91.4%	90.5%	89.9%	90.0%	89.4%	84.7%
All Communities	91.3%	90.2%	89.7%	89.6%	87.8%	82.9%

Source: American Seniors Housing Association

For 2020 performance, reporting was challenged as communities provided their beginning and ending year's occupancy in 2020. To the extent that some regions of the country saw surges of COVID cases at the end of 2020, the occupancy figures could be understated.

According to the NIC MAP® Data Service, Q1 of 2022 performance reflected:

- Independent Living occupancy was 83.1 percent in Q1 2022, down 10 bps from the prior quarter. Occupancy is 660 bps (6.6 percent) below its pre-pandemic level of 89.7 percent.
- Assisted Living occupancy in Q1 2022 was 77.9 percent, up 50 bps from the prior quarter. Occupancy still low by historic standards and is at 670 bps below its pre-pandemic peak of 84.6 percent in Q1 2020.
- Nursing home occupancy was 77.6 percent in Q1 2022, an increase of 40 bps from the prior quarter. This improvement in occupancy has been greater for nursing care than assisted living or independent living, but the overall decline in occupancy for nursing care since the pandemic was more severe. Occupancy is still down 9.0 percent from the first quarter of 2020.
- CCRC occupancy was 85.3 percent in Q1 2022, a decrease of 10 bps from the prior quarter but up 100 bps from a year ago.

The average length of stay in a senior housing facility also varies with the facility type. Following is a table that sets forth the average length of stay, based on data compiled by ASHA and published in *The State of Seniors Housing 2021*.

AVERAGE RESIDENT LENGTH OF STAY (Stated In Months)											
Property Type	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Independent	30.5	29.2	37.9	31.2	32.0	31.1	32.1	35.9	37.3	34.0	n/a
Assisted Living	25.6	21.7	22.0	21.5	23.4	20.8	22.2	26.9	22.4	24.4	25.2
Memory Care	18.7	21.3	n/a	n/a	n/a	n/a	n/a	16.2	16.6	17.1	19.1
Comb. Assisted & Memory Care	n/a	n/a	23.9	24.1	23.0	21.9	21.4	20.9	23.0	20.9	22.3
All CCRC (excl. SNF)	73.8	64.2	71.5	78.0	70.8	59.0	55.9	63.0	71.5	58.0	110.5
Entrance Fee CCRC - IL Units	98.2	91.9	98.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Entrance Fee CCRC - AL Units	24.6	27.5	29.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: American Seniors Housing Association

For rental communities, the average length of stay for independent living residents has increased over the past three years, likely as communities have complemented their services to allow residents to age-in-place, and the average length of stay for assisted living and memory care residents has remained relatively consistent.

Absorption Trends

In our experience, typical patterns for initial absorption of new residents for all facility types is strong in the first month, but then tapers off during the following months and second and third years.

Absorption rates are influenced by the strength of the residential market, as prospective residents choose to delay entry, or are unable to move as they await the sale of their home.

According to the NIC MAP® Data Service, Q1 of 2022 monitor report, absorption reflected a rate of 0.5 percent from the prior quarter, and annual absorption as of Q1 2022 was at 5.1 percent, as compared to 3.0 percent for the prior quarter. This 5.1 percent rate is the highest since 2005.

The pace of inventory growth slowed in Q1 as compared to Q4. In Q1 2022 inventory increased by 2,025 units, reflecting growth of 0.3 percent during the quarter. This growth rate is the lowest increase since 2013. In Q1 2022, there were 35,984 units remaining in the construction pipeline, down 4.3 percent from the prior quarter.

Acquisition Market

According to *The Senior Care Acquisition Report, 26th Edition 2021,* published by Irving Levin Associates, Inc., 2020 saw 352 announced transactions, down from the record 453 in 2019. Even with a relatively unaffected Q1, this still represents a 22 percent drop in deals. Throughout most of the year, many investors pulled back and added challenges involved difficulty in getting loans and admissions stoppages causing declining revenues with escalating expenses. Waves of federal relief did help to minimize their risk, and some investors with solid capital relationships took advantage of pricing softness to scale their portfolios.

The positive vaccine news in November unleased a flood of acquisition announcements in December with 59 deals announced—an all-time monthly record.

Skilled nursing deals made up the largest share of the deals at 43 percent, followed by assisted living and memory care's share at 33 percent, independent living at 11 percent, active adult/affordable at 11 percent, and CCRCs at 3 percent.

Investor caution was evident as the total dollar volume spent on these deals declined from $16.95 billion in 2019 to only $7.9 billion in 2020. Large multi-billion deals can heavily skew these numbers, and these were scarce in 2020. The highest per unit priced deal announced was in the west, the REIT sale of a 10-property assisted living portfolio at $625,000 per unit.

For independent/assisted/memory care facilities specifically, after reaching a per unit sale price high of $244,200 in 2019, the average sale price declined by 20 percent to $196,200 per unit in 2020. This marks just the second time that the average has fallen below the $200,000 per unit mark since 2014. The sector was clearly affected by the pandemic and ensuing lockdowns, with average census dropping precipitously in the spring and steadily throughout the rest of the year.

While the average price paid declined by 20 percent, the median price declined by 40 percent to $135,563 per unit. The lower quality of communities sold in 2020 compared to 2019 was the main contributing factor in both the average and especially the median decline.

The report indicated the following average price points for IL/AL properties:

AVERAGE PRICE PER UNIT FOR IL/AL

	IL/AL	IL Only	AL Only
2011	$162,400	$171,000	$156,900
2012	$156,800	$138,800	$164,000
2013	$164,000	$191,950	$150,600
2014	$208,200	$246,800	$188,700
2015	$189,900	$192,900	$189,200
2016	$206,700	$228,200	$193,650
2017	$223,200	$230,100	$221,250
2018	$203,400	$238,100	$186,400
2019	$244,200	$233,600	$248,400
2020	$196,200	$232,500	$174,700

Source: The Senior Care Acquisition Report, 26th Edition, 2021

For combined independent/assisted living, the report indicates that the upper quartile (25 percent grouping of highest priced unit sales), was $245,499 per unit in 2020, compared with $358,293 per unit in 2019. During the year, the owners of older, previously struggling communities were usually more motivated to sell than those who owned properties with strong census and cash flow, so the share of high-priced deals plunged in 2020.

The lower quartile price per unit also dropped from $95,238 in 2019 to $71,768 in 2020, reflecting struggling communities.

For assisted living in 2020, “A” properties sold for an average of $405,100 per unit in 2020, up from $392,500 per unit in 2019. We note that the supply for high-quality “A” assets dried up in 2020 as most operators stayed on the sidelines. Demand was strong, but there was a very limited supply of these assets in 2020. The spread between “A” and “B” grew in 2020 with the average “B” sale price of only $119,100 per unit, down from $130,000 in 2019. Sales of “C” quality assets also declined, averaging $52,400 per unit in 2020 as compared to $64,000 per unit in 2019. These “B” and “C” assets bore the brunt of the effect of overdevelopment in some region, as they had less ability to raise rents and were generally in need of capex to keep them competitive.

Other statistics are shown in the chart below:

Assisted Living Operating/Valuation Statistics: "A" vs. "B" vs. "C" Properties Sold in 2020			
	"A" Properties	"B" Properties	"C" Properties
Average NOI per Unit	$26,000	$8,600	$3,600
Average Operating Margin	33.9%	19.0%	8.3%
Average Occupancy	81.6%	81.8%	82.0%
Average Cap Rate	6.4%	6.9%	9.1%

Source: The Senior Care Acquisition Report, 26th Edition, 2021

For assisted living in 2020, the “A” properties saw an average NOI per unit of $26,000, which was up 26 percent from 2019’s average of $20,700 per unit. However, both “B” and “C” properties dropped in both value and NOI, going from $10,000 to $8,600 for “B” and from $4,200 to $3,600 for “C” properties.

For independent living in 2020, “A” properties sold for an average of $329,200 per unit, as compared to the “B” price of $184,700 per unit and “C” price of $46,300 per unit.

Independent Living Operating/Valuation Statistics: "A" vs. "B" vs. "C" Properties Sold in 2020			
	"A" Properties	"B" Properties	"C" Properties
Average NOI per Unit	$19,200	$11,200	$5,900
Average Operating Margin	29.0%	30.5%	9.0%
Average Occupancy	n/a	n/a	n/a
Average Cap Rate	5.7%	6.7%	9.9%

Source: The Senior Care Acquisition Report, 26th Edition, 2021

In terms of region, the report indicated the following performance:

	AVERAGE PRICE PER UNIT FOR IL/AL	
	2019	2020
Northeast	$263,700	$232,600
Southeast	$267,100	$200,300
North Central	$142,100	$118,500
South Central	$178,000	$172,000
West	$293,300	$240,400

Source: The Senior Care Acquisition Report, 26th Edition, 2021

The West region had the highest average price per unit at $240,400, reflecting high land costs, high barriers to entry and high-income markets. Each region failed to surpass their 2019 average per-unit prices.

Illinois Assisted Living Environment

Definition and Licensure

In the State of Illinois, the Department of Public Health, Division of Assisted Living, licenses assisted living facilities under the classification of assisted living establishment (ALE), shared housing establishment (SHE), supportive living program (SLP), and sheltered care facility (SCF). Assisted living and shared housing establishment licensure is outlined in Illinois Administrative Code Title 77, Chapter I, Subchapter c, Part 295. Certification for supportive living programs is explained in Administrative Code, Title 89, Subchapter d, Part 146, Subpart B. Sheltered care facility licensure rules are found in Illinois Administrative Code, Title 77 Chapter I, Subchapter c, Part 330.

An ALE/SHE/SLP/SCF establishment license is not transferable or applicable to any location, establishment, management agent, or ownership other than that indicated on the application and license.

Statewide Statistics

As of March 2022, the State has 524 Assisted Living/Shared Housing Establishments that have 27,325 total beds that includes 8,491 Alzheimer's beds; 153 Supportive Living Facilities and 116 Sheltered Care Facilities with 6,359 beds.

Certificate of Need

The Health Facilities Planning Act established Illinois' Certificate of Need (CON) program. CON is designed to restrain rising health care costs by preventing unnecessary construction or modification of health care facilities. The Act promotes the development of a comprehensive health care delivery system that assures the availability of quality facilities, related services, and equipment to the public, while simultaneously addressing the issues of community need, accessibility, and financing. In addition, CON promotes cost containment, better management, and improved planning by health care providers. CONs are required for SCFs but not ALEs, SHEs, or SLPs.

As of July 1, 2021, transactions requiring a permit include construction or modification by or on behalf of a health care facility exceeding the capital expenditure minimum that is in excess of $8,228,265 for long term care facilities.

Long term care facilities no longer are required to submit a certificate of need for the discontinuation or a change of ownership of a long-term care facility.

Public Financing

The law does not permit the use of Medicaid funds in licensed ALE/SHE/SCF facilities.

SLP services are covered through a §1915 (c) SLP waiver. Effective January 1, 2022, the Medicaid daily rates are below:

SUPPORTIVE LIVING FACILITY MEDICAID RATES							
Region	**Chicago**	**North-west**	**South Suburb**	**Central**	**West Central**	**St. Louis**	**South**
Daily Medicaid Rate	$106.04	$94.76	$101.69	$93.48	$91.58	$90.50	$87.90
Dementia Daily MedicaidRate	$134.67	$120.35	$129.15	$118.72	$116.31	$114.94	$111.63

Illinois developed the Supportive Living Program (SLP) as an alternative to nursing home care for low-income older persons and person with physical disabilities under Medicaid. The Department of Healthcare and Family Services obtained a waiver to allow payment for services that are not routinely covered by Medicaid which includes personal care, homemaking, laundry, medication assistance, social and health activities, recreation, and 24-hour staff to meet residents' scheduled and unscheduled needs. However, the resident is responsible for paying the cost of room and board at the facility. For this program, certified providers can charge a different rate for private pay residents and must accept the Department's rate for services rendered on behalf of Medicaid-eligible persons (department rates are based upon 60 percent of weighted average nursing facility rates for the applicable geographic grouping) and each Medicaid-eligible resident must have income equal to or greater than the current SSI and must contribute all but $90 each month to the provider for lodging, meals, and services. The $90 is to be kept by the resident as a personal allowance to use as the resident wishes. When sharing a room, a Medicaid-eligible resident is required to contribute no more than one half of the current SSI rate for a married couple minus the $90 personal allowance. Any resident receiving Supplemental Nutrition Assistance Program (SNAP) benefits (formerly Food Stamps) may be required to contribute those benefits to the facility as payment toward meal costs. The current maximum monthly SSI payment for 2022 is $841 for individual and $1,261 for couples.

Management and Operations Overview

Management Overview

The subject is managed by Shepherd Premier Senior Living. Shepherd Premier Senior Living is a privately (family) owned local senior living operator who currently operates five communities in Northern Illinois. All of their facilities operate similarly, consisting primarily of single-family homes in residential settings that were converted/renovated for assisted living catering to a limited number (not more than 16) of residents, offering higher than typical common area/amenities and a lower caregiver ratio.

Regulations and Health Matters

The facility is licensed as an Assisted Living Establishment (ALE) by the Illinois Department of Public Health. The facility is licensed for 16 assisted living units.

State Monitoring

The State of Illinois regular surveys licensed assisted living facilities. Proper adherence to state regulations is assumed.

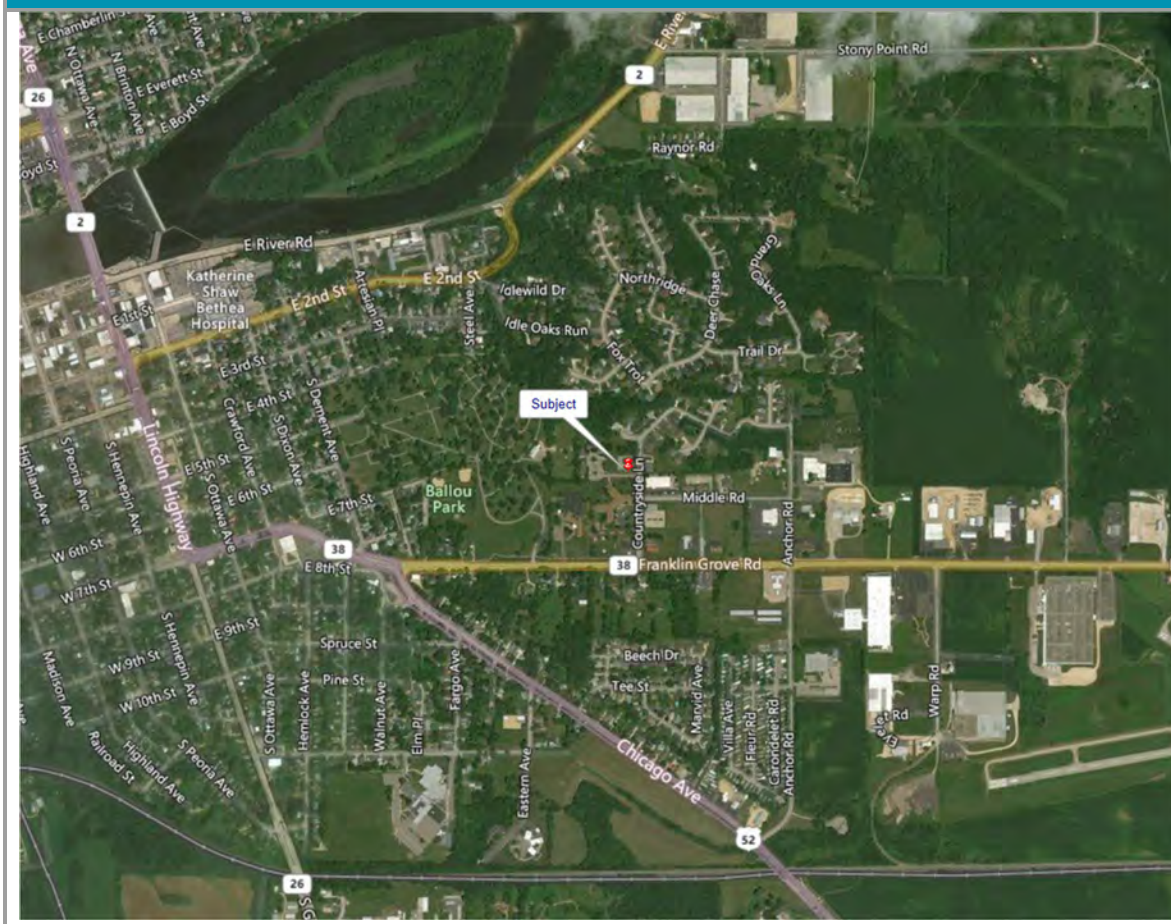
Competitive Market Analysis

Location Overview

The property is located in the community of Dixon. Generally, the boundaries of the immediate area are Rock River and Stony Point Road to the north, Sink Hollow Road to the east and Chicago Avenue/Galena Avenue (US-52) to the south and west.

Dixon is located along the Rock River and functions as the county seat of Lee County. It is the hub of four major highways and one interstate and is known as the hometown of former US President Ronald Reagan. The Central Business District, which is home to KSB Hospital, is less than one mile from the subject property. The Dixon Municipal Airport is located on the southeast side of the city. The City of Rockford is located approximately 30 miles to the northeast.

LOCAL MAP



Neighborhood Analysis

The facility is located in a suburban location in an area characterized by residential, commercial, industrial and institutional development. Land in the subject's neighborhood is approximately 50 percent developed, with most improvements in good condition. The age of the improvements vary widely with some farm houses still in use that appear to date to the 1800's, as well as some newer residential developments that appear to date to the last 10 to 15 years. The immediate adjoining environs of the subject are primarily residential in character. Overall, the local area appears to be complementary to the subject facility.

Nearby and Adjacent Uses

- North Detached single-family residences
- South Apartment complex with a daycare/preschool beyond
- West Apartment complex with a cemetery beyond
- East Detached/attached single-family residences and a daycare

Special Hazards or Adverse Influences

There are no detrimental uses in the local area that would impact the subject's use. The general area is not subject to flooding according to FEMA maps. No unusual noise pollution was observed. No noxious odors were observed at or near the subject and none were reported.

Access

Local area accessibility is generally good, relying on the following transportation arterials:

Local:	The subject property is accessed along Countryside Lane, a lightly trafficked tertiary roadway.
	The subject is located in close proximity to SR-2, SR-26, SR-38, SR-110 and US-52, all of which are arterial roadways that traverse through the city and link Dixon to surrounding towns and the wider area in all directions.
Regional:	The subject is located approximately 1.3 miles from egress/ingress to Interstate 88, and this arterial provides the most convenient east-west travel connection, traveling toward Chicago to the east and Davenport, Iowa to the west.
Transportation Systems:	The subject is located in a suburban market area, and the primary method of transportation is automobile.

Location Attributes Conclusion

Based on our review of the facility and their offering, the subject's location appears to be a suitable location for the facility, and the neighborhood is conducive to the existing use.

Primary Market Area

The first step in analyzing the competitive market for the subject is delineating its primary market area (PMA). The PMA is typically described as either a defined radius around the subject, zip codes, or it can be the county or township in which the property is located.

In order to delineate the subject's PMA, our analysis evaluated industry trends, an interview with the subject's management, as well as representatives at the competitive properties we used in our analysis. We also consider natural boundaries; density of the population; work and commuting patterns; location of retail, health and service centers; locations of other housing options; and major transportation corridors.

Physical Barriers

There are no significant physical barriers in the immediate proximity of the subject that are believed to limit the subject's market area.

Psychological Barriers

The subject's market area is not constrained by any known psychological barriers.

Industry Trends

National surveys conducted by two senior housing associations regarding relocation trends for senior housing is presented below. These figures denote the percentage and distances involved of residents who have relocated to a senior housing project.

RELOCATION TRENDS – SENIOR LIVING FACILITIES				
	ASSISTED LIVING	ASSISTED & MEMORY CARE	ASSISTED & INDEPENDENT LIVING	CCRC
Under 5 Miles	40.0%	26.7%	43.5%	52.2%
5 – 10 Miles	20.4%	34.7%	20.0%	16.4%
11 – 25 Miles	20.0%	16.7%	15.3%	13.4%
26 – 50 Miles	7.3%	6.0%	5.9%	6.0%
Over 50 Miles	12.4%	16.0%	15.3%	11.9%

Source: AAHSA – 2009 Overview of Assisted Living

Both assisted and independent living facilities exhibit similar relocation patterns, while facilities with memory care exhibit wider relocation patterns, typical as often families will need to travel further to find a secured memory care facility to meet their needs.

Local Trends

Considering the physical and psychological barriers, population density, discussions with market participants, and the competing facilities' concentration, we have determined the PMA of the subject to encompass an area of a 15-mile radius from the site. In this market, we believe that the majority of demand will come from the PMA. Discussions with operators and market participants indicate 75 percent of the residents will emanate from the PMA.

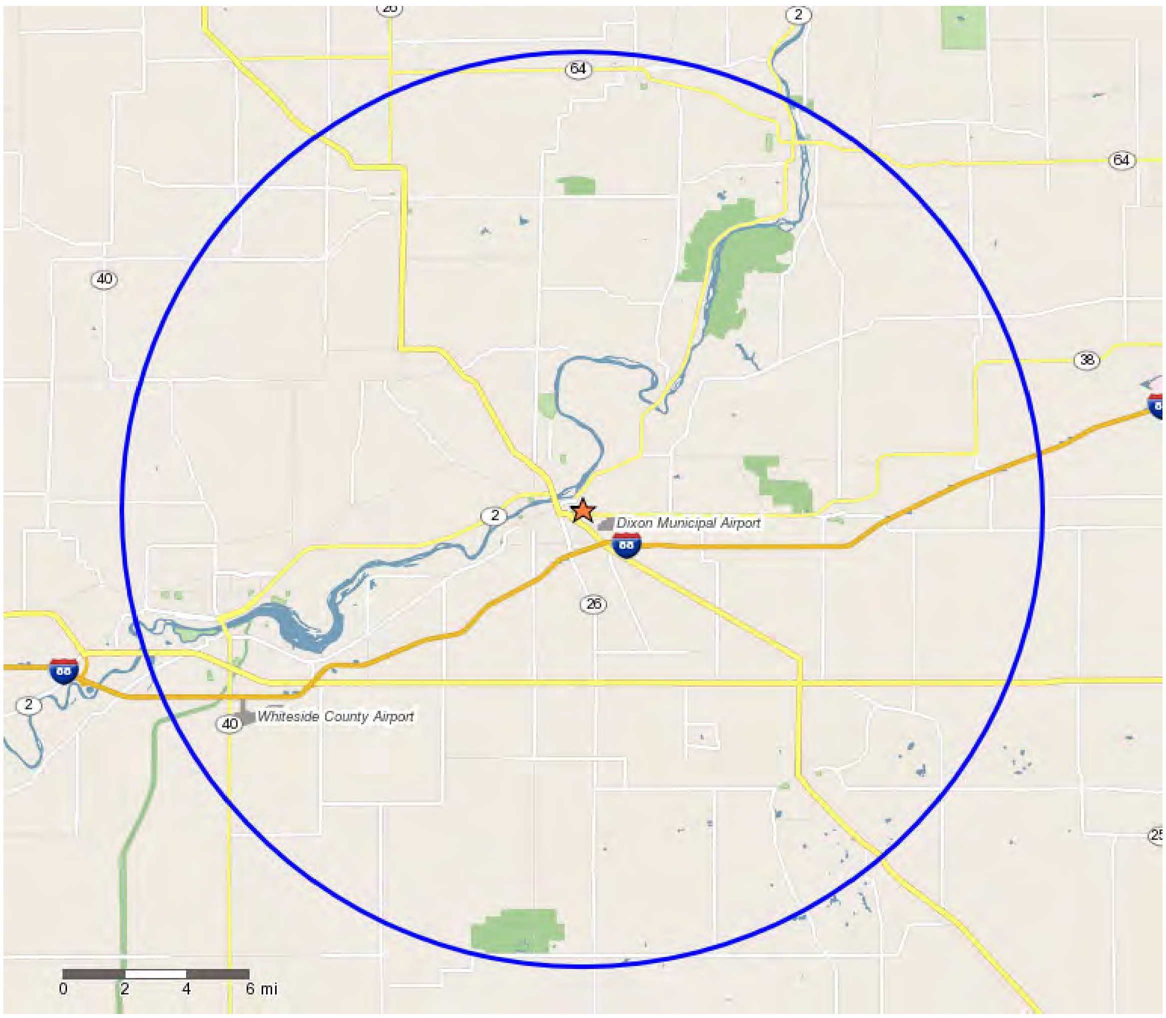
Although a property like the subject may also attract residents from outside of the area, the geographic 15-mile radius is considered to represent the primary draw for the subject.

Residents also relocate to Dixon to either retire or be near their adult children that work in the area. Adult children are often the driving force in the decision making process for their parents.

Market Area Map

A map of the PMA is shown below.

PRIMARY MARKET AREA MAP



Supply/New Construction

Existing Facilities

Because of the subject's levels of personal care services, and type of amenities, personal care or boarding homes in the market do not generally compete directly with the subject. However, the following charts detail the number of senior living units in the subject's market area that pose direct and indirect competition to the subject. We note that the table may include facilities located in both the subject's primary market area and secondary market area for all known properties offering the product types studied in this report.

MARKET AREA SUPPLY							
Facility Name	**Distance from Subject in Miles**	**Competitive Percentage**	**Total IL**	**Total AL**	**Total MC**	**Total Units**	**In PMA?**
Comparables							
Heritage Square	1.26	90%	0	49	0	49	Yes
Liberty Court	2.52	81%	0	16	0	16	Yes
The Meadows of Franklin Grove	8.47	48%	0	44	0	44	Yes
Avonlea of Sterling	10.90	38%	0	30	0	30	Yes
Morningside of Sterling	12.31	33%	0	64	0	64	Yes
Shepherd Premier Senior Living of Oregon	13.93	27%	0	16	0	16	Yes
Other Inventory							
Heritage Woods of Sterling	13.04	30%	0	76	0	76	Yes
SUBJECT		100%	0	16	0	16	Yes
Totals			0	311	0	311	
Total Computed % Competitive Inventory			**0**	**154**	**0**	**154**	

** PMA - Primary Market Area*

***Assumptions and Methodology for Determining Comparable Properties**: All known properties offering the product types studied in this report are listed. Properties not considered reasonably comparable to the subject project may be excluded from the competing unit count for purposes of calculating supply. Also, adjustments in competing unit counts are made to all competing properties in the column labeled "Competitive Percentage" which represents the area of overlapping circles using Pythagorean theorem.*

The above chart reflects all inventory overlapping the subject's PMA. We included the distance from the subject, which provides a 'Competitive Percentage' figure, calculated based on the percentage of overlap of each property's PMA, assuming a PMA identical to that of the subject. This percentage is presented here, and will be used further on to apply to isolate existing inventory for our supply and demand analysis.

Selection of Comparables

The subject's PMA includes a total of 7 communities; however, we selected our comparables based on both proximity as well as similarity to the subject. We excluded the Heritage Woods of Sterling facility located 13 miles away, as several calls to the management team to obtain information were not returned.

Proposed Units

Regarding planned or pending projects in the subject's PMA, discussions with local providers and municipal planning departments indicated that there are no facilities planned at this time. We note that per the City Manager for Dixon, they had a preliminary inquiry several months ago from a developer about a potential senior housing/memory facility, however no details were provided, and no further discussion has occurred. It would be reasonable to assume that the PMA could possibly see some new development through the mid-term.

Occupancy Patterns

Industry Statistics

As shown previously, the American Seniors Housing Association (ASHA) *The State of Seniors Housing 2021* report indicates the senior housing market saw the following occupancy performance:

MEDIAN STABILIZED OCCUPANCY RATES (NATIONAL) Senior Housing Facilities - All Communities						
Property Type	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Independent Living						
(Independent Only)	93.6%	93.2%	89.6%	89.2%	87.3%	84.2%
(Independent With Assisted Living)	92.1%	91.6%	89.9%	87.5%	90.1%	84.5%
Assisted Living						
(Assisted Only)	89.5%	88.7%	89.5%	90.2%	88.2%	82.4%
(Assisted with Memory Care)	90.9%	89.4%	89.3%	90.2%	86.5%	81.9%
CCRCs (for & non-profit)	91.4%	90.5%	89.9%	90.0%	89.4%	84.7%
All Communities	91.3%	90.2%	89.7%	89.6%	87.8%	82.9%

Source: American Seniors Housing Association

Independent living occupancy saw the smallest decline in occupancy performance in 2020. Assisted Living Only communities saw the largest decline in 2020, declining 5.8 percent from 2019 performance.

Competitive Market Area

The following table summarizes the competitive properties and their reported occupancy levels. Please note that not all of these properties may fall within the defined market area of the subject; however, earlier in this section, we defined the total competitive supply in the subject's primary market area for all known properties offering the product types studied in this report.

The below chart reflects only the inventory we surveyed as rental comparables. We will further on include the total other inventory within the subject's PMA for our supply/demand analysis.

DEFINED COMPETITIVE FACILITIES		
Facility Name	**Total AL**	**Occupancy Level**
Heritage Square	49	80%
Liberty Court	16	75%
The Meadows of Franklin Grove	44	84%
Avonlea of Sterling	30	70%
Morningside of Sterling	64	95%
Shepherd Premier Senior Living of Oregon	16	31%
SUBTOTAL	**219**	**80%**
Subject	16	6%
SUBTOTAL + SUBJECT	**235**	**75%**

The current reported overall occupancy of the comparables surveyed, which were not in lease-up, ranged from 70 percent to 95 percent and with an average of 84 percent. Note the Shepherd Premier Senior Living of Oregon opened in March 2022 and is in lease-up.

Shepherd Premier Senior Living of Dixon was at 6 percent occupancy at the time of inspection.

The subject competes at the upper-end of the marketplace.

Senior Demographics

We evaluated the current and future market potential by analyzing demographic trends and the supply of senior housing in the facility's market area.

Demographic data used in our analysis was provided by © 2021 Experian Marketing Solutions, Inc. •All rights reserved•. The data includes figures for the most recent census year in 2010, 2021 estimates and projections for the years 2026 and 2031. For purposes of this analysis, we relied upon the 2021 estimates for current demographic information.

Senior Population/Growth Rates

An analysis of the PMA's senior population and growth demographics for the subject's primary area (PMA) relative to the U.S. will yield insight into the nature of the PMA, as shown in in the following chart.

POPULATION STATISTICS				
	PMA - Miles 15 Miles		USA	
2010	**Population**	**%**	**Population**	**%**
Total *	77,641		308,745,632	
65+	13,213	17.0%	40,267,997	13.0%
75+	6,570	8.5%	18,554,562	6.0%
85+	2,103	2.7%	5,493,435	1.8%
2021	**Estimate**			
Total *	73,516		331,030,437	
65+	15,152	20.6%	54,423,353	16.4%
75+	6,911	9.4%	22,749,726	6.9%
85+	2,247	3.1%	6,653,735	2.0%
2026	**Projection**			
Total *	72,456		342,471,122	
65+	16,693	23.0%	63,561,767	18.6%
75+	7,813	10.8%	27,727,036	8.1%
85+	2,370	3.3%	7,308,470	2.1%

* Total population unadjusted for age

GROWTH RATES				
	PMA - Miles 15 Miles		USA	
2010-2026	**Total**	**Annual**	**Total**	**Annual**
Total *	-6.7%	-0.4%	10.9%	0.7%
65+	26.3%	1.5%	57.8%	2.9%
75+	18.9%	1.1%	49.4%	2.5%
85+	12.7%	0.7%	33.0%	1.8%
2010-2021				
Total *	-5.3%	-0.5%	7.2%	0.6%
65+	14.7%	1.3%	35.2%	2.8%
75+	5.2%	0.5%	22.6%	1.9%
85+	6.8%	0.6%	21.1%	1.8%
2021-2026				
Total *	-1.4%	-0.3%	3.5%	0.7%
65+	10.2%	2.0%	16.8%	3.2%
75+	13.1%	2.5%	21.9%	4.0%
85+	5.5%	1.1%	9.8%	1.9%

* Total population unadjusted for age

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C&W Projection - Applying 2021-2026 growth rate to trend to 2031									
2031					**2026 - 2031**				
Total *	71,411		354,307,207		Total *	-1.4%	-0.3%	3.5%	0.7%
65+	18,391	25.8%	74,234,644	21.0%	65+	10.2%	2.0%	16.8%	3.2%
75+	8,833	12.4%	33,793,310	9.5%	75+	13.1%	2.5%	21.9%	4.0%
85+	2,500	3.5%	8,027,632	2.3%	85+	5.5%	1.1%	9.8%	1.9%

As seen from the data, the senior population is growing moderately in terms of absolute numbers and as a percentage of total population.

In 2021, 9.4 percent of the PMA's total population was above the age of 75. This is above the national average of 6.9 percent. However, the 75+ cohort is expected to grow at an annual rate of 2.5 percent, which is below the national rate of 4.0 percent. Over the next five years, the total 75+ population growth is expected to be 13.1 percent in the subject's PMA as compared to 21.9 percent nationally.

Aging of baby boomers contributed to a significant increase of 1,598 people (+24.0 percent) in the 65-74 population between 2010 and 2021. As this group ages, most cohorts age 65+ are predicted to see increases in the PMA over the next five years, particularly the 65-74 and 75-84 age groups, which are projected to grow 7.8 percent (639 people) and 16.7 percent (779 people) respectively.

Comparatively on a national basis, the 65-74 and 75-84 age groups are projected to grow 13.1 percent and 26.9 percent between 2021 and 2026. The subject's PMA indicates a lower percentage growth of elderly population as compared to the national average.

Adult Children Population/Growth Rates

We also analyzed population trends for what the industry refers to as "adult children." This segment of the population generally plays a significant role in the placement of a senior in a senior housing facility. This is especially true as many seniors or elderly will relocate to be near their adult children or relatives. The following charts summarize the population and growth statistics for the subject's primary area (PMA) relative to the U.S. for these age groups.

POPULATION STATISTICS - ADULT CHILDREN				
	PMA		USA	
2010	Population	%	Population	%
Total *	77,641		308,745,632	
45-64	22,421	28.9%	81,489,472	26.4%
2021				
Total *	73,516		331,030,437	
45-64	20,093	27.3%	84,042,729	25.4%
2026				
Total *	72,456		342,471,122	
45-64	18,339	25.3%	82,150,392	24.0%

* Total population unadjusted for age

GROWTH RATES - ADULT CHILDREN				
	PMA		USA	
2010-2026	Total	Annual	Total	Annual
Total *	-6.7%	-0.4%	10.9%	0.7%
45-64	-18.2%	-1.2%	0.8%	0.1%
2010-2021				
Total *	-5.3%	-0.5%	7.2%	0.6%
45-64	-10.4%	-1.0%	3.1%	0.3%
2021-2026				
Total *	-1.4%	-0.3%	3.5%	0.7%
45-64	-8.7%	-1.8%	-2.3%	-0.5%

* Total population unadjusted for age

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C&W Projection - Applying 2021-2026 growth rate to trend to 2031									
2031					2026 - 2031				
Total *	71,411		354,307,207		Total *	-1.4%	-0.3%	3.5%	0.7%
45-64	16,739	23.4%	80,300,664	22.7%	45-64	-8.7%	-1.8%	-2.3%	-0.5%

During the next five years the PMA's adult child population is expected to decline at a rate of -1.81 percent annually. Comparatively on a national basis, the 45-64 age group is projected to decline by -0.45 percent between 2021 and 2026.

Millennials have surpassed baby boomers as the nation's largest living generation, according to population estimates released in April 2016 by the U.S. Census Bureau. Millennials, whom we define as those ages 18-34 in 2016, now number 75.4 million, surpassing the 74.9 million baby boomers (ages 51-69). For a few more years, Gen Xers are projected to remain the "middle child" of generations – caught between two larger generations of the millennials and the boomers. Thus, the aging of baby boomers past the age of 65 coupled with the smaller Gen Xers generation accounts for the national decline of the 45-64 age group.

Overall, adult children are expected to contribute positively towards living options for the subject and its market area.

Income and Households

In addition to the absolute number and growth of the elderly population, the number of households with appropriate income levels will dictate the actual population available to support the subject. Statistics on income levels are typically presented by the household. We note that in the case of the elderly, most households include at least a single adult. For comparison purposes it is therefore reasonable to utilize the household statistics. Furthermore, the housing cost and income requirements for a second person are significantly less than the primary occupant.

Compared with the competition, the subject's quoted monthly rates fall within the upper portion of the range. To afford the various accommodations at the subject, we estimate that an average annual income of $70,600 would be necessary. For this calculation, we utilized the subject's entry point of a private studio unit at $5,000 per month or $60,000 per year, as calculated in the Income Capitalization Approach to value. We assumed that a resident would spend approximately 85 percent of their income on housing, meals and utilities. The balance of the income is required for taxes, insurance, and personal needs. By dividing the $60,000 by 85 percent we arrive at an average income of $70,600, rounded.

This is a conservative assumption given that there are a significant number of elderly who are receiving some form of adult child subsidy. Furthermore, these indicators are somewhat skewed given that recent findings suggest that the elderly are spending down their assets (liquid assets such as stocks and bonds) and other income from the sale of their house while residing in senior living facilities. Given the relatively short term of stay anticipated in these facilities, it is reasonable to assume that there would be a greater spend-down of assets. Reference is made to the findings in the State of Seniors Housing Report, 2021 published by the Americans Senior Housing Association (ASHA), which cites the average length of stay in an assisted living facility to be approximately 25 months and independent living facilities indicated 34 months.

This same report reflected an average length of stay of 110 months within the independent and assisted living combined components of a CCRC, however, entrance fee CCRCs typically exhibit a longer length of stay than their rental CCRC counterparts.

The indicated income level does not account for child subsidies or a sale of a home. According to the Experian report, approximately 70.3 percent of the householder population are homeowners in the PMA and the median housing value was reported to be $117,186 in 2021. Given that the elderly population typically own their residence free and clear, it is reasonable to assume that there would be additional income available from the sale of a residence, which could be amortized over the length of stay. Given the average price of a house and that the majority of the elderly own their houses free and clear, we assumed that this cash would provide for additional income of say $2,402 annually or a safe rate of return of 2.00 percent of the investment (2.00 percent x $117,186).

Additionally, we considered the contribution of other payment sources. In our review of the 2009 Overview of Assisted Living, we find the following:

PRIMARY PAYMENT SOURCES				
	ASSISTED LIVING	ASSISTED & MEMORY CARE	ASSISTED & INDEPENDENT LIVING	CCRC
Self	59.1%	63.5%	82.6%	77.9%
Family	9.8%	14.7%	7.0%	5.9%
Long-Term Care Insurance	6.3%	7.1%	3.5%	5.9%
Medicaid	18.9%	12.2%	5.8%	4.4%
SSI / State Supplement	3.8%	1.9%	1.2%	0.0%
VA	0.7%	0.0%	0.0%	0.0%
Unknown	1.4%	0.6%	0.0%	5.9%

Source: 2009 Overview of Assisted Living, a collaborative research project of AAHSA, ASHA, ALFA, NCAL & NIC

After accounting for home ownership ($70,600 - $2,402 = $68,200), as well as the contribution by family, insurance, etc., an annual income qualifier of $68,200 per year is indicated.

We considered the estimated rental rates of the subject's inventory, as well as the average rental rates of the competitive inventory, against which the penetration ratio study is computed. Along with adjustments for the sale of a home, accelerated drawdown of assets and contributions from family members, we applied the following income qualifiers for our upcoming demand analysis:

- $75,000 for assisted living

Income qualifying households are shown in the below table:

INCOME STATISTICS				
Income Qualifying Households				
	PMA - Miles 15 Miles		USA	
Assisted Living/Memory Care Qualification:			$ 75,000	
2021	**Total**	**%**	**Total**	**%**
* Total 65+	9,793	---	34,445,262	---
65+	2,621	26.8%	10,823,268	31.4%
75+	1,191	12.2%	3,987,881	11.6%
2026				
* Total 65+	10,790	---	39,871,802	---
65+	2,985	27.7%	13,708,212	34.4%
75+	1,430	13.2%	5,376,214	13.5%

* Unadjusted for Income

INCOME STATISTICS - GROWTH RATES				
Income Qualifying Households				
	PMA - Miles 15 Miles		USA	
65+	**Total**	**Annual**	**Total**	**Annual**
* Total 65+	10.2%	2.0%	15.8%	3.0%
65+	13.9%	2.6%	26.7%	4.8%
75+	20.1%	3.7%	34.8%	6.2%

* Unadjusted for Income

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For assisted living, we found that for households with incomes over $75,000 within our PMA in 2021, there were 2,621 for the 65+ age group and 1,191 for the 75+ age group. The number of households earning $75,000 or more in the PMA is anticipated to increase over the next five years at an annual average rate of 2.6 percent for age 65+ households and 3.7 percent per year for age 75+ households.

Overall, these figures appear to be consistent with population trends.

Introduction to Penetration Analysis

Penetration rates help measure the degree to which a market is either underserved or saturated. The analysis determines the needed capture rate of the qualified market to achieve stabilized occupancy. A needed component of this analysis is the market's stabilized occupancy level. At any given time, a particular market's occupancy level may be impacted by new inventory which is still in lease-up, reflecting an overall occupancy level which is not considered stable. Generally, a barometer indicating a healthy market for a penetration analysis, for developers of these communities, would be from 91 percent to 95 percent. We consider a market occupancy level of 91 percent or higher to bode favorably in our penetration analysis conclusion.

The current reported occupancy of the comparables surveyed, which were not in lease-up, ranged from 70 percent to 95 percent. Shepherd Premier Senior Living of Dixon was at 6 percent occupancy at the time of inspection and is in the lease-up phase.

Overall, the subject's market is rated as an average market for potential development or expansion. However, in the next sections, we will examine the individual components comprising the market's supply and demand, as well as forecasts for the next five years.

We note that penetration rates should be considered in context of other market factors, as not all markets have the same utilization rates of senior housing. Other considerations in our analysis include:

- Occupancy levels in the market;
- Absorption experience, especially if the market's vacancies are concentrated in older obsolete stock while new inventory is enjoying swift absorption;
- The number of proposed units in the primary market area, as multiple projects in lease-up at the same time may result in protracted absorption periods;
- The design of the assisted living units at the project and alternatives for potential assisted living residents, for example, if the subject's units will meet a specific targeted need which is currently lacking;
- The internal demand if offered in a continuing care setting, or if the new facility will be adjacent to a strong feeder source;
- Wait list activity;
- Length of stay;
- Market awareness, as the utilization rates of senior housing differ in different regions;
- The developer's specific marketing plans and brand draw;

We will discuss our findings in the upcoming penetration analysis.

Comparison of Supply and Demand Estimates

Assisted Living

Demand for assisted living housing is need driven, which reduces the qualified market to only the portion of seniors who need assistance. According to data from the *Summary Health Statistics for the U.S. Population: National Health Interview Survey*, 2012 by the U.S. Department of Health and Human Services, about 4.9 adults between 65-74 years of age required the help of another person with activities of daily living such as eating, dressing, or bathing. Among adults aged 75 and over, about 11 percent required the help of another person with ADLs.

We estimate that households with incomes of $75,000 or more in the PMA would qualify for private pay assisted living. As previously discussed, we estimate that a portion of demand for assisted living units (25 percent) will come from outside of the PMA.

The following table summarizes our conclusions of supply and demand for assisted living.

DEMAND ESTIMATES FOR ASSISTED LIVING (INCLUSIVE OF MEMORY CARE)

			2021 Age of Householder		2022 Age of Householder		2023 Age of Householder		2026 Age of Householder	
			65-74	75+	65-74	75+	65-74	75+	65-74	75+
Households with Incomes Greater Than:	$	75,000	1,431	1,191	1,456	1,215	1,481	1,240	1,555	1,430
*Multiplied by Potential Capture Rate**			2.0%	11.0%	2.0%	11.0%	2.0%	11.0%	2.0%	11.0%
Equals Potential Demand			29	131	29	134	30	136	31	157
Potential Demand in PMA			**160**		**163**		**166**		**188**	
Plus Demand From Outside PMA @25%			53		54		55		63	
Equals Total Demand Potential			**213**		**217**		**221**		**251**	
Minus Existing and Pending Competitive Supply			154		154		154		154	
Total Unmet Demand Potential			**59**		**64**		**68**		**98**	

*The potential capture rate is derived from data from the Summary Health Statistics for the U.S. Population: National Health Interview Survey, 2012 by the U.S. Department of Health and Human Services. The capture rate used is the percentage of seniors needing assistance with ADLs.

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Our analysis shows that the PMA has an under-supply of assisted living in the current year, with unmet demand for 59 beds indicated. This is supported by the occupancies among the competitive assisted living facilities.

Conclusion

Considering the physical and psychological barriers, population density, discussions with market participants, and the competing facilities' concentration, we have determined the PMA of the subject to encompass an area of a 15-mile radius from the site. In this market, we assumed that 75 percent of the residents will come from this PMA.

Overall, our findings for the subject's PMA reflected stable population and senior demographics trends, as well as positive growth of seniors as a share of population, as the early cycle of the baby boomers contributes to shifting population trends. However, during the next five years nationally and in most markets, we will see a decline of the 45-64 age groups, considered the adult children population for most senior housing prospective residents.

Our analysis shows that the PMA has an under-supply of assisted living inventory in the current year. This is supported by the occupancies among the competitive facilities, which reported occupancy levels 80.0 percent for assisted beds (83.7 percent excluding the facility in lease-up). Shepherd Premier Senior Living of Dixon was at 6 percent occupancy at the time of inspection and is in the lease-up phase. These occupancies are somewhat above the national NIC MAP® Data Service, Q1 of 2022 occupancy of 77.9 percent for assisted living within primary markets, suggesting the market is similarly competitive to other primary markets around the country.

Based on the PMA demographics, existing seniors housing occupancies, and the aging senior housing product currently in place, there appears to be a need for the subject in the PMA.

Market Rate Comparisons

On the following pages are data sheets of the facilities we compared with the subject. A map showing their location follows these pages. All of the facilities are noted as being located in the subject's PMA.

SUBJECT

SH Rent No. **SUBJECT**
Shepherd Premier Senior Living of Dixon
503 Countryside Lane
Dixon, Illinois

Property Type: AL
Verification: Brandon Schwab (847) 750-5411

No. Units	Unit Types	Occupancy
0	Independent	0%
16	Assisted	6%
0	Memory Care	0%
16	Total Units	6%

Subject Rent Schedule

Unit Description	Independent Mo. Rent Range			Unit Size Range			Assisted Mo. Rent Range			Unit Size Range			Memory Care Mo. Rent Range			Unit Size Range		
Semi-Private	---	to	---	---	to	---	---	to	---	---	to	---	---	to	---	---	to	---
Studio	---	to	---	---	to	---	$6,000	to	$6,000	225	to	270	---	to	---	---	to	---
One-Bedroom	---	to	---	---	to	---	---	to	---	---	to	---	---	to	---	---	to	---
Two-Bedroom	---	to	---	---	to	---	---	to	---	---	to	---	---	to	---	---	to	---
Three-Bedroom	---	to	---	---	to	---	---	to	---	---	to	---	---	to	---	---	to	---
Cottage/Villa	---	to	---	---	to	---	---	to	---	---	to	---	---	to	---	---	to	---
2nd Occupant Rent	---	to	---				---	to	---				---	to	---			
Personal Care Charges							$500	to	$1,000				---	to	---			
Community Fee	---	to	---				$2,500	to	$2,500				---	to	---			

Basic Service Care Package:

Meals:	3
Utilities	
Water/Sewer:	☑
Electricity:	☑
Cable TV:	☑
Telephone:	☐
Housekeeping:	☑
Activities:	☑
Transportation:	☑
Security:	☑

Additional Care:

Personal Care Charges	
Points:	☐
A La Carte:	☐
Levels:	☑
All Inclusive:	☐
Incontinence Care:	☑
Dressing Assistance:	☑
Bathing Assistance:	☑
Medication Assistance:	☑
Memory Care	☐

Care Details:

The base rents include Level 1 care. There are two additional higher levels of care offered based on need with a fee of $500 and $1,000 per month.

Improvement Description

Year Opened	2002	**Condition:**		**Common Areas**		**Unit Amenities**	
Construction Quality		Fair:	☐	Lobby	☐	Private Bath	☑
Fair:	☐	Average:	☐	Activity Room	☑	Shared Bath	☐
Average:	☐	Good	☑	Library	☐	Kitchens	☐
Good:	☑	Excellent	☐	Dining Room	☑	Kitchenettes	☐
Excellent:	☐			Private Dining	☐		

Remarks:

The subject is operated by Shepherd Premier Senior Living which operates five senior living facilities in Northern Illinois. This facility is a former memory care facility that was renovated for its current assisted living use in 2021 at a reported cost of $250,000. The facility opened in March 2022 and offers studio units.

COMPARABLE NO. 1

SH Rent No. 1
Heritage Square
620 North Ottawa Avenue
Dixon, IL

Property Type: AL
Distance From Subject: 1.26 Miles
Verification: Bonnie (815) 288-2251

No. Units	Unit Types	Occupancy
0	Independent	0%
49	Assisted	80%
0	Memory Care	0%
49	**Total Units**	80%

Rent Schedule

Unit Description	Independent Mo. Rent Range	Unit Size Range	Assisted Mo. Rent Range	Unit Size Range	Memory Care Mo. Rent Range	Unit Size Range
Semi-Private	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---
Studio	--- to ---	--- to ---	$3,400 to $4,000	--- to ---	--- to ---	--- to ---
One-Bedroom	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---
Two-Bedroom	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---
Three-Bedroom	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---
Cottage/Villa	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---
2nd Occupant Rent	--- to ---		--- to ---		--- to ---	
Personal Care Charges			--- to ---		--- to ---	
Community Fee	--- to ---		$0 to $0		--- to ---	

Basic Service Care Package:		Additional Care:		Care Details:
Meals:	3	**Personal Care Charges**		The base rents for AL are all-inclusive.
Utilities		Points:	☐	
Water/Sewer:	☑	A La Carte:	☐	
Electricity:	☑	Levels:	☐	
Cable TV:	☑	All-Inclusive:	☑	
Telephone:	☐	Incontinence Care:	☑	
Housekeeping:	☑	Dressing Assistance:	☑	
Activities:	☑	Bathing Assistance:	☑	
Transportation:	☑	Medication Assistance:	☑	
Security:	☑	Memory Care:	☐	

Improvement Description

Year Opened	1974	**Condition:**		**Common Areas**		**Unit Amenities**	
Construction Quality		Fair:	☐	Lobby	☑	Private Bath	☑
Fair:	☐	Average:	☑	Activity Room	☑	Shared Bath	☐
Average:	☑	Good	☐	Library	☐	Kitchens	☐
Good	☐	Excellent	☐	Dining Room	☑	Kitchenettes	☐
Excellent	☐			Private Dining	☑		

Remarks: This community is owned and operated by local not-for-profit and provides independent and assisted living units and skilled nursing beds. The community is older but well maintained. Per the facility administrator, occupancy was typically 95%+ prior to COVID-19, but fell significantly. The administrator could not provide current occupancy but indicated that is has recovered to a reasonable level (we have estimated atleast 80%). The community does not charge a Community Fee. All units are private studios with a living area and restroom with shower. All residents are private pay.

COMPARABLE NO. 2

SH Rent No.	**2**			
Liberty Court		**No. Units**	**Unit Types**	**Occupancy**
124 Liberty Court		0	**Independent**	0%
Dixon, IL		16	**Assisted**	75%
Property Type:	AL	0	**Memory Care**	0%
Distance From Subject:	2.52 Miles	16	**Total Units**	75%
Verification:	Kathryn (815) 456-4200			

Rent Schedule

Unit Description	Independent Mo. Rent Range	Unit Size Range	Assisted Mo. Rent Range	Unit Size Range	Memory Care Mo. Rent Range	Unit Size Range
Semi-Private	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---
Studio	--- to ---	--- to ---	$3,900 to $3,900	250 to 250	--- to ---	--- to ---
One-Bedroom	--- to ---	--- to ---	$4,300 to $4,300	450 to 450	--- to ---	--- to ---
Two-Bedroom	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---
Three-Bedroom	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---
Cottage/Villa	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---
2nd Occupant Rent	--- to ---		$1,000 to $1,000		--- to ---	
Personal Care Charges			$400 to $1,100		--- to ---	
Community Fee	--- to ---		$1,500 to $1,500		--- to ---	

Basic Service Care Package:		Additional Care:		Care Details:
Meals:	3	**Personal Care Charges:**		The base rents for AL are for room and board. An additional level of care fee is charged based on need.
Utilities		Points:	☐	
Water/Sewer:	☑	A La Carte:	☐	
Electricity:	☑	Levels:	☑	
Cable TV:	☑	All-Inclusive:	☐	
Telephone:	☐	Incontinence Care:	☑	
Housekeeping:	☑	Dressing Assistance:	☑	
Activities:	☑	Bathing Assistance:	☑	
Transportation:	☑	Medication Assistance:	☑	
Security:	☑	Memory Care:	☑	

Improvement Description

Year Opened	1998	**Condition:**		**Common Areas**		**Unit Amenities**	
Construction Quality		Fair:	☐	Lobby	☑	Private Bath	☑
Fair:	☐	Average:	☑	Activity Room	☑	Shared Bath	☐
Average:	☑	Good	☐	Library	☐	Kitchens	☐
Good	☐	Excellent	☐	Dining Room	☑	Kitchenettes	☐
Excellent	☐			Private Dining	☐		

Remarks:

This facility is owned by American Realty Capital (REIT) and managed by Jaybird Senior Living, a regional operator of over 60 senior living facilities in the Midwest. The community offers assisted living and memory care units. The facility has admitted six new AL residents in 2022 (1 per month). In three of the leases a discount was provided. Current occupancy is 75% for the AL units and there is a wailist for MC units. The AL units are private rooms and include smaller studios and suites which are much larger with a partial wall (i.e. 1BR). All residents are private pay. Pets are permitted with a one-time fee of $150.

COMPARABLE NO. 3

SH Rent No. **3**
The Meadows of Franklin Grove
510 North State Street
Franklin Grove, IL

Property Type:	AL		
Distance From Subject:	8.47	Miles	
Verification:	Tiffany		(815) 456-3000

No. Units	Unit Types	Occupancy
0	Independent	0%
44	Assisted	84%
0	Memory Care	0%
44	Total Units	84%

Rent Schedule

Unit Description	Independent Mo. Rent Range	Unit Size Range	Assisted Mo. Rent Range	Unit Size Range	Memory Care Mo. Rent Range	Unit Size Range
Semi-Private	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---
Studio	--- to ---	--- to ---	$2,475 to $2,475	260 to 260	--- to ---	--- to ---
One-Bedroom	--- to ---	--- to ---	$3,065 to $3,300	373 to 516	--- to ---	--- to ---
Two-Bedroom	--- to ---	--- to ---	$3,775 to $3,775	665 to 668	--- to ---	--- to ---
Three-Bedroom	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---
Cottage/Villa	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---
2nd Occupant Rent	--- to ---		$450 to $550		--- to ---	
Personal Care Charges			$425 to $650		--- to ---	
Community Fee	--- to ---		$0 to $0		--- to ---	

Basic Service Care Package:		Additional Care:	
Meals:	3	**Personal Care Charges:**	
Utilities		Points:	☐
Water/Sewer:	☑	A La Carte:	☐
Electricity:	☑	Levels:	☑
Cable TV:	☑	All-Inclusive:	☐
Telephone:	☐	Incontinence Care:	☑
Housekeeping:	☑	Dressing Assistance:	☑
Activities:	☑	Bathing Assistance:	☑
Transportation:	☑	Medication Assistance:	☑
Security:	☑	Memory Care:	☐

Care Details:

The base rents for AL include a base level of care. An additional level of care is offered based on need which ranges from $425 to $650.

Improvement Description

Year Opened	1997	Condition:		Common Areas		Unit Amenities	
Construction Quality		Fair:	☐	Lobby	☑	Private Bath	☑
Fair:	☐	Average:	☑	Activity Room	☑	Shared Bath	☐
Average:	☑	Good	☐	Library	☑	Kitchens	☐
Good	☐	Excellent	☐	Dining Room	☑	Kitchenettes	☑
Excellent	☐			Private Dining	☑		

Remarks:

The three-story community adjoins a nursing home and rehab center that is part of the same campus. The community is owned and/or operated by a local, for-profit group located in the Chicago area that owns/operates five senior living facilities in northern Illinois. The community appears well maintained and shows well. Per the Admissions Director, the community is all private pay and averages an occupancy of 84%. Level 1 care is provided in the base rates above and is essentially for residents that are mostly independent. Level 2 is for those that have greater need with ADLs. The facility does not charge a Community Fee.

COMPARABLE NO. 4

SH Rent No. **4**
Avonlea of Sterling
2201 East LeFevre Road
Sterling, IL
Property Type: AL
Distance From Subject: 10.90 Miles
Verification: Marketing (815) 626-5439

No. Units	Unit Types	Occupancy
0	**Independent**	0%
30	**Assisted**	70%
0	**Memory Care**	0%
30	**Total Units**	70%

Rent Schedule

Unit Description	Independent Mo. Rent Range	Unit Size Range	Assisted Mo. Rent Range	Unit Size Range	Memory Care Mo. Rent Range	Unit Size Range
Semi-Private	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---
Studio	--- to ---	--- to ---	$3,000 to $3,000	--- to ---	--- to ---	--- to ---
One-Bedroom	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---
Two-Bedroom	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---
Three-Bedroom	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---
Cottage/Villa	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---
2nd Occupant Rent	--- to ---		$0 to $0		--- to ---	
Personal Care Charges			--- to ---		--- to ---	
Community Fee	--- to ---		$1,000 to $1,000		--- to ---	

Basic Service Care Package:

Meals:	3
Utilities	
Water/Sewer:	☑
Electricity:	☑
Cable TV:	☐
Telephone:	☐
Housekeeping:	☑
Activities:	☑
Transportation:	☑
Security:	☑

Additional Care:

Personal Care Charges:

Points:	☐
A La Carte:	☐
Levels:	☑
All-Inclusive:	☐
Incontinence Care:	☑
Dressing Assistance:	☑
Bathing Assistance:	☑
Medication Assistance:	☑
Memory Care:	☐

Care Details:

The base rents for AL include room and board. A level of care fee is charged based on resident need.

Improvement Description

Year Opened	2001	**Condition:**		**Common Areas**		**Unit Amenities**	
Construction Quality		Fair:	☐	Lobby	☑	Private Bath	☑
Fair:	☐	Average:	☐	Activity Room	☑	Shared Bath	☐
Average:	☐	Good	☑	Library	☐	Kitchens	☐
Good	☑	Excellent	☐	Dining Room	☑	Kitchenettes	☐
Excellent	☐			Private Dining	☐		

Remarks:

The community is operated by United Resource Management, a for-profit provider of senior housing with six facilities in Illinois, Oklahoma, Missouri and Kansas. The administrator was not available. An assistant indicatd the above cited monthly rent, although noted the information may not be accurate/outdated.

COMPARABLE NO. 5

SH Rent No. 5

Morningside of Sterling
2705 Avenue E
Sterling, IL

Property Type: AL
Distance From Subject: 12.31 Miles
Verification: Kris (815) 622-2800

No. Units	Unit Types	Occupancy
0	**Independent**	0%
64	**Assisted**	95%
0	**Memory Care**	0%
64	**Total Units**	95%

Rent Schedule

Unit Description	Independent Mo. Rent Range			Unit Size Range			Assisted Mo. Rent Range			Unit Size Range			Memory Care Mo. Rent Range			Unit Size Range		
Semi-Private	---	to	---	---	to	---	---	to	---	---	to	---	---	to	---	---	to	---
Studio	---	to	---	---	to	---	$2,650	to	$4,140	---	to	---	---	to	---	---	to	---
One-Bedroom	---	to	---	---	to	---	$4,300	to	$4,400	---	to	---	---	to	---	---	to	---
Two-Bedroom	---	to	---	---	to	---	---	to	---	---	to	---	---	to	---	---	to	---
Three-Bedroom	---	to	---	---	to	---	---	to	---	---	to	---	---	to	---	---	to	---
Cottage/Villa	---	to	---	---	to	---	---	to	---	---	to	---	---	to	---	---	to	---
2nd Occupant Rent	---	to	---				$500	to	$500				---	to	---			
Personal Care Charges							---	to	---				---	to	---			
Community Fee	---	to	---				$1,500	to	$1,500				---	to	---			

Basic Service Care Package:		Additional Care:		Care Details:
Meals:	3	**Personal Care Charges:**		The montly rent are all-inclusive.
Utilities		Points:	☐	
Water/Sewer:	☑	A La Carte:	☐	
Electricity:	☑	Levels:	☐	
Cable TV:	☐	All-Inclusive:	☑	
Telephone:	☐	Incontinence Care:	☑	
Housekeeping:	☑	Dressing Assistance:	☑	
Activities:	☑	Bathing Assistance:	☑	
Transportation:	☑	Medication Assistance:	☑	
Security:	☑	Memory Care:	☑	

Improvement Description

Year Opened	2008/2015	**Condition:**		**Common Areas**		**Unit Amenities**	
Construction Quality		Fair:	☐	Lobby	☑	Private Bath	☑
Fair:	☐	Average:	☐	Activity Room	☑	Shared Bath	☐
Average:	☐	Good	☑	Library	☑	Kitchens	☐
Good	☑	Excellent	☐	Dining Room	☑	Kitchenettes	☑
Excellent	☐			Private Dining	☐		

Remarks:

This is a for-profit community that is part of the Five Star Senior Living Network (a division of AlerisLife, a publicly traded company), with 53 senior living communities across the country. The AL building was built in 2008 with a MC building added in 2015. The community has 64 AL units and 23 MC units. Per the Executive Director, only 3 AL units are available. There is a waitlist for MC units. The annual rent increase this year for AL units was about 8%. The facility is all private pay. The smaller studios start at $2,650 per month, while the much larger deluxe studios are $4,140 per month. Rents do not include medication management, which is $160 to $265 per month. The facility has a good reputation in the market.

COMPARABLE NO. 6

SH Rent No. **6**
Shepherd Premier Senior Living of Oregon
8 Terrace View Boulevard
Oregon, IL
Property Type: AL
Distance From Subject: 13.93 Miles
Verification: Brandon (847) 750-5411

No. Units	Unit Types	Occupancy
0	Independent	0%
16	Assisted	31%
0	Memory Care	0%
16	Total Units	31%

Rent Schedule

Unit Description	Independent Mo. Rent Range	Unit Size Range	Assisted Mo. Rent Range	Unit Size Range	Memory Care Mo. Rent Range	Unit Size Range
Semi-Private	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---
Studio	--- to ---	--- to ---	$6,000 to $6,000	215 to 250	--- to ---	--- to ---
One-Bedroom	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---
Two-Bedroom	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---
Three-Bedroom	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---
Cottage/Villa	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---	--- to ---
2nd Occupant Rent	--- to ---		--- to ---		--- to ---	
Personal Care Charges			$500 to $1,000		--- to ---	
Community Fee	--- to ---		$2,500 to $2,500		--- to ---	

Basic Service Care Package:

Meals:	3
Utilities	
Water/Sewer:	☑
Electricity:	☑
Cable TV:	☑
Telephone:	☐
Housekeeping:	☑
Activities:	☑
Transportation:	☑
Security:	☑

Additional Care:

Personal Care Charges:	
Points:	☐
A La Carte:	☐
Levels:	☑
All-Inclusive:	☐
Incontinence Care:	☑
Dressing Assistance:	☑
Bathing Assistance:	☑
Medication Assistance:	☑
Memory Care:	☐

Care Details:

The base rents include Level 1 care. There are two higher care levels offered based on need with a fee of $500 for Level 2 and $1,000 for Level 3

Improvement Description

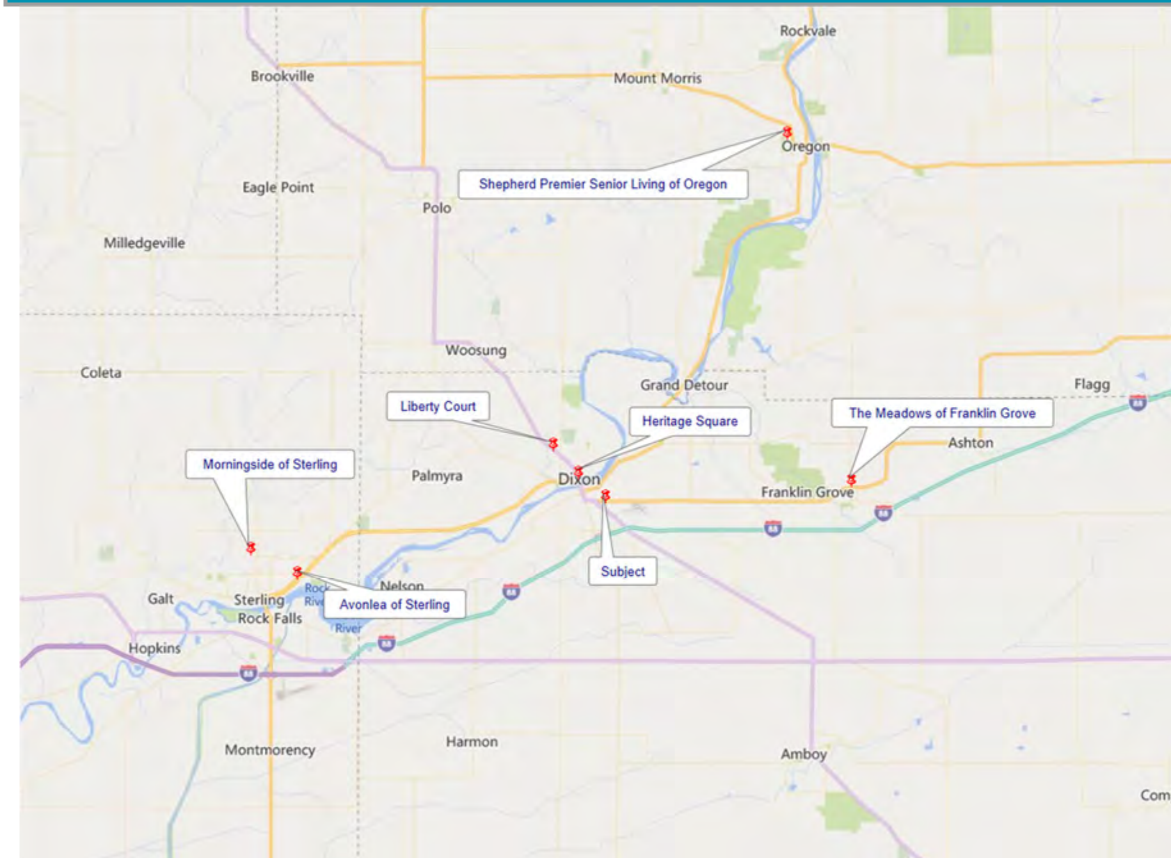
Year Opened 2002

Construction Quality		Condition:		Common Areas		Unit Amenities	
Fair:	☐	Fair:	☐	Lobby	☐	Private Bath	☑
Average:	☐	Average:	☐	Activity Room	☑	Shared Bath	☐
Good	☑	Good	☑	Library	☐	Kitchens	☐
Excellent	☐	Excellent	☐	Dining Room	☑	Kitchenettes	☐
				Private Dining	☐		

Remarks:

The facility is owned and operated by Shepherd Premier Senior Living which operates five senior living facilities (including the subject) in Northern Illinois. This facility was renovated in 2021 for an assisted living use. It opened in March 2022 and is in the lease-up phase. The community offers a small, home-like setting and has overall good appeal. Current residents are at the asking rate.

RENT COMPARABLE MAP



Direct Comparisons

As a basis for comparing the subject's asking rental rates to the comparables shown in the previous summary, we classified each comparable in relation to the subject as either similar, inferior, or superior. The overall classification was based on the five primary factors (aside from pricing) used by potential residents in choosing a senior living facility. We based these factors on our discussions with hundreds of marketing directors and administrators across the nation. The five main factors in order of importance are as follows: reputation for quality care or social status of the facility; age and condition of the building; unit sizes; amenities and planned activities; and location.

Based on our physical inspections of the comparables and the subject, as well as discussions with local market participants, we classified the comparables as follows:

DIRECT COMPARISONS				
Facility Name	**Year Built**	**Quality**	**Occupancy**	**Comparison to Subject**
Heritage Square	1974	Average	80%	Inferior
Liberty Court	1998	Average	75%	Inferior
The Meadows of Franklin Grove	1997	Average	84%	Inferior
Avonlea of Sterling	2001	Good	70%	Similar
Morningside of Sterling	2008/2015	Good	95%	Similar
Shepherd Premier Senior Living of Oregon	2002	Good	31%	Similar

We note that this rating basis represents a general overall analysis and is not based on any specific physical or locational criteria. This rating basis will serve as a basis of estimating market rent for the subject's unit types.

Conclusion

The Competitive Market Analysis presents performance metrics including inventory, pricing, and occupancy levels, as well as physical attributes of the subject and the comparables.

The subject appears well positioned in the marketplace and offers units generally in line with the upper-end of the marketplace. The facility is about three months into the lease-up phase and market reaction to their pricing structure is preliminary. A further rental analysis of the subject's rate structure will be provided within the Income Capitalization Approach. Occupancy levels among the facilities considered directly comparable are considered good, and concessions were not relied on to lease units in most cases. Market conditions suggest good support for the proposed community.

Highest and Best Use

Highest and Best Use Criteria

The Dictionary of Real Estate Appraisal, Sixth Edition (2015), a publication of the Appraisal Institute, defines the highest and best use as:

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

To determine the highest and best use we typically evaluate the subject site under two scenarios: as if vacant land and as presently improved. In both cases, the property's highest and best use must meet four criteria described above.

Highest and Best Use of Property as If Vacant

Legally Permissible

The zoning regulations in effect at the time of the appraisal determine the legal permissibility of a potential use of the subject site. As described in the Zoning section, the subject site is zoned R3. According to our understanding of the zoning ordinance, permitted uses within this district include single-family and multi-family and limited public and institutional uses. Senior housing is allowed with a Conditional Use permit. We are not aware of any further legal restrictions that limit the potential uses of the subject.

Physically Possible

The physical possibility of a use is dictated by the size, shape, topography, availability of utilities, and any other physical aspects of the site. The subject site contains 0.562 acres. The site is gentle slope and is rectangular in shape. The site has average frontage, average access, and average visibility. The overall utility of the site is considered to be average. All necessary utilities are available to the site. Overall, the site is considered adequate to accommodate most permitted development possibilities.

Financially Feasible

In order to be seriously considered, a use must have the potential to provide a sufficient return to attract investment capital over alternative forms of investment. A positive net income or acceptable rate of return would indicate that a use is financially feasible. A positive net income or acceptable rate of return would indicate that a use is financially feasible. Financially feasible uses are those uses that can generate a profit over and above the cost of acquiring the site and constructing the improvements.

As discussed in the market analysis, we have concluded that there is sufficient demand for the subject property. In addition, in the Income Capitalization Approach we have determined that the subject property is economically viable. Therefore, development of a seniors housing facility is a financially feasible use.

Maximally Productive

Of the uses that are permitted, possible, and financially feasible, the one that is considered to be maximally productive is considered the highest and best use:

- As permitted by zoning, a residential use

Highest and Best Use of Property as Improved

The Dictionary of Real Estate Appraisal defines highest and best use of the property as improved as:

> The use that should be made of a property as it exists. An existing improvement should be renovated or retained "as is" so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

In analyzing the highest and best use of a property as improved, it is recognized that the improvements should continue to be used until it is financially advantageous to alter physical elements of the structure or to demolish it and build a new one. The highest and best use as improved must meet the same criteria as the highest and best use as though vacant.

Legally Permissible

As described in the Zoning Analysis section of this report, the subject site is zoned R3. The site is improved with an assisted living facility containing 7,400 square feet of gross building area. In the Zoning section of this appraisal, we determined that the existing improvements represent a legally conforming use. We have also determined that the existing use is a permitted use in this zone.

Physically Possible

The improvements are in good condition. The design, layout, as well as average unit size of the facility is considered good and there is no functional obsolescence in the improvements. We know of no municipal actions or covenants forthcoming that would require a change to the current improvements.

Alternative uses for the existing improvements, however, would be limited due to the overall design (smaller rooms and limited individual cooking facilities). As a result, any conversion to an alternative use would be costly.

Financially Feasible

In the Reconciliation section, we concluded a market value for the subject property, as improved, to be $2,450,000; clearly, the improvements contribute significantly to the value of the site and the existing use is financially feasible. There are no alternative uses that are legally permissible, physically possible or financially feasible that would result in a higher value than the current use.

Maximally Productive

It is our opinion that the existing improvements add value to the site as if vacant. Therefore, the maximally productive use is continuation of its current use as a senior living facility.

Valuation Process

Methodology

There are three generally accepted approaches available in developing an opinion of value: the Cost, Sales Comparison and Income Capitalization approaches. We have considered each in this appraisal to develop an opinion of the market value of the subject property. In appraisal practice, an approach to value is included or eliminated based on its applicability to the property type being valued and the quality of information available. The reliability of each approach is dependent upon the availability of comparability of the market data as well as the motivation and thinking of purchasers.

We have considered each approach in developing our opinion of the value of the subject property. We discuss each approach below and conclude with a summary of their applicability to the subject property.

Cost Approach

The Cost Approach is based upon the premise that an informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements, which represent the highest and best use of the land; or when relatively unique or specialized improvements are located on the site, for which there exist few sales or leases of comparable properties.

In the Cost Approach, the appraiser forms an opinion of the cost of all improvements, depreciating them to reflect value loss from physical, functional and external causes. Land value, entrepreneurial profit and depreciated improvement costs are then added resulting in a value estimate for the subject property.

Sales Comparison Approach

The Sales Comparison Approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject property. This approach typically uses a unit of comparison such as price per square foot of building area, price per unit or effective gross income multiplier. When developing an opinion of land value the analysis is based on recent sales of sites of comparable zoning and utility, and the typical units of comparison are price per square foot of land area, price per acre, price per unit, or price per square foot of potential building area. In both cases, adjustments are applied to the units of comparison from an analysis of comparable sales, and the adjusted unit of comparison is then used to derive a value for the subject property.

Income Capitalization Approach

The Income Capitalization Approach first determines the income-producing capacity of a property by using contract rents on existing leases and by estimating market rent from rental activity at competing properties. Deductions then are made for vacancy and collection loss and operating expenses. The resulting net operating income is divided by an overall capitalization rate to derive an opinion of value for the subject property. The capitalization rate represents the relationship between net operating income and value. This method is referred to as Direct Capitalization.

Related to the Direct Capitalization Method is the Discounted Cash Flow Method. In this method, periodic cash flows (which consist of net operating income less capital costs) and a reversionary value are developed and discounted to a present value using an internal rate of return that is determined by analyzing current investor yield requirements for similar investments.

Summary

This appraisal employs the Sales Comparison Approach and the Income Capitalization Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that these approaches would be considered applicable and/or necessary for market participants. The subject's age makes it difficult to accurately form an opinion of depreciation and tends to make the Cost Approach unreliable. Investors do not typically rely on the Cost Approach when purchasing a property such as the subject of this report. Therefore, we have not utilized the Cost Approach to develop an opinion of market value.

Sales Comparison Approach

Methodology

Using the Sales Comparison Approach, we developed an opinion of value by comparing this property with similar, recently sold properties in the surrounding or competing area. Inherent in this approach is the principle of substitution, which states that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution.

By analyzing sales that qualify as arm's-length transactions between willing and knowledgeable buyers and sellers, we can identify value and price trends. The basic steps of this approach are:

1. Research recent, relevant property sales and current offerings throughout the competitive area;
2. Select and analyze properties that are similar to the property appraised, analyzing changes in economic conditions that may have occurred between the sale date and the date of value, and other physical, functional, or locational factors;
3. Identify sales that include favorable financing and calculate the cash equivalent price;
4. Reduce the sale prices to a common unit of comparison such as price per square foot, price per unit or effective gross income multiplier;
5. Make appropriate comparative adjustments to the prices of the comparable properties to relate them to the property being appraised; and
6. Interpret the adjusted sales data and draw a logical value conclusion.

The most widely used and market-oriented unit of comparison for properties such as the subject is the sales price per unit basis. All comparable sales were analyzed on this basis. On the following pages we present a summary of the improved properties that we compared to the subject property, a map showing their locations, and an adjustment grid. Detail sheets describing these sales can be found in the Addenda.

Due to the nature of the subject property and the level of detail available for the comparable data, we elected to analyze the comparables through application of:

- A traditional adjustment grid utilizing percentage adjustments;
- An effective gross income multiplier (EGIM) analysis

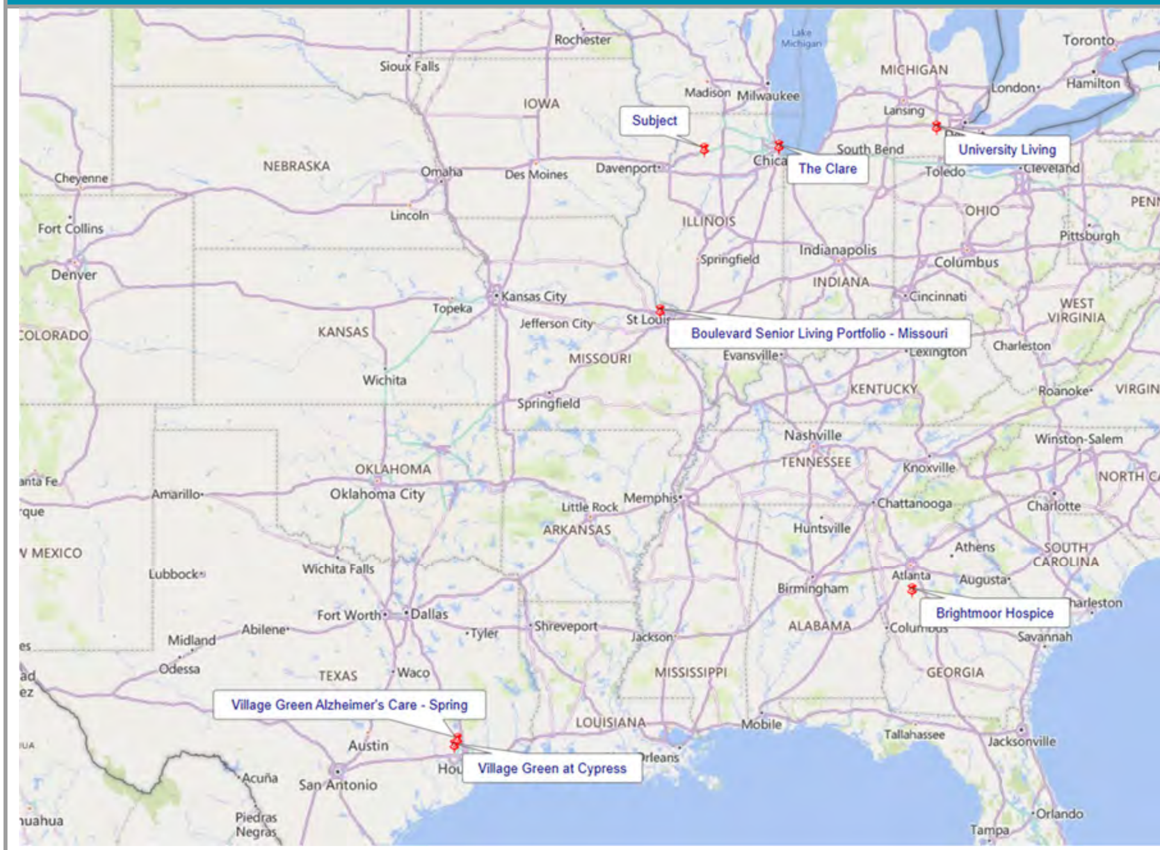
SENIOR HOUSING SALES

No.	Property Name / Property Location	Property Type	Grantor / Grantee	Sale Price / Date	Average Unit SF / Bldg SqFt	% Occ. / # Units	Condition & Quality / Year Built	$/SqFt / $/Unit	Revenues / NOI	Revenues Per Unit / NOI/Unit	Expense Ratio / EGIM	OAR
1	Village Green at Cypress	MC	Village Green, LLC	$4,608,000	650	100.0%	Good	$443.08	$288,000	$18,000	0.0%	
	Cypress, TX		DKW, Inc.	11/21	10,400	16 units	2018	$288,000	$288,000	$18,000	16.00	6.25%
2	Boulevard Senior Living Portfolio - Missouri	IL AL MC	St. Charles Senior Community LLC	$97,000,000	1,054	90.0%	Excellent	$288.40	$16,753,022	$52,517	62.4%	
	Saint Charles, MO		St. Charles Senior Housing I Propco LLC	9/20	336,334	319 units	2018	$304,075	$6,296,170	$19,737	5.79	6.49%
3	Village Green Alzheimer's Care - Spring	MC	Vaquero Augusta Pines Partners LP	$4,790,000	806	100.0%	Excellent	$371.35	$301,258	$18,829	0.0%	
	Spring, TX		Tachibana Properties LP	7/20	12,899	16 units	2020	$299,375	$301,250	$18,828	15.90	6.29%
4	Brightmoor Hospice		SD Brightmoor, LLC	$5,313,157	1,377	100.0%	Good	$321.64	$371,809	$30,984	0.0%	
	Griffin, GA		LMF Griffin Properties, LLC	7/20	16,519	12 units	2012	$442,763	$371,921	$30,993	14.29	7.00%
5	The Clare	IL AL MC	Fundamental/SCD12.74	$108,000,000	2,070	97.0%	Excellent	$155.29	$36,000,000	$107,143	76.5%	
	Chicago, IL		The Clare,LCS & Senior Care Development	12/19	695,453	336 units	2008	$321,429	$8,478,000	$25,232	3.00	7.85%
6	University Living	AL MC	CSH Ann Arbor, LLC	$23,750,000	555	93.0%	Good	$570.45	$5,588,235	$74,510	72.2%	
	Ann Arbor, MI		Ann Arbor Senior Housing Propco, LLC	10/19	41,634	75 units	2001	$316,667	$1,554,292	$20,724	4.25	6.54%

STATISTICS

			Sale Price / Date	Average Unit SF / Bldg SqFt	% Occ. / # Units	Condition & Quality / Year Built	$/SqFt / $/Unit	Revenues / NOI	Revenues Per Unit / NOI/Unit	Expense Ratio / EGIM	OAR
Low			$4,608,000	555	90.0%	N/A	$155.29	$288,000	$18,000	0%	
High			$108,000,000	2,070	100.0%	N/A	$570.45	$36,000,000	$107,143	76%	
Average			$40,576,860	1,085	96.7%	N/A	$358.37	$9,883,721	$50,330	35%	
Low			10/19	10,400	12 units	2001	$288,000	$288,000	$18,000	3.00	6.25%
High			11/21	695,453	336 units	2020	$442,763	$8,478,000	$30,993	16.00	7.85%
Average			7/20	185,540	129 units	2013	$328,718	$2,881,606	$22,252	9.87	6.74%
Subject Property			---	463	85%	Good	N/A	$865,600	$54,100	74%	---
			---	7,400	16	2002	N/A	$228,775	$14,298	---	---

IMPROVED SALES COMPARABLE MAP



Price per Unit

The price per unit is the most frequently quoted unit of comparison. This is despite the fact that the calculation ignores variations in rates or operating margins and, therefore, is indifferent to the income generating potential of an investment property. Nonetheless, the price per unit provides some indication of value. We consider that comparing the subject on a per unit basis is the most reasonable method and would not provide a misleading value estimate for the property.

The following is a discussion of the sales that were compared with the subject. Again, the sales were analyzed on a price per unit basis with all necessary adjustments. Reference is made to the sales summary chart shown previously.

Percentage Adjustment Method

Adjustment Process

The first adjustment made to the market data takes into account differences between the subject property and the comparable property sales with regard to the legal interest transferred. Advantageous financing terms or peculiar conditions of sale are then adjusted to reflect a normal market transaction. Next, changes in market condition must be accounted for, thereby creating a time adjusted normal unit of comparison. Lastly, we made adjustments for location and physical traits in order to generate the final adjusted unit rate appropriate for the subject property.

We have made a downward adjustment to those comparables considered superior to the subject and an upward adjustment to those comparables considered inferior.

Property Rights Conveyed

The property rights conveyed in a transaction typically have an impact on the price that is paid. Acquiring the fee simple interest implies the buyer is acquiring the full bundle of rights. Acquiring a leased fee interest typically means that the property being acquired is encumbered by at least one lease, which is a binding agreement transferring rights of use and occupancy to the tenant. A leasehold interest involves the acquisition of a lease, which conveys the rights to use and occupy the property to the buyer for a finite period of time. At the end of the lease term, there is typically a reversionary value to the leasehold interest.

All of the sales utilized in this analysis involved the transfer of the Fee Simple interest. Since we are appraising the Fee Simple interest of the subject property, no adjustments were required.

Financial Terms

The financial terms of a transaction can have an impact on the sale price of a property. A buyer who purchases an asset with favorable financing might pay a higher price, as the reduced cost of debt creates a favorable debt coverage ratio. A transaction involving above-market debt will typically involve a lower purchase price tied to the lower equity returns after debt service. We have analyzed all of the transactions to account for atypical financing terms. To the best of our knowledge, all of the sales utilized in this analysis were accomplished with cash and/or cash and market-oriented financing. Therefore, no adjustments were required.

Conditions of Sale

Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. In many situations the conditions of sale may significantly affect transaction prices. However, all sales used in this analysis are considered to be "arms-length" market transactions between both knowledgeable buyers and sellers on the open market. Therefore, no adjustments were required.

Market Conditions

The sales included in this analysis date between October 2019 and November 2021.

Most senior housing properties have been impacted by COVID-19 and subsequently, there has been limited sale activity since the beginning of the pandemic. For the sales that have occurred, they can generally be explained by one of the following; the property has not been impacted by the pandemic, the seller was unwilling to discount the price despite a decrease in performance, or the price was based on the pre-COVID performance. There has not been enough sale data to determine whether market conditions have been impacted. Therefore, no adjustments are warranted for market conditions.

Location

An adjustment for location is required when the locational characteristics of a comparable property are different from those of the subject property. The subject property is considered to exhibit average locational characteristics and has average access and average visibility. Negative adjustments are made to those comparables considered superior in location versus the subject. Conversely, positive adjustments are made to those comparables considered inferior. Each comparable was adjusted accordingly.

Location Adjustment						
	Village Green at Cypress	Boulevard Senior Living Portfolio - Missouri	Village Green Alzheimer's Care - Spring	Brightmoor Hospice	The Clare	University Living
Comp. No.	**1**	**2**	**3**	**4**	**5**	**6**
Median Home Price	$430,000	$295,000	$350,000	$270,000	$350,000	$471,000
Subject's Median Home Price	$133,000	$133,000	$133,000	$133,000	$133,000	$133,000
Difference in Home Price	-69.1%	-54.9%	-62.0%	-50.7%	-62.0%	-71.8%
Adjustment	-35.0%	-25.0%	-30.0%	-25.0%	-30.0%	-35.0%

We reviewed the median home values of the sales for support for this adjustment.

Physical Traits (Age/Condition)

Physical factors for age and condition were analyzed. We summarized the chronological age and effective age of the subject and comparables below.

Age/Condition Adjustment						
	Village Green at Cypress	Boulevard Senior Living Portfolio - Missouri	Village Green Alzheimer's Care - Spring	Brightmoor Hospice	The Clare	University Living
Comp. No.	**1**	**2**	**3**	**4**	**5**	**6**
Comp Actual Age at Time of Sale	3	2	0	8	11	18
Effective Age at Sale	2	1	0	4	6	9
Subject's Effective Age	10	10	10	10	10	10
Difference Years	-8	-9	-10	-6	-4	-1
As % of 50 Yrs Economic Life	-16.0%	-18.0%	-20.0%	-12.0%	-8.0%	-2.0%

The above chart show the chronological age of each comparable, at the time of the sale, as well as the effective age of each comparable. With property maintenance and updates, the effective age will often be less than the chronological age. The difference to the subject's effective age provides a basis for adjustment, shown as the last row of the above table.

Quality

The comparables were analyzed for their class of construction and amenities.

Unit Mix

The unit mix at the subject and the comparables was analyzed.

Subject Sale

The property was purchased pursuant to an Articles of Agreement For Deed and Asset Purchase Agreement dated August 11, 2021 ("Purchase Agreement") which was provided to us. The buyer was Shepherd Capital Dixon, LLC and the seller was Avonlea Cottage of Dixon, LLC. The purchase price was $798,365.88, with $250,000 allocated to real property and $548,365.88 allocated to intangible assets. The buyer assumed the outstanding debt owed by seller to certain creditors. This included debt owed to two entities in the total amount of $475,000, for which promissory notes were pledged by the buyer, to be paid in full by August 11, 2026, with prepayment allowed without penalty. Upon payment of all outstanding debt, a final closing will transfer title of the property to the buyer. The Purchase Agreement includes a non-compete covenant in which the seller is not to own, operate, or become a partner, a shareholder, owner, director, officer, or agent of any entity that owns or operates an assisted living facility within a 50-mile radius of the subject, unless employed by the buyer. Subsequent to the sale, the buyer spent approximately $250,000 to renovate the property in 2021. Our value conclusion is higher than the purchase price as it reflects the completed renovations and stabilized occupancy of the property.

A summary of our adjustments is shown in the following table.

IMPROVED COMPARABLE SALE ADJUSTMENT GRID - PER UNIT

		ECONOMIC ADJUSTMENTS (CUMULATIVE)				PROPERTY CHARACTERISTIC ADJ.					
No.	$/Unit Date	Property Rights Conveyed	Financing & Conditions of Sale	Exp. After Purchase	Market* Conditions	Subtotal	Location	Age, Condition	Quality	Unit Mix	Adj. $/Unit
1	**$288,000**	Fee Simple/Mkt.	Arms-Length	None	Similar	**$288,000**	Superior	Superior	Similar	Similar	**$141,120**
	11/21	0.0%	0.0%	0.0%	0.0%	0.0%	-35.0%	-16.0%	0.0%	0.0%	-51.0%
2	**$304,075**	Fee Simple/Mkt.	Arms-Length	None	Similar	**$304,075**	Superior	Superior	Similar	Similar	**$173,323**
	9/20	0.0%	0.0%	0.0%	0.0%	0.0%	-25.0%	-18.0%	0.0%	0.0%	-43.0%
3	**$299,375**	Fee Simple/Mkt.	Arms-Length	None	Similar	**$299,375**	Superior	Superior	Similar	Similar	**$149,688**
	7/20	0.0%	0.0%	0.0%	0.0%	0.0%	-30.0%	-20.0%	0.0%	0.0%	-50.0%
4	**$442,763**	Fee Simple/Mkt.	Arms-Length	None	Similar	**$442,763**	Superior	Superior	Similar	Similar	**$278,941**
	7/20	0.0%	0.0%	0.0%	0.0%	0.0%	-25.0%	-12.0%	0.0%	0.0%	-37.0%
5	**$321,429**	Fee Simple/Mkt.	Arms-Length	None	Similar	**$321,429**	Superior	Superior	Similar	Similar	**$199,286**
	12/19	0.0%	0.0%	0.0%	0.0%	0.0%	-30.0%	-8.0%	0.0%	0.0%	-38.0%
6	**$316,667**	Fee Simple/Mkt.	Arms-Length	None	Similar	**$316,667**	Superior	Superior	Similar	Similar	**$199,500**
	10/19	0.0%	0.0%	0.0%	0.0%	0.0%	-35.0%	-2.0%	0.0%	0.0%	-37.0%

SUMMARY

Price Range	Unadj. $/Unit	Adj. $/Unit	Net Adjustment
Low	$288,000	$141,120	-51.0%
High	$442,763	$278,941	-37.0%
Average	$328,718	$190,309	-42.7%

***Market Conditions Adjustment**

Compound ann. change in market conditions:	0.00%
Date of Value (for adjustment calculations):	Jun-22

Summary of Price Per Unit Analysis

After adjusting each comparable sale for differences from the subject property, the adjusted sale price range is $141,120 to $278,941 per unit with an average of $190,309 per unit. Based on the data, we consider that due to the subject's construction quality, age, and location, a price per unit towards the middle portion of the adjusted range is warranted. From this, we correlated to a price of $175,000 per unit with our calculation shown below.

Operational Adjustments

The above Sales Comparison conclusions reflect a stabilized operation. Similar to our upcoming Income Capitalization Approach, we applied adjustments for factors including rent loss and other adjustments, detailed in the below chart.

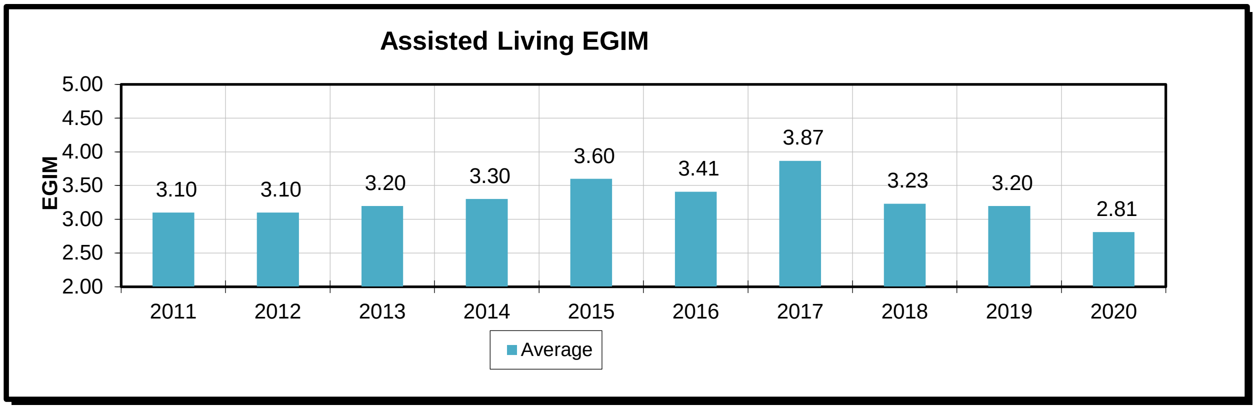
SALES COMPARISON CONCLUSION - PER UNIT	
As-Is - June 7, 2022	
Indicated Value per Unit	$175,000
Number of Units	x 16
Indicated Value	$2,800,000
Adj. for - Rent Loss	($352,968)
Adj. for - Entrepreneurial Incentive on Rent Loss	($70,594)
Value Indication	$2,376,439
Rounded to nearest $50,000	$2,400,000
Per Unit	$150,000

Effective Gross Income Multiplier

The effective gross income multiplier (EGIM) serves as an indicator of market value as expressed by the relationship between the sales price of a property and its effective gross income. This unit of comparison is commonly utilized by participants active in the real estate market. A significant strength of this analytical technique is that it represents a direct factor of income as reflected by the market and, therefore, requires no adjustment. Furthermore, the effective gross income is more easily verified and more reliable than net operating income since the figure is not distorted by management fees, capital costs or accounting conventions.

The effective gross income multipliers for the comparable sales indicate a range of 3.00x to 16.00x effective gross income with an average of 9.87x.

According to *The Senior Care Acquisition Report, 26th Edition, 2021*, published by Irving Levin Associates, Inc., EGIM figures have historically shown the following ranges:



Source: The Senior Care Acquisition Report, 26th Edition, 2021

Both property types saw a decrease in 2020 in their EGIMs, here again influenced by the larger share of Class "B" and Class "C" properties sold in 2020. For independent living, the EGIM declined to 3.87x in 2020 and for assisted living, this declined to 2.81x in 2020.

Based on the subject's projected expense ratio, age, condition, resident mix and market area location, we have utilized an EGIM of 3.25x for the subject, which falls at the lower portion of the range for the comparables. This is applied to the subject's projected effective gross income as follows:

		C&W Year 1 As-If Stabilized As Of: 6/7/22
Subject EGI		**$865,600**
Unit Count		**16**
	EGIM	**Indicated Value**
Low	3.00	$2,596,800
High	16.00	$13,849,600
Median	10.04	$8,690,624
Average	9.87	$8,544,915
		Indicated Value Per Unit
	$/Unit Low	$162,300
	$/Unit High	$865,600
	$/Unit Median	$543,164
	$/Unit Average	$534,057
CONCLUSION		
Indicated EGIM		**3.25**
Effective Gross Income		x $865,600
Indicated Stabilized Value		$2,813,200
Sum Rent Loss and/or Other Adjustments*		($423,561)
Rounded to nearest $50,000		**$2,400,000**
Per Unit		$150,000
Per Square Foot		$324.32
*Detailed in Income Approach		

Sales Comparison Approach Conclusion

In developing the sales price per unit analysis, we first attempted to adjust the sales based solely upon differences in physical elements of comparison, such as age, location, and quality. This is due to the fact that economics is the primary factor driving the sales prices of seniors housing properties, not physical differences.

The EGIM analysis is less dependent upon the accurate estimation of NOI. An investor considering purchasing the subject might place substantial weight in an EGIM analysis as it is a commonly used tool.

Both units of comparison are well supported and appropriate. We place roughly equal weight in the two analyses and conclude the following value within the Sales Comparison Approach.

SALES COMPARISON APPROACH CONCLUSION	
Methodology	**As-Is**
Percentage Adjustment Method (Price Per Unit)	$2,400,000
EGIM Analysis	$2,400,000
Conclusion	**$2,400,000**

Compiled by Cushman & Wakefield of Illinois

Income Capitalization Approach

Methodology

The Income Capitalization Approach is a method of converting the anticipated economic benefits of owning property into a value through the capitalization process. The principle of "anticipation" underlies this approach in that investors recognize the relationship between an asset's income and its value. In order to value the anticipated economic benefits of a particular property, potential income and expenses must be projected, and the most appropriate capitalization method must be selected.

The two most common methods of converting net income into value are Direct Capitalization and Discounted Cash Flow. In direct capitalization, net operating income is divided by an overall capitalization rate to indicate an opinion of market value. In the discounted cash flow method, anticipated future cash flows and a reversionary value are discounted to an opinion of net present value at a chosen yield rate (internal rate of return).

Investors acquiring this type of asset will typically look at year one returns but must also consider long-term strategies. Hence, depending upon certain factors, both the direct capitalization and discounted cash flow techniques have merit.

Considering all of the aspects that would influence an investment decision in the subject property, we conclude that the following method is appropriate in this assignment:

- The direct capitalization method

Potential Gross Income

Management provided financial statements for Budget Year 1, and Stabilized Budget Year 2. The financial statements are summarized on the following chart.

The following bullet points summarize our reconstruction of the income and expense statements.

- Non-operating expenses such as interest, rent and depreciation have been omitted.
- A management fee of 5.0 percent of effective gross income has been input. A discussion regarding the actual management fee will be presented later in this section.
- Reserves are estimated at $350 per unit.

The subject generates revenue from monthly rentals of the living units, as well as from other sources such as second person (double occupancy) fees, community fees, as well as other miscellaneous revenue.

Shepherd Premier Senior Living of Dixon
INCOME AND OPERATING EXPENSE SUMMARY

	Year 1 Budget				Year 2 Stabilized Budget			C&W Year 1 Forecast As-If Stabilized June 7, 2022			C&W Year 1 Forecast Upon Stabilization June 7, 2023		
	Amount	$/RD	$/Resident	% of EGI	Amount	$/RD	% of EGI	Amount	$/RD	% of EGI	Amount	$/RD	% of EGI
REVENUES													
Rental Income	$316,550	$170.61	$ 62,272	100.00%	$913,400	$169.66	100.00%	$816,000	$164.38		$836,400	$168.49	
Second Person Fees	$0	$0.00	$ -	0.00%	$0	$0.00	0.00%	$0	$0.00		$0	$0.00	
Personal Care	$0	$0.00	$ -	0.00%	$0	$0.00	0.00%	$36,000	$7.25		$36,900	$7.43	
Community Fees	$0	$0.00	$ -	0.00%	$0	$0.00	0.00%	$13,600	$2.74		$13,940	$2.81	
Other Income	$0	$0.00	$ -	0.00%	$0	$0.00	0.00%	$0	$0.00		$0	$0.00	
EFFECTIVE GROSS INC.	$316,550	$170.61	$ 62,272	100.00%	$913,400	$169.66	100.00%	$865,600	$174.38		$887,240	$178.73	
Plus Commercial Income	$0	$0.00	$ -	0.00%	$0	$0.00	0.00%	$0	$0.00		$0	$0.00	
Vacancy/Collection Loss	Inc. Above				Inc. Above			Inc. Above			Inc. Above		
TOTAL EGI	$316,550	$170.61	$ 62,272	100.00%	$913,400	$169.66	100.00%	$865,600	$174.38		$887,240	$178.73	
OPERATING EXPENSES													
Departmental													
General/Administrative	$131,650	$70.95	$ 25,898	41.59%	$195,450	$36.30	21.40%	$157,607	$31.75	18.21%	$161,547	$32.54	18.21%
Payroll Taxes & Benefits	$0	$0.00	$ -	0.00%	$0	$0.00	0.00%	$74,460	$15.00	8.60%	$76,322	$15.38	8.60%
Resident Care	$140,715	$75.84	$ 27,682	44.45%	$351,255	$65.24	38.46%	$151,402	$30.50	17.49%	$155,187	$31.26	17.49%
Food Services	$34,560	$18.63	$ 6,799	10.92%	$34,560	$6.42	3.78%	$59,568	$12.00	6.88%	$61,057	$12.30	6.88%
Activities	$0	$0.00	$ -	0.00%	$0	$0.00	0.00%	$12,410	$2.50	1.43%	$12,720	$2.56	1.43%
Housekeeping/Laundry	$0	$0.00	$ -	0.00%	$0	$0.00	0.00%	$9,928	$2.00	1.15%	$10,176	$2.05	1.15%
Plant Operations	$0	$0.00	$ -	0.00%	$0	$0.00	0.00%	$27,302	$5.50	3.15%	$27,985	$5.64	3.15%
Utilities	$9,600	$5.17	$ 1,889	3.03%	$9,600	$1.78	1.05%	$27,302	$5.50	3.15%	$27,985	$5.64	3.15%
Marketing/Promotions	$0	$0.00	$ -	0.00%	$0	$0.00	0.00%	$32,266	$6.50	3.73%	$33,073	$6.66	3.73%
Non-Departmental													
Real Estate Taxes	$0	$0.00	$ -	0.00%	$0	$0.00	0.00%	$19,700	$3.97	2.28%	$20,193	$4.07	2.28%
Property & Liability Insurance	$0	$0.00	$ -	0.00%	$0	$0.00	0.00%	$16,000	$3.22	1.85%	$16,400	$3.30	1.85%
Ground Lease or Rent	$0	$0.00		0.00%	$0	$0.00	0.00%	$0	$0.00	0.00%	$0	$0.00	0.00%
Management Fees (5% of EGI)	$15,828	$8.53	$ 3,114	5.00%	$45,670	$8.48	5.00%	$43,280	$8.72	5.00%	$44,362	$8.94	5.00%
Replacement Reserves ($/Unit)	$5,600	$3.02	$ 1,102	1.77%	$5,600	$1.04	0.61%	$5,600	$1.13	0.65%	$5,740	$1.16	0.65%
TOTAL ALL EXPENSES	$337,953	$182.14	$ 66,482	106.76%	$642,135	$119.27	70.30%	$636,825	$128.29	73.57%	$652,746	$131.50	73.57%
EXPENSE RATIO	106.8%				70.3%			73.6%			73.6%		
NET OPERATING INCOME	-$21,403	($11.54)	$ (4,210)	-6.76%	$271,265	$50.39	29.70%	$228,775	$46.09	26.43%	$234,494	$47.24	26.43%
OCCUPANCY	31.8%				92.2%			85.0%			85.0%		

[1] *Per Resident Day (PRD)*

Rental Rate Analysis

The rate schedules of the subject and comparables were presented in the Competitive Market Analysis. The following table summarizes the subject's unit types and the asking monthly rents.

Subject's Beds/Units and Asking Rents

Unit Type	No. Beds/Units	Occ. Beds/Units	Occ. %	Asking Rents Average $/Bed/Unit Per Mo.
Assisted Living				
Studio	16	1	6.3%	$6,000
	No. Beds/Units	**Occ. Beds/Units**	**Occ. %**	
TOTALS	16	1	6.3%	

Rental Rate Analysis

We presented the detailed subject and competitive rate schedules within the Competitive Market Analysis. In the below section, we will provide our analysis of the subject's rate structure and performance and reconcile to a rate for our C&W forecast.

Assisted Living Comparables

For the subject, assisted living residents receive three meals per day, weekly laundry/housekeeping, 24-hour care personal care assistance and medication management, general maintenance, all utilities including basic cable and wi-fi (but not phone) and transportation for personal and medical appointments. The subject's assisted living rates include a base level of care (Level 1), with two additional levels of care available; Level 2 is $500 and Level 3 is $1,000.

The subject is a well-appointed, purpose-built senior housing facility that functions as an assisted living community. The building has undergone a recent remodeling at a cost of approximately $250,000 and competes well with facilities of a newer age. It offers a small, home-like setting which is relatively unique in the local market as most facilities are larger. The subject's room configuration is somewhat atypical of today's market expectations as the room sizes are smaller relative to the newer age product, and they lack kitchenettes.

Studio Units – Assisted Living

The following chart indicates the asking rates for assisted living studio units at the subject, as well as the comparables:

STUDIO UNITS - ASSISTED LIVING						
Facility Name	**Unit Size (SF)**			**Rental Range**		
No. 1 - Heritage Square	---	-	---	$3,400	-	$4,000
No. 2 - Liberty Court	250	-	250	$3,900	-	$3,900
No. 3 - The Meadows of Franklin Grove	260	-	260	$2,475	-	$2,475
No. 4 - Avonlea of Sterling	---	-	---	$3,000	-	$3,000
No. 5 - Morningside of Sterling	---	-	---	$2,650	-	$4,140
No. 6 - Shepherd Premier Senior Living of Oregon	215	-	250	$6,000	-	$6,000
Range (Excluding Subject)	**215**	**-**	**260**	**$2,475**	**-**	**$6,000**
Average (Excluding Subject)	**242**	**-**	**253**	**$3,571**	**-**	**$3,919**
Subject's Asking Rates	225	-	270	$6,000	-	$6,000
Subject Weighted Average Asking Rate					**$6,000**	
Subject In-House Rate Range	225	-	270	$6,000	-	$6,000
Subject Average In-House Rate					**$6,000**	
C&W FORECAST					**$5,000**	

The comparables' asking rates range from $2,475 to $6,000 per month, with an average of $3,571 to $3,919 per month.

In our review of the subject's rent roll, the in-place rent for this unit is $6,000 per month. The subject has 16 of this unit type and 6.3 percent are occupied.

After analyzing the comparable and subject's rents, it is our opinion that the subject's average asking rate of $6,000 is high. We estimate the subject's market rent to be $5,000 per month.

Rental Rate Summary/Conclusion

The following chart details our reconciled base rental rates for all unit types at the subject.

Shepherd Premier Senior Living of Dixon								
Subject's Beds/Units and Asking Rents					**Subject In Place and C&W Forecast**			
				Asking Rents	**In Place Rents**			
Unit Type	**No. Beds/Units**	**Occ. Beds/Units**	**Occ. %**	**Average $/Bed/Unit Per Mo.**	**Min $/Bed/Unit Per Mo.**	**Max $/Bed/Unit Per Mo.**	**Average $/Bed/Unit Per Mo.**	**C&W Forecast Year 1**
Assisted Living								
Studio	16	1	6.3%	$6,000	$6,000	$6,000	$6,000	$5,000
	No. Beds/Units	**Occ. Beds/Units**	**Occ. %**		**Added Care Charges - In Place $/Bed/Unit**			
						No.	**Per Mo.**	
TOTALS	16	1	6.3%			1	$1,000	

June 2022 Rent Roll

Vacancy and Collection Loss

The subject property is a good quality facility that is located in a market with average occupancy rates.

MARKET OCCUPANCY SUMMARY		
Survey - Occupancy Average	Including Subject	Excluding Subject
AL	75.0%	80.0%

The average occupancy rate of the defined comparable properties is shown above. The current reported occupancy of the comparables surveyed ranged from 31 percent to 95 percent overall. Shepherd Premier Senior Living of Dixon was at 6 percent occupancy at the time of inspection.

These findings are in keeping with the NIC MAP Property Advisor data, presented and discussed in the Competitive Market Analysis.

The subject's occupancy performance is shown below.

Subject Occupancy			
Year	Potential Days	Occupied Days	Total
C&W YEAR 1 - As-If Stabilized	5,840	4,964	85%
C&W YEAR 1 - Upon Stabilization	5,840	4,964	85%

After analyzing all of the relevant data, including the subject's occupancy trends in conjunction with the competitor's occupancies, we forecast stabilized occupancy of as 85.0 percent for the subject.

Rent Increases

Most senior living facilities in the competitive market area implemented annual rent increases over the last several years. According to the NIC MAP® Data Service, Q1 of 2022 Key Metrics, year-over-year rent growth for senior housing reflected:

- 3.3% Overall Senior Housing (up 80 bps from the prior quarter)
- 2.7% Independent Living (up 50 bps from the prior quarter)
- 4.1% Assisted Living (up 110 bps from the prior quarter)
- 2.5% Skilled Nursing, reflecting private payor sources only, (up 80 bps from the prior quarter)
- 2.3% Entrance Fee CCRCs (down 10 bps from the prior quarter)
- 2.8% Rental CCRCs (up 80 bps from the prior quarter)

The year-over-year rent growth for the properties selected reflects a range but in most years, this increase is approximately 2.5 percent or higher.

Concessions/Rental Allowances

The operator's marketing plan includes an allowance for leasing up the new facility. The operator indicated the subject's units represent the high-end of the marketplace and offer superior accommodations, amenities and room size. Rooms are priced accordingly, and the operator indicated the asking rents are priced to reflect the facility's placement in the marketplace. However, considering overall economic pressures, the operator has increased their marketing budget to lease vacant units as they feel some added competitive pressures may be felt during lease-up. Generally, the operator anticipates the waiving of the community fee for approximately 50 percent of new admissions. We have reflected this within our lease-up analysis within the income approach. Based on discussions in the marketplace and the strength of the subject's product offering, we are of the opinion this is a reasonable expectation to lease vacant units.

Other Revenues

In addition to unit or room revenue, the subject receives additional income from additional personal care, new resident fees (community fees), as well as miscellaneous revenue from such items as barber/beauty income, laundry services, cable TV revenue, meal and guest fees, food catering, health supplies, etc.

Additional Personal Care

This relates to the additional costs for personal care to those residents requiring additional care. The rates at the subject for assisted living include a base level of care with two levels of care.

For assisted living, the subject's Level of Care charges are:

- Level 1 - $500 per month
- Level 2 - $1,000 per month

In our review of the rent roll, the subject has a total of 1 resident receiving added care charges, which represents 100.0 percent of the occupied assisted living and memory care units. The rent roll shows the average care charge for this 1 resident is $1,000 per month.

The revenue for this category is shown in the following chart.

Personal Care		
Year	Total	$/RD
Year 1	$0	$0.00
Year 2	$0	$0.00
C&W YEAR 1 - As-If Stabilized	$36,000	$7.25
C&W YEAR 1 - Upon Stabilization	$36,900	$7.43
Expense Comparables		
	Min	$3.15
	Max	$62.22
	Average	$35.09

As the care levels for residents can vary from month-to-month, we considered the rent roll and the projected performance. Our forecast personal care stabilized revenue is $36,000, or $7.25 PRD.

Second Person Fees

This revenue relates to the monthly charge for a second occupant in the same unit. Unlike dedicated shared or semi-private units, in which the two residents are usually unrelated, the second person is generally a spouse or a sibling. The following chart summarizes the second person fees for the comparables and subject.

The subject property has units rented on a private basis and there are no second persons paying a second person fee. Therefore, no second person fees are forecast in our analysis.

Community Fees

The subject charges a one-time fee for all new residents. This is a common charge within the industry and is non-refundable. The following chart summarizes the community fees for the comparables and subject.

COMMUNITY FEES			
Facility Name	**Range**		
No. 2 - Liberty Court	$1,500	-	$1,500
No. 3 - The Meadows of Franklin Grove	$0	-	$0
No. 4 - Avonlea of Sterling	$1,000	-	$1,000
No. 5 - Morningside of Sterling	$1,500	-	$1,500
No. 6 - Shepherd Premier Senior Living of Oregon	$2,500	-	$2,500
Range (Excluding Subject)	**$0**	**-**	**$2,500**
Average (Excluding Subject)	**$1,083**	**-**	**$1,083**
Subject's Asking Rates	$2,500	-	$2,500
C&W FORECAST	**$2,000**		

After a review of the subject's operating statements, it is apparent that the subject's community fees are often waived or reduced in order to entice prospective residents and their families to select the subject. Additionally, Medicaid admissions do not pay a community fee.

As a result, we have estimated the subject's community fee to be $2,000. This is lower than the subject's published community fee of $2,500.

According to data by *The State of Seniors Housing* report, ASHA reflects the following turnover rates for senior housing properties:

Annual Resident Turnover Rates			
Community Type	Lower Quartile	Median	Upper Quartile
Independent Living	n/a	n/a	n/a
Independent/Assisted	9.0%	20.0%	39.3%
Independent/Assisted/Memory Care	15.1%	31.5%	46.7%
Assisted Living	32.4%	47.6%	72.0%
Assisted Living/Memory Care	31.1%	53.8%	76.2%
Memory Care	41.0%	63.0%	93.6%
CCRCs	0.5%	10.9%	25.4%

*State of Seniors Housing - 2021

The historical and forecasted community fees are presented in the following chart.

Community Fees		
Year	**Total**	**$/RD**
Year 1	$0	$0.00
Year 2	$0	$0.00
C&W YEAR 1 - As-If Stabilized	$13,600	$2.74
C&W YEAR 1 - Upon Stabilization	$13,940	$2.81
Expense Comparables		
	Min	$1.13
	Max	$3.94
	Average	$2.41

For the subject, we estimate that 50 percent of the average occupied beds (exclusive of Medicaid beds) will pay entry or new resident fees of $2,000 during the subsequent 12 months.

Our forecasted community fees are $13,600. This is net of vacancy and collection.

Commercial Income

There are no commercial tenants paying rent at the subject property and therefore, no commercial income is forecast.

Effective Gross Income

The following table summarizes the projected estimate of stabilized income based on the above findings. The stabilized revenues are based on current market rents and trends and reflect what we consider a typical purchaser would anticipate.

Shepherd Premier Senior Living of Dixon
STABILIZED YEAR 1 OPERATING INCOME

UNIT TYPE	Resident Type	NO. Units	NO. Primary Beds	Monthly Rate	Potential Gross Income		Per Resident Day(PRD)[1]
POTENTIAL GROSS INCOME - ROOM/BOARD:							
Studio	AL	16	16	$5,000	$960,000		
TOTAL RENTAL REVENUE		**16**	**16**		$960,000		
LESS R/B VACANCY				15.0%	-$144,000		
Less: In Place Ongoing R/B Concessions			% Adjustment	0.0%	$0		
	Secondary Beds		**0**	$750	$0		
	Total Beds		**16**				**PRD[1]**
EFFECTIVE GROSS INCOME - ROOM/BOARD:					$816,000	$	164.38
ANCILLARY INCOME:		**Rate**	**MO.**	**Less V/C**	**EGI**		
Add: Community Fees		50%	$2,000	15.0%	$13,600	$	2.74
Add: Personal Care (AL/MC units only)					$36,000	$	7.25
Add: Other					$0	$	-
					$49,600	$	9.99
COMMERCIAL INCOME:					$0	$	-
EFFECTIVE GROSS INCOME					$865,600	$	174.38

[1] *Per Resident Day*

Historical Comparison

The following chart details the effective gross income (EGI) for the property.

Effective Gross Income (EGI) Year	Total	$/RD Total
Year 1	$316,550	$170.61
Year 2	$913,400	$169.66
C&W YEAR 1 - As-If Stabilized	$865,600	$174.38
C&W YEAR 1 - Upon Stabilization	$887,240	$178.73
Expense Comparables		
	Min	$108.82
	Max	$179.97
	Average	$138.17

The above C&W Year 1 EGI represents an As-If Stabilized forecast, as the facility is not currently stabilized. This will represent our Base Year for projection purposes, and we will trend this forecast, to coincide with our As-Is and Upon Stabilization timelines.

Our forecasted effective gross income in the upcoming 12 months, which is in untrended, current dollars and assumes stabilized operations, is $865,600. This is 173.4 percent higher than Year 1. This is 5.2 percent lower than Year 2.

Opinion of Expenses

We developed an opinion of the property's annual operating expenses after reviewing its historical performance and reviewing the operating statements of similar senior living properties. The operating information for the property was summarized previously.

We supported our estimate of projected expenses with other senior living facilities in the region, as well as from overall industry statistics. We also note that the reader is cautioned when reviewing the comparable expenses for individual facilities, in that the reporting of expenses varies by property and that different congregate living facilities offer different services. All comparisons will be made on a per resident day (PRD) basis.

Expense Comparables

The expense comparables are summarized in the following chart. We have applied a 2.5 percent per annum increase to trend the comparable expenses to current.

SUMMARY OF COMPARABLE OPERATING EXPENSES
SENIOR LIVING FACILITIES

Facility Name	**Confidential**		**Confidential**		**Confidential**		**Confidential**		**Confidential**	
State	Illinois		Ohio		Iowa		Kansas		Illinois	
Reporting Period	10/31/2021		9/30/2020		9/30/2019		9/30/2019		12/31/2018	
Year Built	2008		2005 & 2008		1998		1994		2015	
Total No. Units	76		50		35		26		50	
No. of IL Beds	0		0		0		0		0	
No. of AL Beds	76		50		35		29		50	
No. of MC Beds	0		0		0		0		0	
No. Second Person Beds	5		2		0		0		3	
Total No. Beds	81		52		35		29		53	
Occupancy	95%		94%		78%		97%		97%	
Resident Days	28,028		17,832		9,991		10,306		18,784	
	$/RD	% of EGI	$/RD	% of EGI	$/RD	% of EGI	$/RD	% of EGI	$/RD	% of EGI
Room/Board Income - Primary Residents	*$136.75*		*$65.10*		*$103.40*		*$108.84*		*$108.65*	
Second Person Fees	*$0.00*		*$2.97*		*$0.00*		*$3.61*		*$2.23*	
Personal Care	*$0.00*		*$38.85*		*$36.15*		*$62.22*		*$3.15*	
Community Fees	*$0.00*		*$1.85*		*$2.75*		*$3.94*		*$1.13*	
Other Income	*$5.55*		*$0.04*		*$0.27*		*$1.31*		*$2.00*	
Commercial Tenant Income	*$0.00*		*$0.00*		*$0.06*		*$0.06*		*$0.00*	
TOTAL NET REVENUES	***$142.29***		***$108.82***		***$142.62***		***$179.97***		***$117.15***	
EXPENSES										
General & Administrative	$13.96	9.81%	$9.63	8.85%	$9.70	6.80%	$15.64	8.69%	$45.07	38.47%
Payroll Taxes & Benefits	$16.08	11.30%	$7.50	6.89%	$11.39	7.98%	$14.14	7.86%	$3.54	3.02%
Resident Care	$15.84	11.13%	$24.07	22.12%	$29.17	20.45%	$39.38	21.88%	$0.01	0.01%
Food Services	$14.00	9.84%	$8.58	7.89%	$10.72	7.51%	$11.15	6.19%	$6.85	5.85%
Activities	$1.34	0.94%	$1.67	1.54%	$2.67	1.87%	$2.76	1.53%	$0.51	0.44%
Housekeeping	$2.05	1.44%	$1.62	1.49%	$2.09	1.47%	$1.28	0.71%	$0.45	0.39%
Plant Operations	$4.38	3.08%	$5.96	5.48%	$6.62	4.64%	$5.71	3.18%	$2.03	1.73%
Utilities	$4.64	3.26%	$6.84	6.29%	$4.91	3.44%	$6.08	3.38%	$4.82	4.11%
Marketing/Promotions	$3.42	2.40%	$5.09	4.67%	$6.78	4.75%	$8.08	4.49%	$1.32	1.13%
Real Estate Taxes	$2.36	1.66%	$1.85	1.70%	$7.77	5.45%	$2.53	1.40%	$4.91	4.19%
Insurance	$2.11	1.48%	$1.40	1.28%	$4.13	2.90%	$5.03	2.79%	$1.53	1.31%
ADJUSTED OPERATING EXPENSES	$80.17	56.34%	$74.21	68.20%	$95.93	67.26%	$111.78	62.11%	$71.04	60.64%
Management Fee at 5.0%	$7.11	5.00%	$5.44	5.00%	$7.13	5.00%	$9.00	5.00%	$5.86	5.00%
Reserves at $350 per unit	$0.95	0.67%	$0.98	0.90%	$1.23	0.86%	$0.88	0.49%	$0.93	0.80%
Total Expenses	$88.23		$80.63		$104.29		$121.66		$77.83	
Total Expense Ratio	62.01%		74.10%		73.12%		67.60%		66.43%	
Bad Debt in G&A:	$1.08	0.76%	($0.64)	-0.59%	$0.73	0.51%	$0.07	0.04%	$0.00	0.00%

Per Resident Day

The following is a discussion and summary of expense items that would be incurred by a typical investor in the operation of the subject facility. The financial data for the subject was presented earlier in this analysis.

General & Administrative

This includes office supplies, licenses/permits, dues/subscriptions, travel/meals, internet/telephone, transportation, business licenses, as well as the payroll cost for the administrative staff. We have also identified Bad Debt expense, which is presented separately but is included in the total expense amounts. This expense also included employee benefits for this category.

General/Administrative Incl. Bad Debt									
					$/RD				%EGI
Year	Salaries	Supplies	Bad Debt	Total	Salaries	Supplies	Bad Debt	Total	Total
Year 1	$0	$131,650	$0	$131,650	$0.00	$70.95	$0.00	$70.95	41.59%
Year 2	$0	$195,450	$0	$195,450	$0.00	$36.30	$0.00	$36.30	21.40%
C&W YEAR 1 - As-If Stabilized	$136,510	$19,856	$1,241	$157,607	$27.50	$4.00	$0.25	$31.75	18.21%
C&W YEAR 1 - Upon Stabilization	$139,923	$20,352	$1,272	$161,547	$28.19	$4.10	$0.26	$32.54	18.21%
Expense Comparables									
				Min	$5.38	$2.73	-$0.64	$9.63	6.80%
				Max	$42.34	$5.55	$1.08	$45.07	38.47%
				Average	$14.46	$4.09	$0.31	$18.80	14.52%

The expense comparables range from $9.63 to $45.07 PRD (average of $18.80 PRD). The forecasted expenses are supported by the comparables and projections.

We forecast stabilized General and Administrative expenses at $31.75 PRD or $157,607.

Payroll Taxes and Benefits

This includes employee pension plan expenses, vacation and holiday pay, worker's compensation, health insurance, miscellaneous employee benefits and payroll taxes.

Payroll Taxes & Benefits			
		$/RD	%EGI
Year	Total	Total	Total
Year 1	$0	$0.00	0.00%
Year 2	$0	$0.00	0.00%
C&W YEAR 1 - As-If Stabilized	$74,460	$15.00	8.60%
C&W YEAR 1 - Upon Stabilization	$76,322	$15.38	8.60%
Expense Comparables			
	Min	$3.54	3.02%
	Max	$16.08	11.30%
	Average	$10.53	7.41%

The expense comparables range from $3.54 to $16.08 PRD (average of $10.53 PRD). The forecasted expenses are supported by the comparables.

We forecast stabilized Payroll Taxes and Benefits expenses at $15.00 PRD or $74,460.

Resident Care

This expense includes anything associated with personal care or assisted living services. These include all health care and special needs supplies and wages for the care staff. This expense also included employee benefits for this category.

Resident Care							
					$/RD		%EGI
Year	Salaries	Supplies	Total	Salaries	Supplies	Total	Total
Year 1	$0	$140,715	$140,715	$0.00	$75.84	$75.84	44.45%
Year 2	$0	$351,255	$351,255	$0.00	$65.24	$65.24	38.46%
C&W YEAR 1 - As-If Stabilized	$148,920	$2,482	$151,402	$30.00	$0.50	$30.50	17.49%
C&W YEAR 1 - Upon Stabilization	$152,643	$2,544	$155,187	$30.75	$0.51	$31.26	17.49%
Expense Comparables							
			Min	$15.71	$0.01	$0.01	0.01%
			Max	$37.97	$1.41	$39.38	22.12%
			Average	$26.36	$0.61	$21.70	15.12%

The expense comparables range from $0.01 to $39.38 PRD (average of $21.70 PRD). The forecasted expenses are supported by the comparables and projections.

We forecast stabilized Resident Care expenses at $30.50 PRD or $151,402.

Food Services

These includes raw food and kitchen supplies and all payroll expenses for the food service staff. This expense also included employee benefits for this category.

Food Services									
						$/RD			%EGI
Year	Salaries	Supplies	Raw Food	Total	Salaries	Supplies	Raw Food	Total	Total
Year 1	$0	$34,560	$0	$34,560	$0.00	$18.63	$0.00	$18.63	10.92%
Year 2	$0	$34,560	$0	$34,560	$0.00	$6.42	$0.00	$6.42	3.78%
C&W YEAR 1 - As-If Stabilized	$29,784	$2,482	$27,302	$59,568	$6.00	$0.50	$5.50	$12.00	6.88%
C&W YEAR 1 - Upon Stabilization	$30,529	$2,544	$27,985	$61,057	$6.15	$0.51	$5.64	$12.30	6.88%
Expense Comparables									
				Min	$2.58	$0.45	$5.02	$6.85	5.85%
				Max	$7.71	$1.01	$5.84	$14.00	9.84%
				Average	$5.09	$0.63	$5.56	$10.26	7.46%

The expense comparables range from $6.85 to $14.00 PRD (average of $10.26 PRD). The forecasted expenses are supported by the comparables and projections.

We forecast stabilized Food Services expenses at $12.00 PRD or $59,568.

Activities

This category is for the activities and recreation costs, as well the payroll costs for the activities staff. This expense also included employee benefits for this category.

Activities							
					$/RD		%EGI
Year	Salaries	Supplies	Total	Salaries	Supplies	Total	Total
Year 1	$0	$0	$0	$0.00	$0.00	$0.00	0.00%
Year 2	$0	$0	$0	$0.00	$0.00	$0.00	0.00%
C&W YEAR 1 - As-If Stabilized	$9,928	$2,482	$12,410	$2.00	$0.50	$2.50	1.43%
C&W YEAR 1 - Upon Stabilization	$10,176	$2,544	$12,720	$2.05	$0.51	$2.56	1.43%
Expense Comparables							
			Min	$1.06	$0.28	$0.51	0.44%
			Max	$2.16	$0.68	$2.76	1.87%
			Average	$1.65	$0.47	$1.79	1.26%

The expense comparables range from $0.51 to $2.76 PRD (average of $1.79 PRD). The forecasted expenses are supported by the comparables.

We forecast stabilized Activities expenses at $2.50 PRD or $12,410.

Housekeeping/Laundry

This category is for all housekeeping costs, including all supplies requisite to housekeeping and laundry services, as well as the payroll costs for the housekeeping/laundry staff. This expense also included employee benefits for this category.

Housekeeping/Laundry							
					$/RD		%EGI
Year	Salaries	Supplies	Total	Salaries	Supplies	Total	Total
Year 1	$0	$0	$0	$0.00	$0.00	$0.00	0.00%
Year 2	$0	$0	$0	$0.00	$0.00	$0.00	0.00%
C&W YEAR 1 - As-If Stabilized	$7,446	$2,482	$9,928	$1.50	$0.50	$2.00	1.15%
C&W YEAR 1 - Upon Stabilization	$7,632	$2,544	$10,176	$1.54	$0.51	$2.05	1.15%
Expense Comparables							
			Min	$0.84	$0.35	$0.45	0.39%
			Max	$1.74	$0.51	$2.09	1.49%
			Average	$1.32	$0.44	$1.50	1.10%

The expense comparables range from $0.45 to $2.09 PRD (average of $1.50 PRD). The forecasted expenses are supported by the comparables.

We forecast stabilized Housekeeping expenses at $2.00 PRD or $9,928.

Plant Operations

These costs include general repairs and maintenance for the physical plant, supplies and equipment purchases for the facility, grounds maintenance, payroll costs for the maintenance staff, facility vehicle expenses, etc. This expense also included employee benefits for this category.

Plant Operations							
					$/RD		%EGI
Year	Salaries	Supplies	Total	Salaries	Supplies	Total	Total
Year 1	$0	$0	$0	$0.00	$0.00	$0.00	0.00%
Year 2	$0	$0	$0	$0.00	$0.00	$0.00	0.00%
C&W YEAR 1 - As-If Stabilized	$12,410	$14,892	$27,302	$2.50	$3.00	$5.50	3.15%
C&W YEAR 1 - Upon Stabilization	$12,720	$15,264	$27,985	$2.56	$3.08	$5.64	3.15%
Expense Comparables							
			Min	$1.63	$1.78	$2.03	1.73%
			Max	$2.91	$4.08	$6.62	5.48%
			Average	$2.26	$3.13	$4.94	3.62%

The expense comparables range from $2.03 to $6.62 PRD (average of $4.94 PRD). The forecasted expenses are supported by the comparables.

We forecast stabilized Plant Operations expenses at $27,302 or $5.50 PRD.

Utilities

This expense is for the annual cost for natural gas, electricity, water/sewer, cable television and trash removal.

Utilities			
		$/RD	%EGI
Year	Total	Total	Total
Year 1	$9,600	$5.17	3.03%
Year 2	$9,600	$1.78	1.05%
C&W YEAR 1 - As-If Stabilized	$27,302	$5.50	3.15%
C&W YEAR 1 - Upon Stabilization	$27,985	$5.64	3.15%
Expense Comparables			
	Min	$4.64	3.26%
	Max	$6.84	6.29%
	Average	$5.46	4.10%

The expense comparables range from $4.64 to $6.84 PRD (average of $5.46 PRD). The forecasted expenses are supported by the comparables.

We also reviewed the data compiled by ASHA in the below publication.

State of Seniors Housing Utilities Comparables - By Property Type			
Comparison: Per Resident Day	Minimum	Average	Maximum
Independent Living	$2.93	$5.07	$9.59
Independent/Assisted	$2.97	$5.65	$11.40
Independent/Assisted/Memory Care	$2.71	$6.51	$12.14
Assisted Living	$2.42	$4.47	$9.21
Assisted Living/Memory Care	$2.96	$5.37	$9.48
Memory Care	$3.20	$5.43	$8.71
CCRCs	$3.27	$5.88	$13.41
All Communities	**$2.42**	**$5.72**	**$13.41**

**State of Seniors Housing - 2021*

We forecast stabilized Utility expenses at $27,302 or $5.50 PRD.

Marketing/Promotions

This expense is directly connected to the advertising and marketing of the complex for such things as newspapers and brochures, resident retention, etc. It also includes payroll expenses for the marketing staff. This expense also included employee benefits for this category.

Marketing/Promotions							
					$/RD		%EGI
Year	Salaries	Supplies	Total	Salaries	Supplies	Total	Total
Year 1	$0	$0	$0	$0.00	$0.00	$0.00	0.00%
Year 2	$0	$0	$0	$0.00	$0.00	$0.00	0.00%
C&W YEAR 1 - As-If Stabilized	$24,820	$7,446	$32,266	$5.00	$1.50	$6.50	3.73%
C&W YEAR 1 - Upon Stabilization	$25,441	$7,632	$33,073	$5.13	$1.54	$6.66	3.73%
Expense Comparables							
			Min	$2.02	$0.73	$1.32	1.13%
			Max	$6.59	$1.83	$8.08	4.75%
			Average	$4.48	$1.35	$4.94	3.49%

The expense comparables range from $1.32 to $8.08 PRD (average of $4.94 PRD). The forecasted expenses are supported by the comparables.

We forecast stabilized Marketing expenses at $32,266 or $6.50 PRD.

Real Estate Taxes

This includes the subject's real and personal property tax liability.

Real Estate Taxes			
		$/RD	%EGI
Year	Total	Total	Total
Year 1	$0	$0.00	0.00%
Year 2	$0	$0.00	0.00%
C&W YEAR 1 - As-If Stabilized	$19,700	$3.97	2.28%
C&W YEAR 1 - Upon Stabilization	$20,193	$4.07	2.28%
Expense Comparables			
	Min	$1.85	1.40%
	Max	$7.77	5.45%
	Average	$3.88	2.88%

Please refer to the Real Estate Taxes and Assessments section of the report for a discussion of how the real estate taxes were estimated. We forecast the stabilized Real Estate Tax expense to be $19,700 in the upcoming year.

Insurance

This expense includes liability and property insurance.

Property & Liability Insurance				
		$/RD	%EGI	$/Unit
Year	Total	Total	Total	Total
Year 1	$0	$0.00	0.00%	$0
Year 2	$0	$0.00	0.00%	$0
C&W YEAR 1 - As-If Stabilized	$16,000	$3.22	1.85%	$1,000
C&W YEAR 1 - Upon Stabilization	$16,400	$3.30	1.85%	$1,025
Expense Comparables				
	Min	$1.40	1.28%	$498
	Max	$5.03	2.90%	$1,993
	Average	$2.84	1.95%	$1,005

The comparables showed expenses for this category from $498 to $1,993 per unit, with an average of $1,005 per unit.

We also reviewed the data compiled by ASHA in the below publication.

State of Seniors Housing General Property & Liability - By Property Type	
Comparison: Per Unit	Average
Independent Living	$409
Independent/Assisted	$595
Independent/Assisted/Memory Care	$810
Assisted Living	$658
Assisted Living/Memory Care	$704
Memory Care	$1,047
CCRCs	$756
All Communities	**$725**

**State of Seniors Housing - 2021*

Respondents to the above State of Seniors Housing publication are asked to provide their general and excess liability insurance costs, as well as a separate figure for professional liability. However, as separate figures are often not available and responses in this case may lump these into one group, we included the above, noting that we believe this to be the closest grouping of these categories.

The subject's expenses are supported by the expense comparables.

Our forecasted Insurance expense is $16,000. This equates to $1,000 per unit.

Management Fee

According to the American Seniors Housing Association (ASHA) *The State of Seniors Housing* report, management fees ranges are shown below.

State of Seniors Housing Management Fee			
As % of Total	Minimum	Average	Maximum
Independent Living	2.0%	4.5%	6.4%
Independent/Assisted	2.7%	4.3%	9.9%
Independent/Assisted/Memory Care	1.8%	4.7%	6.8%
Assisted Living	2.7%	5.2%	6.9%
Assisted Living/Memory Care	1.0%	5.1%	9.8%
Memory Care	1.2%	5.1%	8.2%
CCRCs	2.6%	4.7%	10.8%
All Communities	**1.0%**	**4.8%**	**10.8%**

**State of Seniors Housing - 2021*

We previously provided a total operating expense based on a market-based management fee. On the following page, the operator's actual management fee is presented. This was extracted from the historical operating statements and shown only for informational purposes.

The expense comparables used in this analysis had various management fees as a percentage of effective gross income. For the purposes of this analysis, we have used a 5.0 percent management fee for all comparables in order that we can consistently compare the overall expense ratios to the subject's overall expense ratio.

Management Fee Comparison				
Year	Actual	% EGI	At Market	% EGI
C&W YEAR 1 - As-If Stabilized	N/A	N/A	$43,280	5.00%
C&W YEAR 1 - Upon Stabilization	N/A	N/A	$44,362	5.00%

We consider a rate consistent with the market to be reasonable and have concluded to a management fee equal to 5.0 percent of collected revenues. This equates to a stabilized expense of $43,280.

Replacement Reserves

Replacement reserves are necessary for replacement of roof covering, mechanical systems, furnishings, appliances, etc. We interviewed several national senior housing operators and the reserves ranged from $300 to $1,000 per unit. We also reviewed the Realty Rates Investor Survey, providing survey results from market participants. This is presented below.

RealtyRates Reserves - Senior Housing			
	Minimum	Typical	Maximum
All Communities- Per Unit	$270	$410	$735

RealtyRates 4th Qtr 2021 Investor Survey

We estimate replacement reserves to be $350 per unit. This equates to an expense of $5,600.

Replacement reserves expenses were not reported in the expense comparables. Again, for the sake of consistency, we have applied a $350 per unit for the replacement reserves of the comparables in order to make a consistent comparison to the subject's overall expense ratio.

Expense Summary

The below chart summarizes our expense forecast.

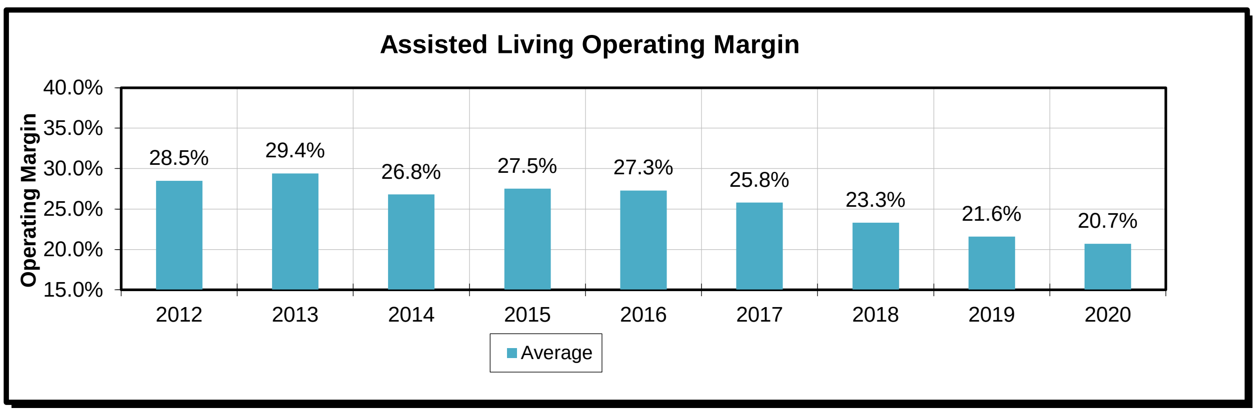
Total Operating Expenses									
						$/RD			%EGI
Year	Salaries	Benefits	Other	Total	Salaries	Benefits	Other	Total	Total
Year 1	$0	$0	$337,953	$337,953	$0.00	$0.00	$182.14	$182.14	106.76%
Year 2	$0	$0	$642,135	$642,135	$0.00	$0.00	$119.27	$119.27	70.30%
C&W YEAR 1 - As-If Stabilized	$369,818	$74,460	$192,547	$636,825	$74.50	$15.00	$38.79	$128.29	73.57%
C&W YEAR 1 - Upon Stabilization	$379,063	$76,322	$197,361	$652,746	$76.36	$15.38	$39.76	$131.50	73.57%
Expense Comparables									
				Min	$37.96	$3.54	$31.73	$77.83	62.01%
				Max	$64.33	$16.08	$43.20	$121.66	74.10%
				Average	$47.39	$10.53	$36.61	$94.53	68.65%

The above chart summarizes the historical and/or budget figures as well as the C&W forecast.

From a secondary comparison, we have analyzed the subject's forecast stabilized expenses to the expense comparables. All figures have been normalized for management fees and replacement reserves. This is presented below.

Expense Comparables (After Management Fees/Reserves)				
	Low	High	Average	
Per Rev.Bed	$77.83	$121.66	$94.53	
Expense Ratio	62.01%	74.10%	68.65%	
			Subject	
			$/RD	Ratio
C&W YEAR 1 - As-If Stabilized			$128.29	73.57%
C&W YEAR 1 - Upon Stabilization			$131.50	73.57%

According to *The Senior Care Acquisition Report, 26th Edition, 2021*, published by Irving Levin Associates, Inc., the average operating margin (which includes management fees) for senior housing properties that sold in 2020 are summarized in the following chart.



Source: The Senior Care Acquisition Report, 26th Edition, 2021

The operating margin for independent living decreased by 660 basis points, while the average for assisted living decreased by 90 basis points. It is the assisted living sector that is most affected by the operational headwinds facing the industry including lower occupancy and higher staffing costs. In 2019, the difference between the independent living and assisted living operating margins grew to its widest spread ever of 1,350 basis points, but with the lower independent living margin, this spread in 2020 was only 780 basis points.

A summary of the historical and forecast NOI for the subject is shown in the following chart.

Net Operating Income (NOI)			
Year	**Total**	**$/RD Total**	**% EGI Total**
Year 1	-$21,403	-$11.54	-6.76%
Year 2	$271,265	$50.39	29.70%
C&W YEAR 1 - As-If Stabilized	$228,775	$46.09	26.43%
C&W YEAR 1 - Upon Stabilization	$234,494	$47.24	26.43%
NOI / Expense Comparables			
	Min	$28.19	25.90%
	Max	$58.31	37.99%
	Average	$43.64	31.35%

Here again, the C&W Year 1 figures represent an As-If Stabilized forecast. This will represent our Base Year for projection purposes, and we will trend this forecast, to coincide with our As-Is and Upon Stabilization timelines, presented in the following chart.

Income and Expense Proforma

Based on the data, the expenses and resultant net operating income estimate for the subject are considered reasonable. A summary of our Stabilized Pro Forma is presented as follows:

Shepherd Premier Senior Living of Dixon
STABILIZED YEAR 1 OPERATING STATEMENT

		C&W Year 1 As-If Stabilized As Of: 6/7/22			C&W Year 1 Upon Stabilization As Of: 6/7/23		
		Total	$/RD	% of EGI	Total	$/RD	% of EGI
EFFECTIVE GROSS INCOME							
Rental Income		$816,000	$164.38		$836,400	$168.49	
Second Person Fees		$0	$0.00		$0	$0.00	
Personal Care		$36,000	$7.25		$36,900	$7.43	
Community Fees		$13,600	$2.74		$13,940	$2.81	
Other Income		$0	$0.00		$0	$0.00	
EGI Prior to Commercial Income		$865,600	$174.38		$887,240	$178.73	
Commercial Income		$0	$0.00		$0	$0.00	
TOTAL EGI		**$865,600**	**$174.38**		**$887,240**	**$178.73**	
EXPENSES							
General/Administrative		$157,607	$31.75	18.21%	$161,547	$32.54	18.21%
Payroll Taxes & Benefits		$74,460	$15.00	8.60%	$76,322	$15.38	8.60%
Resident Care		$151,402	$30.50	17.49%	$155,187	$31.26	17.49%
Food Services		$59,568	$12.00	6.88%	$61,057	$12.30	6.88%
Activities		$12,410	$2.50	1.43%	$12,720	$2.56	1.43%
Housekeeping/Laundry		$9,928	$2.00	1.15%	$10,176	$2.05	1.15%
Plant Operations		$27,302	$5.50	3.15%	$27,985	$5.64	3.15%
Utilities		$27,302	$5.50	3.15%	$27,985	$5.64	3.15%
Marketing/Promotions		$32,266	$6.50	3.73%	$33,073	$6.66	3.73%
Real Estate Taxes		$19,700	$3.97	2.28%	$20,193	$4.07	2.28%
Property & Liability Insurance		$16,000	$3.22	1.85%	$16,400	$3.30	1.85%
Ground Lease or Rent		$0	$0.00	0.00%	$0	$0.00	0.00%
TOTAL OPERATING EXPENSES		**$587,945**	**$118.44**	**67.92%**	**$602,644**	**$121.40**	**67.92%**
Management Fees	5.0%	$43,280	$8.72	5.00%	$44,362	$8.94	5.00%
Replacement Reserves	$350	$5,600	$1.13	0.65%	$5,740	$1.16	0.65%
TOTAL EXPENSES		$636,825	$128.29	73.57%	$652,746	$131.50	73.57%
NET OPERATING INCOME		**$228,775**	**$46.09**	**26.43%**	**$234,494**	**$47.24**	**26.43%**

[1] *Per Resident Day ($/RD)*

In our previous Revenue and Expense analyses, we concluded to figures reflecting current un-trended Base Year figures. As our first year NOI reflects an As-Is value scenario with an effective date of June 7, 2022, we have trended the As-If Stabilized forecast to this date by applying a 2.5 percent per annum adjustment to the revenues and a 2.5 percent per annum adjustment to the expenses.

Investment Considerations

Before determining the appropriate risk rate(s) to apply to the subject, a review of recent market conditions, particularly in the financial markets, is warranted. The following subsection provides review of these trends, ending with a summary of the investment considerations impacting the subject property. The trends are based upon the appraiser’s market research, discussions with participants in the market, and the relative position of the subject property within its market.

The Commercial Real Estate (CRE) market is driven by investor demand and strong liquidity. Since its onset in March 2020, the COVID-19 pandemic has had a dramatic effect on both of these factors as the market navigated actual and perceived impact. We observed asset classes experiencing various impacts, both positive and negative. We observed that asset values can fall significantly in short periods of time if either demand or liquidity, often in conjunction with many other factors, change significantly. We also observed asset values rise based on new-found demand for sector or property characteristics. Either through empirical data or COVID fatigue, society and the market are perceiving that we are near the end of the pandemic. Restrictions continue to be lifted and activities, such as travel and dining, are returning to pre-pandemic levels. We are observing stabilizing trend lines in most asset classes as we see the effects of vaccinations and approach herd immunity. In spite of the threat of new variants, the uncertainty of the early months of the pandemic has been replaced with clearer expectations and forecasts of asset class and individual property performance. Of course, some uncertainty exists in most property types in terms of forecast demand, to varying degrees. As we have throughout the pandemic, Cushman & Wakefield is closely monitoring the latest developments resulting from the COVID-19 pandemic and recovery and its effect on the subject and its market.

Overview

The recession that began in March 2020, triggered by the COVID-19 pandemic, was short and steep. In 2021 the economy continued to recover, however, midway through the year, fears of inflation and the Delta variant resulted in continued economic uncertainty. At 5.7%, economic expansion saw its largest annual increase since 1984. While this figure is impressive, it is also indicative of the damage caused by the coronavirus the prior year. At the end of April 2022, the Centers for Disease Control (CDC) announced that we have transitioned out of the “acute component of the pandemic phase,” and moved on to a more controlled phase. They did, however, warn that the BA.2 Omicron variant would continue to be disruptive, that eradicating the virus was unlikely, and that efforts were now concentrated around keeping infections as low as possible.

For the first three months of 2022, lingering effects from the pandemic continued to affect global supply chains and labor markets, causing the economy to contract by 0.4%, or by 1.4% on an annualized basis. This is a sharp decline from the 1.7% growth (6.9% annualized) for the last three months of 2021 and marks the weakest quarter since the beginning of the pandemic. The largest drag on the economy (more than 3 percentage points) was the trade deficit as consumers bought more foreign goods than American exports overseas. While these figures indicate that the economy is facing challenges, many fundamentals remain solid. In fact, consumer spending grew by 0.7% in the first quarter, and stripping out the effects of inventory and trade, growth was 0.6%, a modest acceleration from the end of 2021.

The war in Ukraine, rising interest rates, high inflation, and lockdowns in China, are not affecting commercial property sales, or at least not yet. For first quarter 2022, commercial property sales volume climbed 56% over the same time last year. Retail led the pack with a year-over-year increase of 102%, followed by hotel at 71% and office at 59%. It is important to keep in mind, however, that the commercial property transaction process takes a couple of months, so the activity through the end of March likely reflects sentiment from the beginning of the year. Any fallout around more recent uncertainties would become more apparent by the end of second quarter 2022.

Further considerations include:

- U.S. Consumer Confidence eased in April 2022 as the views on current conditions slightly worsened. For April 2022 the index fell to 107.3 from an upwardly revised reading of 107.6 in March 2022.
- Retail sales rose 0.5% in March 2022, below the upwardly revised 0.8% rise in February as well as the forecasted 0.6% estimate, as inflation hindered consumer spending. The two categories that had the largest impact on the index were food and energy at 8.8% and 6.9%, respectively.
- The Consumer Price Index rose 8.3 % through April 2022, easing slightly from 8.5% in March, but still ahead of the 8.1% estimate. Core CPI, which excludes food and energy, also rose higher than expected at 6.2%.
- In 2021, U.S. stocks rose 25.8%, however stocks lost ground in the first quarter of 2022, dropping by 5.3% overall, and showing a 4.6% decline for the S&P 500 and about a 9% drop for the Nasdaq Composite. In April 2022, the S&P dropped 13%, experiencing its worst month since March 2020.
- In early May 2022, The Federal Reserve raised its benchmark interest rate by half a percentage point. This hike pushed the Federal Funds rate to a range of 0.75-1.0%. Current market pricing has the range rising to 2.75-3.0% by year’s end.

That being said, it is important to take in mind that data lags, and industry participants are still trying to accurately determine the pandemic's current effects on the commercial real estate market. In other sections of the report, we will discuss these effects and impacts on the immediate market and subject property in as much detail as possible. Therefore, we ask that you consider the following points:

- Early in the COVID-19 pandemic, most non-essential businesses shut down, causing significant disruption in the economy. As businesses continue to adjust to the realities and complexities of the pandemic, some are not returning, or are returning in a different capacity.
- Certain property types have been more heavily impacted than others, with some asset classes benefiting from the COVID environment. Broadly speaking, cap rates compressed, and price growth improved significantly in 2021, however, this is not true for every property or asset class.
- Investment activity picked up significantly throughout 2021 and has now reached pre-pandemic levels. We anticipate this growth to continue throughout 2022.
- Inflation is expected to continue to rise through the end of the year and will begin tapering back in 2023, however, it has not yet manifested into actual deal metrics. Market experts agree that we are in a sellers’ market and expect to remain in one for the foreseeable future, as there remains ample money sitting on the sidelines waiting to be deployed.

As mentioned earlier, COVID is now endemic; the once-novel coronavirus, COVID-19, will remain circulating and mutating, primarily remaining a threat to vulnerable population groups. In the meantime, businesses here in the US are now operating much as they did pre-pandemic. The economy, however, will continue to be impacted by the virus, mostly through supply chain issues like the current lockdowns in China that are now occurring. Other significant challenges facing the economy will come from interest rate hikes, inflation, and global uncertainty surrounding the war in Ukraine.

Economic Conditions & Current Trends

For the past two years, economic growth in the U.S. has been volatile. GDP approached 7% in second quarter 2021, fell to less than 2.5% in the third quarter, then went back up to nearly 7% for the last three months of the year. For first quarter of 2022 GDP fell by 1.4%, the first decline since the early days of the pandemic. Some of the volatility can be directly linked to the numerous COVID-19 waves, however, other factors such as inventory accumulation, also played a role. Further compounding recent events was the Russian invasion of Ukraine in February 2022 which caused oil, natural gas, agricultural, and metal prices to surge. These events also coincided with the highest inflation in 40 years, caused by pandemic disruptions to supply chains and labor markets. Further exacerbating this are the current lockdowns in China which are also heavily contributing to a new wave of supply chain disruptions.

Although growth will slow this year, the economy should remain near full employment throughout the year and inflation should ease as well. In April 2022, the economy added 428,000 jobs, surpassing expectations and slightly higher than consensus. By comparison, prior to the pandemic, job gains were averaging about 200,000 per month. The positive job gains so far this year also mean that the labor market needs to add a bit more than 1 million more jobs to reach its pre-pandemic peak, something that experts believe can easily happen by summer. Moody's expects the employment rate to fall to 3.3% by the end of 2022, however, earnings growth of 5.5% is insufficient to keep up with inflation.

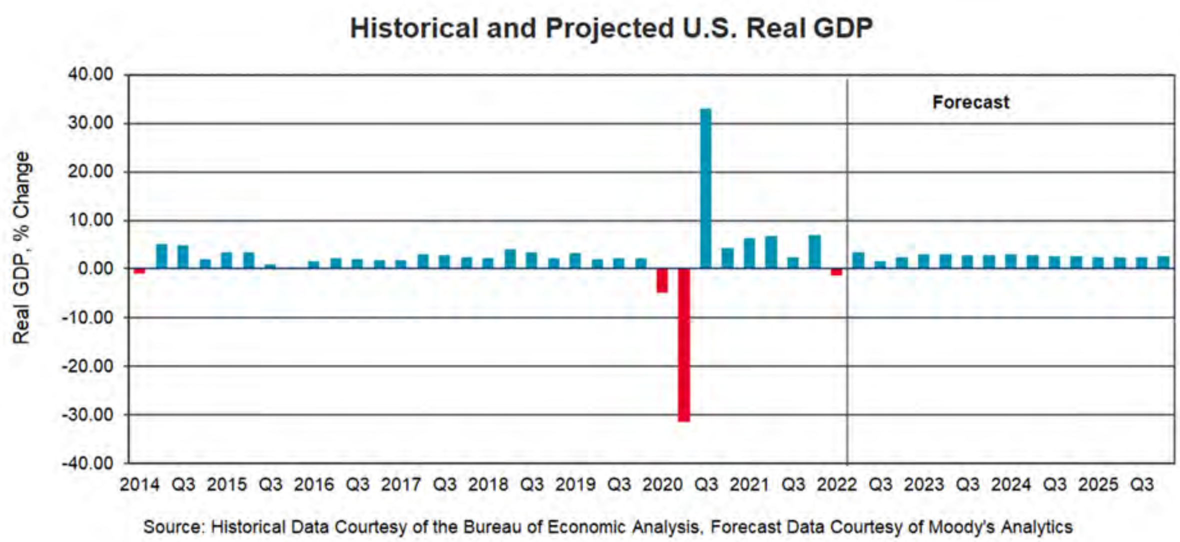
Higher interest rates will help slow the economy's growth and ultimately ease inflation through multiple channels, most notably via the highly rate sensitive housing and mortgage markets. In fact, fixed mortgage rates have risen surprisingly quickly in response to the Fed's aggressive moves. Still, the outlook for the year remains risky. The Russia-Ukrainian war has now surpassed potential virus waves as the main threat, and both can upset supply chains and keep interest rates at historically high levels. On top of that, the housing market appears overvalued, high consumer prices are putting a strain on consumers and hurting confidence. However, there are upside risks as well, most notably the huge amount of cash consumers have saved since the onset of the pandemic. Additionally, wages could rise more rapidly than expected, lifting household income, and spending along with it.

Further considerations are as follows:

- In March 2020, the Coronavirus Aid Relief and Economic Security, or CARES Act, was passed by Congress and signed by President Trump. The bill was intended to provide emergency assistance and health care for individuals, families and businesses affected by the COVID-19 pandemic. Totaling $2 trillion, the bill was unprecedented in size and scope, dwarfing the $831 billion stimulus act passed in 2009, and amounting to 10% of total 2019 U.S. GDP.
- On December 27, 2020, President Trump signed The Consolidated Appropriations Act of 2021 into law. One of the largest spending bills ever enacted, the $2.3 trillion spending bill combined $900 billion in stimulus relief with a $1.4 trillion omnibus spending bill for the 2021 federal fiscal year.
- On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 (ARP) into law. The bill was a $1.9 trillion economic stimulus designed to speed up the recovery from the health effects of the pandemic and the ongoing recession.
- The three major vaccines (Pfizer, Moderna and Johnson & Johnson) were all granted emergency use authorization in late 2020 and early 2021. In August 2021, the FDA approved the first COVID-19 vaccine which was known as the Pfizer-BioNTech COVID-19 Vaccine but is now being marketed as Comirnaty. A third vaccine shot, a booster shot, was approved in fall 2021, and a fourth one may be forthcoming this year.
- As of early 2022, President Biden's two other proposed parts to his Build Back Better Plan, the American Jobs Plan and the American Families Plan, appear to have come to a halt due to a Congressional stalemate. President Biden's administration has instead turned its focus on passing the climate change portion of the Plan. This piece would provide about $320 billion in tax credits for producers and investors in wind, solar and nuclear power, and would extend tax credits for those who purchased electric vehicles. Further, it intends to lower energy costs for homeowners, at up to 30%, for those who installed solar panels, geothermal pumps, and small wind turbines.

- On March 16, 2022, the Federal Open Market Committee (FOMC) voted to raise the federal funds rate by 25 basis points. Updated projections from the FOMC suggest that six additional rate hikes, each at about 25 basis points are expected by year end, with three more expected to occur in 2023.
- On February 24, 2022, Russia launched a full-scale invasion of Ukraine. Since then, the global oil market has been thrown into turmoil and has experienced unprecedented volatility. The Russian-Ukrainian War will have further impacts on the global supply chain in the coming year, particularly with wheat exports as both Russia and Ukraine export about 30% of the global wheat supply.

The following graph displays historical and projected U.S. real GDP percentage change (annualized on a quarterly basis) from first quarter 2014 through fourth quarter 2025:



Further points regarding current economic conditions are as follows:

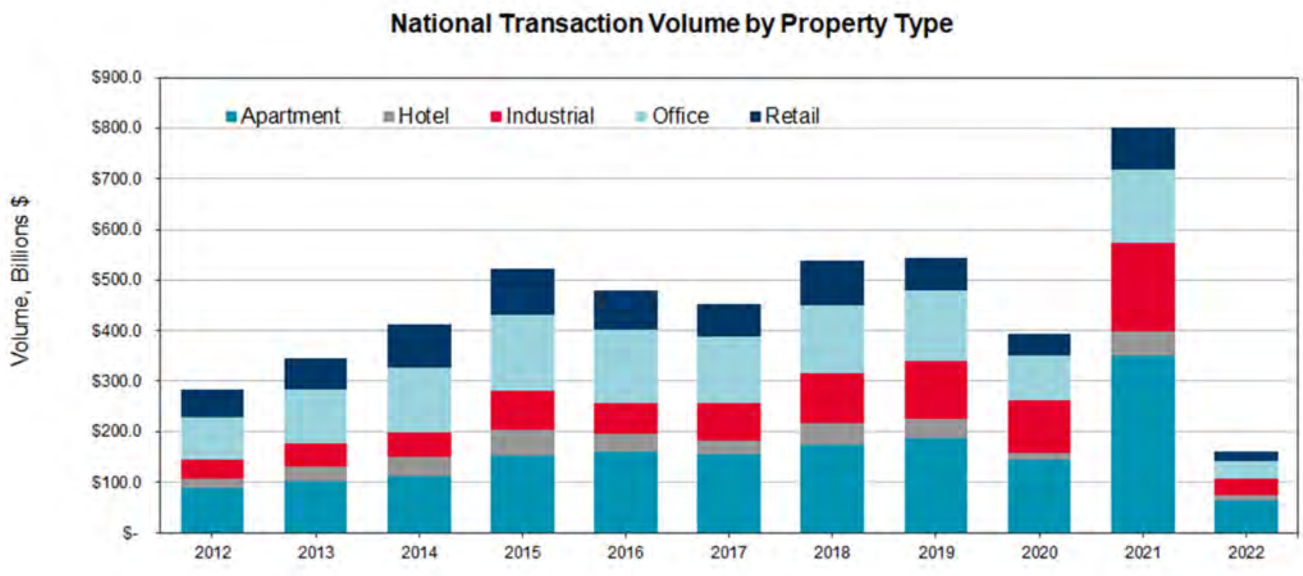
- Through first quarter 2022, GDP decreased 1.4% according to the Bureau of Economic Analysis' advanced estimate. First quarter 2022 ended the U.S. economy run of growth over the last six quarters behind increased vaccinations and eased restrictions in public settings across the nation. Furthermore, GDP is expected to face pressure throughout the rest of the year as supply chain disruptions and rising inflation continues.
- Commercial and multifamily mortgage loan originations increased 79% in fourth quarter 2021 (latest data available) when compared to the fourth quarter of 2020, according to the Mortgage Bankers Association's Quarterly Survey of Commercial/Multifamily Mortgage Bankers. In line with seasonality trends, loan originations between October and December 2021 were 44% higher than third quarter 2021.
- Commercial mortgage-backed securities (CMBS) have been spurred by measured investment sales activity and stable credit spreads. Commercial Mortgage Alert data indicates that U.S. CMBS issuance through April 2022 was 45.4% higher when compared to CMBS issuance during the same period in 2021. At the end of April 2022, Commercial Mortgage Alert data indicates that U.S. CMBS issuance sat at approximately $37.7 billion.

U.S. Real Estate Market Implications

Through first quarter 2022, overall deal volume totaled almost $161.6 billion. According to Real Capital Analytics (RCA), first quarter 2022 deal volume increased 56% from the previous year. Looking at individual property types, year-over-year transaction volume was up 59% for the office sector, 102% for retail, 50% for industrial, 71% for hotel and 56% for the apartment market.

Digging a bit deeper, portfolio and single asset deals were up 50% and 58%, respectively, from first quarter 2021. Individual assets are where the market is rebounding. In the first quarter of 2022, there were $126.1 billion in individual asset sales, while portfolio deals totaled $44.7 billion. Over the next few months, the U.S. real estate market will monitor the uncertainty surrounding rising interest rates, inflation and the war in Ukraine and its potential impacts on deal volume and pricing.

The following graph compares national transaction volume by property type from 2012 through 2022:



Source: Real Capital Analytics

According to the PricewaterhouseCoopers (PwC) Real Estate Investor Survey, average cap rates for all property types increased in five survey markets, decreased in 20, and held steady in ten through first quarter 2022 (in a quarterly comparison). When compared to the previous year, 91% of the market averages are lower today than they were a year ago, with 24 markets posting double-digit decreases. Additionally, for all markets, the average cap rate change is a four basis-point decline over last quarter.

The following chart displays an overall cap rate analysis of six distinct property classes during fourth quarter 2021, and compares them to the same time last year:

Overall Cap Rate Analysis
First Quarter 2022

Asset Class	Q1 2022	Q1 2021	Basis Point Change
CBD Office	5.64%	5.70%	-6
Suburban Office	6.13%	6.02%	11
National Warehouse	4.22%	4.80%	-58
National Apartment	4.40%	5.04%	-64
National Regional Mall	7.23%	7.35%	-12
National Net Lease	5.95%	6.16%	-21
National Full-Service Lodging	7.35%	8.05%	-70

Source: PwC Real Estate Investor Survey and Cushman & Wakefield Valuation & Advisory

Notable points for the U.S. real estate market include:

- Annual price growth in the six major metro areas as defined by RCA (Boston, Chicago, Los Angeles, New York, San Francisco, and Washington DC), rose 12.7% in a year-over-year comparison through the end of first quarter 2022, according to RCA, while annual price growth in the non-major metros rose by 10.6% over the same time frame.
- Approximately 25% of participants in the PwC Real Estate Investor Survey believe that current market conditions favor buyers in the national net lease market, and investor demand has increased in the industrial net lease sector especially. Additionally, investors believe inflation will disrupt economic growth over the next four to six months. Inflation, combined with a lack of for-sale net lease assets, is expected to keep deal activity low through the near term.
- The national full-service lodging market recorded the largest yearly cap rate shift, falling 70 basis points to 7.4%.
- At 7.5%, the Chicago office market average cap rate fell by 16 basis points from the previous year and is still the highest in the country, while the Manhattan office market, at 5.1%, holds the lowest cap rate, falling five basis points from first quarter 2021.
- Over the next six months, surveyed investors foresee overall cap rates holding steady in 32 of 33 markets but expect cap rates to increase in only the Chicago office market.

Conclusion

Despite the many obstacles that arose, it took about 20 months for the economy to fully recover from the pandemic's first blow. Now, once again, the economy is facing headwinds due to the Russian-Ukrainian war in Europe, high inflation, subsequent COVID waves, and supply chain issues caused by a combination of these factors. The Federal Reserve is tackling the inflation issue head-on, employment data is good, investment is robust, but the stock market's recent performance, consumer confidence and a possibly overvalued housing market are casting a shadow and will likely continue to damper growth, at least somewhat, this year.

Below are notes regarding the outlook for the U.S. national real estate market for early 2022 and beyond:

- Since last year, investment activity is up, and cap rates are down, overall. That said, some property types are still faring better, with industrial and multifamily leading the pack.
- Oil and gas prices remain volatile, causing concerns across the globe as tensions mount due to the crisis in Ukraine. The U.S. and Canada have banned Russian oil imports, although other countries in Western Europe are still hesitant to do so given their Russian oil dependency.
- While GDP fell by 1.4% for first quarter 2022, final sales of domestic product, which strips out trade and inventory components, increased at an annualized 2.6%, an improvement from 1.7% in first quarter, a positive sign for the remainder of the year.

In addition to the above, factors listed in the following table have been considered in the valuation of the subject property and have an impact on the selection of all investor rates.

Direct Capitalization Rate Analysis

In determining an appropriate capitalization rate, we utilized several different methods: market extraction from the sales comparables; findings reported in *The Senior Care Acquisition Report, 26th Edition, 2021*, published by Irving Levin Associates, Inc.; the findings from the 2022 Cushman & Wakefield Senior Care Participants Survey completed by Cushman & Wakefield, Inc.

We analyzed investment rates of return acceptable to buyers in order to determine the capitalization rate. The overall rate on an investment is determined by analyzing several aspects of that investment and then assigning a risk associated with those aspects. Elements usually considered are:

- ***Reliability of the gross income prediction***. How certain is it that the income will be forthcoming? Income is more dependable when the property is leased on a long-term basis to financially responsible tenants than when rented on a month-to-month basis to less reliable tenants.
- ***Reliability of the expense prediction***. Is there great possibility of having expenses increase materially, or is there a fair chance that they will remain about the same or even decrease?
- ***Expense ratio***. If the expenses are low in relation to gross income, the quality of the net income may be better, because a moderate reduction in gross income or a moderate increase in expenses does not affect the net income substantially.
- ***Burden of management***. Even when real estate management is employed, a property that requires constant attention, because of either maintenance or rent collection problems, is less desirable than one that needs minimal management. A long-term lease that requires a tenant to take care of all repairs and to pay taxes and insurance presents a situation that is relatively free from this burden of management.
- ***Marketability of the property***. An investment that has marketability and liquidity appeals to a wider group of investors than one lacking those attributes.
- ***Stability of value***. The value or market price of a piece of real property tends to remain within a narrower range for longer periods of time than do most other commodities.

As described previously, the gross income projected for the property is subject to such uncertainties as competition from other facilities and fluctuations in demand for the subject's services.

Going-In Capitalization Rate

The first method used to derive the capitalization rate was a review of comparable sales that occurred in the subject's regional area. The overall capitalization rates derived from the senior living facility sales used in the Sales Comparison Approach are summarized in the following chart.

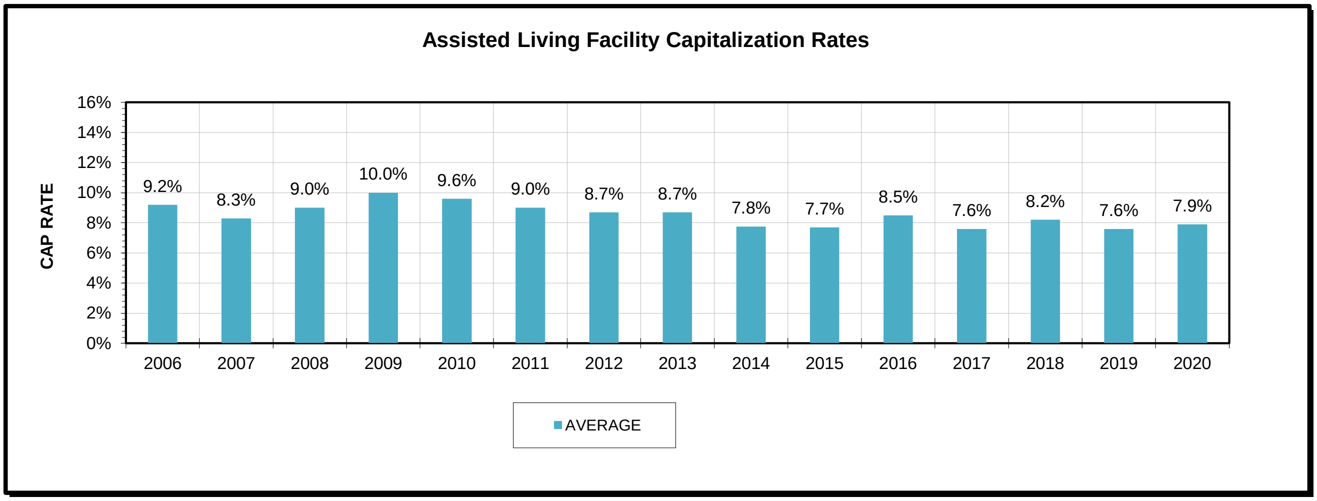
CAPITALIZATION RATE SUMMARY					
Sale No.	Property Name	Date of Sale	Year Built	Occupancy	Capitalization Rate
1	Village Green at Cypress	Nov-21	2018	100%	6.25%
2	Boulevard Senior Living Portfolio -	Sep-20	2018	90%	6.49%
3	Village Green Alzheimer's Care -	Jul-20	2020	100%	6.29%
4	Brightmoor Hospice	Jul-20	2012	100%	7.00%
5	The Clare	Dec-19	2008	97%	7.85%
6	University Living	Oct-19	2001	93%	6.54%
Low			2001	90%	6.25%
High			2020	100%	7.85%
Median			2015	99%	6.52%
Average			2013	97%	6.74%

The overall capitalization rates of the comparable sales range from 6.25 percent to 7.85 percent, with an average indication of 6.74 percent. These rates are reported after management fee and reserves.

Based on this data, it would appear that a capitalization rate for the subject property should fall within the upper portion of the range indicated. However, as the sales are trailing indicators of market activity, additional discussion of the current investment climate needs to be undertaken.

Industry Findings

To further test the capitalization rates, we consulted data on senior living property acquisition trends in *The Senior Care Acquisition Report, 26th Edition, 2021*, published by Irving Levin Associates, Inc. This information is summarized in the following graphs.



Source: The Senior Care Acquisition Report, 26th Edition, 2021

According to *The Senior Care Acquisition Report, 26th Edition, 2021*, published by Irving Levin Associates, Inc., capitalization rates for assisted living, and independent living increased in 2020. This was due to the added risk in the market resulting from COVID-19, as well as the weighting of the assets brought to market as Class A sales represented a smaller share of volume than in 2019.

Interest rates decreased again in 2020, with the 10-year Treasury rate averaging 2.1 percent throughout 2019, and then only 0.89 percent in 2020. The presumed lower borrowing costs stemming from this did not result in a lower cap rate; however, as many lenders grew cautious, raising the overall cost of borrowing.

In addition, Cushman & Wakefield, Inc. surveyed senior care participants regarding their investment parameters for senior housing properties. This recent information is summarized in the following table.

2022 Cushman & Wakefield Senior Care Participants Survey						
Property Type	**Survey Range**	**Survey Average**	**Change From 2021 Basis Point**	**%**	**Change From 2020 Basis Point**	**%**
Capitalization Rates						
55+ Senior Apartments	4.00% - 9.25%	7.05%	-11	-1.54%	+11	1.59%
Independent Living	4.25% - 9.25%	7.10%	-15	-2.07%	+5	0.71%
Assisted Living	5.50% - 13.25%	7.76%	-16	-2.02%	-5	-0.64%
Skilled Nursing	9.75% - 14.50%	13.15%	-5	-0.38%	+10	0.77%
Continuing Care Retirement Community	8.00% - 14.35%	10.15%	-20	-1.93%	-5	-0.49%
Internal Rates of Return						
55+ Senior Apartments	6.25% - 9.75%	8.75%	-15	-1.69%	-5	-0.57%
Independent Living	7.25% - 12.25%	10.15%	-15	-1.46%	-5	-0.49%
Assisted Living	8.25% - 13.75%	11.85%	-20	-1.66%	-5	-0.42%
Skilled Nursing	9.00% - 14.75%	14.35%	-25	-1.71%	-15	-1.03%
Continuing Care Retirement Community	10.00% - 15.00%	13.75%	-20	-1.43%	-5	-0.36%

Source: Senior Care Participants Survey 2022 by Cushman & Wakefield, Inc.

In reviewing the 2022 Cushman & Wakefield Senior Care Participants Survey, capitalization rates for senior living facilities reflect an increase from the prior year, reflecting the following market dynamics:

- Occupancy levels showing improvement from COVID-19 related occupancy lows reached in 2020 or 2021, but not yet back to pre-COVID-19 levels.
- The Class A assets have held up during this environment, but Class B and Class C have seen the greatest impact.

Investment Considerations

Senior Housing/Healthcare Marketplace

The following are some of the highlights of performance as indicated by NIC MAP and *The Senior Care Acquisition Report, 26th Edition, 2021*, published by Irving Levin Associates, Inc.*:*

- Sale price per unit differences widened for “A” quality versus “B” quality assets.
- Average operating expense ratios increased for independent living and assisted living assets.
- Capitalization rates for all senior housing types increased in 2020.
- Average price per unit decreased for both independent and assisted living; however, this was at least partially due to the underweight volume of Class “A” assets brought to market as these sellers sat on the sidelines.
- According to the NIC MAP® Data Service, Q1 of 2022 occupancy reflects the impact from COVID-19 and occupancy showing moderate increases over Q4 2021 but still well below pre-COVID-19 levels.

Direct Capitalization Method Conclusion

We estimated a capitalization rate range between 7.75 percent to 8.25 percent through our direct comparison analysis. Utilizing this method to develop a capitalization rate, tempered with investor criteria and the specific attributes of the subject, we consider a rate of 8.00 percent warranted for the property.

Our conclusion via the Direct Capitalization Method is as follows:

DIRECT CAPITALIZATION METHOD	C&W Year 1 As-Is As Of: 6/7/22		C&W Year 1 Upon Stabilization As Of: 6/7/23	
NET OPERATING INCOME	**$228,775**		**$234,494**	
Total Number of Units		**16**		**16**
Sensitivity Analysis (0.25% OAR Spread)	**Value**	**$/Unit**	**Value**	**$/Unit**
Based on Low-Range of 7.75%	$2,951,935	$184,496	$3,025,734	$189,108
Based on Most Probable Range of 8.00%	$2,859,688	$178,730	$2,931,180	$183,199
Based on Most Probable Range of 8.25%	$2,773,030	$173,314	$2,842,356	$177,647
Rent Loss	($352,968)			
Entrepreneurial Incentive on Rent Loss	($70,594)			
Reconciled Value	$2,436,126	$152,258	$2,931,180	$183,199
Rounded to nearest $50,000	$2,450,000	$153,125	$2,950,000	$184,375

Absorption and Rent Loss Analysis

The subject will incur significant rent loss during their initial lease-up period. Typical absorption patterns indicate that initial absorption of new residents for all facility types is strong in the first month, and then it tapers off during the following months.

National absorption performance reported by NIC MAP for assisted living and memory care facilities is shown in the following table.

Net Monthly Move-in Rates Properties Less Than Two Years Old Geography - MAP31						
	AL			MC		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
2019Q1	1.8	2.5	4.0	0.8	1.2	1.9
2019Q2	1.8	2.6	4.2	0.8	1.3	1.9
2019Q3	1.8	2.6	4.1	0.8	1.1	1.8
2019Q4	1.7	2.7	3.9	0.7	1.1	1.8
2020Q1	1.8	2.7	4.0	0.7	1.1	1.8
2020Q2	1.6	2.2	3.2	0.6	0.9	1.5
2020Q3	1.1	1.7	2.7	0.6	0.9	1.3
2020Q4	1.1	1.6	2.5	0.5	0.9	1.3
2021Q1	1.0	1.6	2.5	0.5	0.9	1.2
2021Q2	0.9	1.6	2.5	0.5	0.9	1.2
2021Q2	1.1	1.8	2.7	0.6	0.9	1.3
2021Q3	1.1	1.9	3.0	0.6	0.9	1.4
2021Q4	1.3	2.1	3.3	0.6	1.0	1.7

Source: NIC MAP ® Data Service

NIC MAP tracks net absorption for unstabilized communities which have been opened for two years or less. We note that this represents an average of all lease-up performers and reflects a blend of the first few months of absorption (which is typically high) and all subsequent months. NIC MAP does not track performance of months 1 – 3 separately.

Based upon this data and considering the prevailing market occupancy level, we are forecasting that the subject will reach stabilized operations after a 12 month lease-up period. Our assumptions include:

- 6 percent Starting occupancy, reflecting pre-lease activity since initial absorption of new residents for all facility types is strong in the first month and then tapers off in the following months;
- Average of 1.1 beds absorbed per month, reaching stabilized performance after 12 months;

Expenses are anticipated to be reduced relative to their stabilized level during the subject's initial lease-up period.

We also applied an entrepreneurial incentive to account for the added risk of the unstabilized cash flow.

RENT LOSS

Occupancy At Start	6%	
Upon Stabilization	85%	
Months to Lease	12	
PGI / Mo. - at 100%	$84,863	
EGI / Month - As Stable	$72,133	
Expenses / Mo. - As Stable	$53,069	
% Starting Expenses	95.0%	(as % of Stabilized Expenses)

Occupancy Rent Loss

	Occupancy	Mo. Revenue	Gross Rent Loss	% Expenses In Place	Expenses	Variable Expense Savings	Operating Deficit
Month 1	12.8%	$10,873	($61,260)	95.4%	$50,636	$2,432	($58,828)
Month 2	19.4%	$16,442	($55,691)	95.8%	$50,858	$2,211	($53,480)
Month 3	25.9%	$22,011	($50,122)	96.3%	$51,079	$1,990	($48,132)
Month 4	32.5%	$27,580	($44,553)	96.7%	$51,300	$1,769	($42,784)
Month 5	39.1%	$33,150	($38,984)	97.1%	$51,521	$1,548	($37,436)
Month 6	45.6%	$38,719	($33,415)	97.5%	$51,742	$1,327	($32,088)
Month 7	52.2%	$44,288	($27,846)	97.9%	$51,963	$1,106	($26,740)
Month 8	58.8%	$49,857	($22,276)	98.3%	$52,184	$884	($21,392)
Month 9	65.3%	$55,426	($16,707)	98.8%	$52,405	$663	($16,044)
Month 10	71.9%	$60,995	($11,138)	99.2%	$52,627	$442	($10,696)
Month 11	78.4%	$66,564	($5,569)	99.6%	$52,848	$221	($5,348)
Month 12	85.0%	$72,133	$0	100.0%	$53,069	$0	$0

	Gross Rent Loss	Expense Offset	Operating Deficit
Total Rent Loss	($367,562)	$14,594	($352,968)
Entrepreneurial Incentive		20%	($70,594)
Total Rent Loss Adjustment			($423,561)

Total - Per Year

	Occupancy Rent Loss	Discounts Rent Loss	Entrepreneurial Incentive	Total Rent Loss
Summary Months 1 - 12 Operating Deficit	($352,968)	$0	($70,594)	($423,561)
TOTAL	($352,968)	$0	($70,594)	($423,561)

Reconciliation - Income Capitalization Approach

The following is a summary of our concluded values in the Income Capitalization Approach:

INCOME CAPITALIZATION APPROACH CONCLUSION

Methodology	As-Is	Upon Stabilization
Direct Capitalization Method	$2,450,000	$2,950,000
Conclusion	**$2,450,000**	**$2,950,000**

Compiled by Cushman & Wakefield of Illinois

Reconciliation and Final Value Opinion

Valuation Methodology Review and Reconciliation

This appraisal employs the Sales Comparison Approach and the Income Capitalization Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that these approaches would be considered applicable and/or necessary for market participants. The subject's age makes it difficult to accurately form an opinion of depreciation and tends to make the Cost Approach unreliable. Investors do not typically rely on the Cost Approach when purchasing a property such as the subject of this report. Therefore, we have not utilized the Cost Approach to develop an opinion of market value.

The approaches indicated the following values:

FINAL VALUE RECONCILIATION		
Methodology	**As-Is**	**Upon Stabilization**
Date of Value	**June 7, 2022**	**June 7, 2023**
Sales Comparison Approach	$2,400,000	N/A
Income Capitalization Approach	$2,450,000	$2,950,000
Final Value Conclusion	**$2,450,000**	**$2,950,000**

Compiled by Cushman & Wakefield of Illinois

Because of the subject's age, the Cost Approach was considered to be inapplicable and was not completed.

The Sales Comparison Approach reflects an estimate of value as indicated by the actual sales of senior living facilities. In this approach, we searched the region for transactions of similar property types. Given that investors typically purchase these types of properties based on their income producing capabilities, this approach was useful in providing support for our findings in the Income Capitalization Approach.

The Income Capitalization Approach is typically considered the most appropriate approach to utilize when valuing going-concerns such as nursing homes, independent living and assisted living facilities. This approach considers the income potential of the property. In our Income Capitalization Approach to value, the anticipated monetary benefits of ownership were converted into a value estimate. Considering all of the aspects that would influence an investment decision in the subject property, we concluded that the following method(s) were appropriate in this assignment:

- The direct capitalization method

Since the subject property is an income-producing property, this approach received primary emphasis in our market value conclusion.

Market Value

Based on the Scope of Work agreed to with the Client, and as outlined in the accompanying report, we have developed an opinion that the Market Value of the Fee Simple estate of the referenced property as a going concern, subject to the assumptions, limiting conditions, certifications, is as follows:

VALUE CONCLUSIONS			
Appraisal Premise	**Real Property Interest**	**Date of Value**	**Value Conclusion**
Market Value As-Is	Fee Simple Estate of the Going Concern	6/7/2022	$2,450,000
Prospective Market Value Upon Stabilization	Fee Simple Estate of the Going Concern	6/7/2023	$2,950,000

Personal Property Allocation

Included in the above estimate of market value is the contributing value of the personal property at the subject property, or the furnishings, fixtures and equipment (FF&E). FF&E is generally considered to be part of the senior living facility and is typically sold with the building. It is therefore considered to be a part of the property's total value. FF&E includes the individual unit and public area furnishings, kitchen equipment, service/maintenance equipment and other machinery. We estimated the value of the FF&E as new to be $187,680, including a 20.00 percent factor for indirect costs and a 15.00 percent factor for entrepreneurial profit.

Physical deterioration (depreciation) must be deducted for the FF&E. We estimated that the subject's FF&E has a useful life of 10 years and our estimations for effective age of 2 years and resulting depreciation is shown below. For our Upon Stabilization analysis, we applied a higher effective age to the FF&E and estimated an effective age of 3 years.

Furniture, Fixtures and Equipment			
		As-Is **June 7, 2022**	**Upon Stabilization** **June 7, 2023**
No. Units		16	16
Cost $/Unit		$8,500	$8,500
Total Furnishings, Fixtures & Equipment		$136,000	$136,000
Plus: Indirect Costs (% of Direct Costs)	20.00%	$27,200	$27,200
Subtotal		$163,200	$163,200
Plus: Entrepreneurial Profit (% of RCN)	15.00%	$24,480	$24,480
Total Value of FF&E As New		$187,680	$187,680
Physical Life (Yrs)		10	10
Effective Age (Yrs)		2	3
Percent Depreciated (%)		20	30
Percent Value Remaining (%)		80	70
Depreciated Value		$150,144	$131,376
Rounded to nearest $10,000		**$150,000**	**$130,000**

The contributing value of the FF&E is considered to be the cost of the FF&E less accrued depreciation.

Business Enterprise Value

Senior living facilities, such as assisted/independent living properties and nursing homes, are undisputedly a combination of business and real estate; the day-to-day operation of a senior living facility may include an intangible property component over and above the real estate value. The intangible property may reflect reputation, work force, contracts, copyrights, patents, trademarks, or residual income. The intangible property component is typically referred to as “business enterprise value.”

In the valuation of a going concern appraisers are required to separately identify the value of the real property, FF&E, and the business enterprise value (BEV) in order not to be misleading to a reader of the appraisal report.

Numerous theories have been developed over time in an attempt to isolate the business value component of a senior living facility. Over the years, market participants such as buyers, sellers, investors, owners and operators have applied a number of these theories to identify and quantify the amount that is allocated to the Business Enterprise component. One method has been to use the Cost Approach as a proxy for the value of the real estate, with the difference between the Income Capitalization and Cost approaches representing the value of the BEV. However, particularly in older facilities, the Cost Approach may not be representative of the value of the real estate due to the imprecision in estimating depreciation. Further complicating the allocation process is that the distinction whether certain assets, such as the cost to obtain a CON, or the general appeal of a facility, would be classified as real estate or as an intangible asset can be disputed.

In estimating the BEV, we have considered typical lease agreements for senior housing and care properties. Real Estate Investment Trusts (REITs) specializing in senior housing assets generally structure leases to represent a return on the real property position. Leases are structured to provide a margin of security to the leased fee position, as well as to allow for a return to the operator. Based upon a review of lease transactions in the senior housing sector, leases are typically structured with Lease Coverage Ratios ranging from 1.20 to 1.60. By dividing the stabilized net operating income estimated for the subject property by the Lease Coverage Ratio, a return to the real property can be deduced.

Due to their long lived nature, real property is generally considered to contain less overall risk than FF&E or intangible assets. We have capitalized the estimated returns attributable to the real property at a rate that is 100 basis points below the overall capitalization rate of 8.00 percent selected for the total going concern. Our estimate of the value of the real property and FF&E is estimated as follows:

REAL PROPERTY AND FF&E ALLOCATION	**C&W Year 1 As-Is**	**C&W Year 1 Upon Stabilization**
	As Of: 6/7/22	**As Of: 6/7/23**
Net Operating Income (Going Concern)*	$194,890	$234,494
Divided by Lease Coverage Ratio	1.30	1.30
Net Operating Income (Real Estate & FF&E Position)	$149,915	$180,380
Divided by Capitalization Rate (Real Estate & FF&E)	7.00%	7.00%
Real Estate & FF&E Value Conclusion	$2,141,649	$2,576,861
Rounded to nearest $10,000	**$2,140,000**	**$2,580,000**

*For Non-Stable Year 1 EBITDA, normalizing NOI by using Value x Cap Rate

We have previously estimated the value of the FF&E at $150,000. Deducting the allocated value of the real property and the FF&E from our going concern value conclusion results in a value of the Business Enterprise of $310,000 calculated as follows:

BUSINESS ENTERPRISE ALLOCATIONS	C&W Year 1 As-Is	C&W Year 1 Upon Stabilization
	As Of: 6/7/22	As Of: 6/7/23
Going Concern Value	$2,450,000	$2,950,000
Allocation:		
Value of Real Property:	$1,990,000	$2,450,000
Value of FF&E	$150,000	$130,000
Allocation to BEV	$310,000	$370,000

We have tested the reasonableness of our asset allocation through a review of the income and rate or returns attributable to the asset types. This is presented in the table below.

	As Stable	Real Estate	FF&E	Intangibles/ Goodwill	Combined Going Concern
1	**Appraised Value**	**$2,450,000**	**$130,000**	**$370,000**	**$2,950,000**
	(% of Total)	*83.1%*	*4.4%*	*12.5%*	*100.0%*
1A	Source	Lease Coverage Method	Cost Approach	GCV - RE- FF&E = Intangible Assets	Weighting of all Approaches
2	**NOI or EBITDA(R)**	**$167,588**	**$12,792**	**$54,114**	**$234,494**
2A	Source	I = V*R	I = V*R	Excess Earnings	Stabilized NOI
3	**Capitalization Rate**	**6.84%**	**9.84%**	**14.63%**	**7.95%**
3A	Source	Blended Land & Impr. Rate	Typical FF&E Cap Rate	R = I / V	R = I/V & Supported By Market Data
	Implied Rent $/Square Foot	$22.65			
	Implied Rent $/Rev.Bed/Month	$873			

We estimate a capitalization rate of 6.84 percent would be reasonable for the real estate assets, which is 116 basis points below the going concern rate of 8.00 percent, which is supported by market comparables. Due to their short lived nature, the FF&E reflects a capitalization rate of 9.84 percent. The intangible assets, which represent the riskiest asset class, have an implied capitalization rate of 14.63 percent, which is consistent with rates of return required on assets with limited life and durability.

Insurable Value

At the Client's request, we have provided an insurable value estimate. The estimate is based on figures derived from the Marshall and Swift (M&S) Commercial Cost Explorer and is developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage for replacing any structure. This analysis should not be relied upon to determine insurance coverage. Furthermore, we make no warranties regarding the accuracy of this estimate.

Insurable Value is directly related to the portion of the real estate that is covered under the asset's insurance policy. We based this opinion on the building's replacement cost new (RCN) which has no direct correlation with its actual market value.

There are many variations and requirements specified by various clients. Hence, we employed the Client's requirements as defined in their letter of engagement attached in the addenda hereto, unless of course the Client and/or engagement letter is silent, in which case we employed our typical method for estimating Insurable Value described below.

We developed an opinion of Replacement Cost New (RCN) using the Calculator Method developed by Marshall & Swift. The RCN is the total construction cost of a new building with the same specifications and utility as the building being appraised, but built using modern technology, materials, standards and design. For insurance purposes, RCN includes all direct costs necessary to construct the building improvements. Items that are not considered include land value, site improvements, indirect costs, depreciation and entrepreneurial profit. To develop an opinion of insurable value, an exclusion for below-grade foundation was deducted from RCN.

The Insurable Value summary is presented in the following chart.

INSURABLE VALUE		
BASIC ASSUMPTIONS & REPLACEMENT COST PARAMETERS		
Replacement Cost New Source:	Marshall Valuation Service	
Improvement Type:	Multiple Residences - Elderly Assisted Living	**Section: 12**
Improvement Class:	D	**Page: 20**
Improvement Quality:	Good	**Date: 8/20**
REPLACEMENT COST ANALYSIS		
Replacement Cost New (RCN)	**Assisted Living**	**Sub-Total**
Sq. Ft.	7,400	
Building Improvements		
Base Cost - PSF	$120.00	
Sprinklers	$2.50	
Subtotal	$122.50	
	$906,500	$906,500
Multipliers		
Current Cost	1.310	
Local Area	1.130	
Perimeter	1.000	
Multi-Story	1.000	
Product of Multipliers	x 1.480	
Adjusted Base Building Cost	$1,341,892	$1,341,892
INSURABLE VALUE SUMMARY		
Less: Insurance Exclusions		
Foundations Below Grade	-5.00%	
Piping Below Grade (Negligible)	0.00%	
Total Insurance Exclusion Adjustment	-5.00%	
Exclusions:	($67,095)	($67,095)
Insurable Value		$1,274,797
Furniture, Fixtures and Equipment		$0
		$1,274,797
Rounded to nearest $50,000		**$1,250,000**

Therefore, the insurable value for the improvements is estimated to be $1,250,000.

We note that Insurable Value does not include any fixtures, furnishings and equipment (FF&E) that are necessary for the going concern value of the property. Insurance riders generally do not include FF&E as part of the insurable value.

Assumptions and Limiting Conditions

"Report" means the appraisal or consulting report and conclusions stated therein, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Report.

"C&W" means Cushman & Wakefield, Inc. or its subsidiary that issued the Report.

"Appraiser(s)" means the employee(s) of C&W who prepared and signed the Report.

The Report has been made subject to the following assumptions and limiting conditions:

- No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
- The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor C&W shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters. Any authorized user of the Report is obligated to bring to the attention of C&W any inaccuracies or errors that it believes are contained in the Report.
- The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Property itself can significantly affect the conclusions in the Report.
- The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of C&W is prohibited. Reference to the Appraisal Institute or to the MAI designation is prohibited. Except as may be otherwise stated in the letter of engagement, the Report may not be used by any person(s) other than the party(ies) to whom it is addressed or for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without C&W's prior written consent. Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by C&W in writing to use or rely thereon, hereby agrees to indemnify and hold C&W, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).
- Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.
- The Report assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.
- The physical condition of the improvements considered by the Report is based on visual inspection by the Appraiser or other person identified in the Report. C&W assumes no responsibility for the soundness of structural components or for the condition of mechanical equipment, plumbing or electrical components.

- The forecasted potential gross income referred to in the Report may be based on lease summaries provided by the owner or third parties. The Report assumes no responsibility for the authenticity or completeness of lease information provided by others. C&W recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.
- The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best opinions of current market thinking on future income and expenses. The Appraiser and C&W make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Report, envisages for the future in terms of rental rates, expenses, and supply and demand.
- Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. C&W recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.
- Unless otherwise stated in the Report, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the Property. C&W recommends that an expert in this field be employed to determine the compliance of the Property with the requirements of the ADA and the impact of these matters on the opinion of value.
- If the Report is submitted to a lender or investor with the prior approval of C&W, such party should consider this Report as only one factor, together with its independent investment considerations and underwriting criteria, in its overall investment decision. Such lender or investor is specifically cautioned to understand all Extraordinary Assumptions and Hypothetical Conditions and the Assumptions and Limiting Conditions incorporated in this Report.
- In the event of a claim against C&W or its affiliates or their respective officers or employees or the Appraisers in connection with or in any way relating to this Report or this engagement, the maximum damages recoverable shall be the amount of the monies actually collected by C&W or its affiliates for this Report and under no circumstances shall any claim for consequential damages be made.
- If the Report is referred to or included in any offering material or prospectus, the Report shall be deemed referred to or included for informational purposes only and C&W, its employees and the Appraiser have no liability to such recipients. C&W disclaims any and all liability to any party other than the party that retained C&W to prepare the Report.
- Any estimate of insurable value, if included within the agreed upon scope of work and presented within this report, is based upon figures derived from a national cost estimating service and is developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage for replacing any structure. This analysis should not be relied upon to determine insurance coverage. Furthermore, we make no warranties regarding the accuracy of this estimate.
- By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.
- Please be advised that with regard to appraisals of property located within the State of Illinois and covered by this agreement, and solely for purposes of compliance with I Ill. Admin. Code tit. 68, ch. VII(b), pt. 1455, 1455.250, Cushman & Wakefield of Illinois, Inc. (Illinois registration No. 558.000147 and expires December 31, 2022) is to be identified as a client.

Certification

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with Uniform Standards of Professional Appraisal Practice and the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Martin D. Broerman, MAI conducted a personal inspection of the property that is the subject of this report. Gerald V. Rasmussen, MAI, FRICS, Executive Managing Director, reviewed and approved the report but did not inspect the property.
- We have not performed prior services involving the subject property within the three-year period immediately preceding the acceptance of the assignment.
- The following individuals provided significant real property assistance in preparing this appraisal: Jason A. VanDevelde.
- As of the date of this report, Martin D. Broerman, MAI and Gerald V. Rasmussen, MAI, FRICS have completed the continuing education program of the Appraisal Institute.

Martin D. Broerman, MAI
Director
Senior Housing/Healthcare Industry Group
Illinois Certified General Appraiser
License No. 553.002252
License Expiration Date September 30, 2023
martin.broerman@cushwake.com
847.518.3208 Office Direct
847.518.9116 Fax

Gerald V. Rasmussen, MAI, FRICS
Executive Managing Director
Senior Housing/Healthcare Industry Group
Illinois Certified General Appraiser
License No. 553.001939
License Expiration Date September 30, 2023
gerald.rasmussen@cushwake.com
203.326.5835 Office Direct
203.326.5845 Fax

Glossary of Terms and Definitions

The following definitions of pertinent terms are taken from The Dictionary of Real Estate Appraisal, Sixth Edition (2015), published by the Appraisal Institute, as well as other sources.

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Proposed Interagency Appraisal and Evaluation Guidelines, OCC-4810-33-P 20%)

Band of Investment

A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment.

Business Value

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

Cash Equivalency

An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash.

Depreciation

1. In appraising, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. 2. In accounting, an allowance made against the loss in value of an asset for a defined purpose and computed using a specified method.

Disposition Value

The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

- Consummation of a sale will occur within a limited future marketing period specified by the client.
- The actual market conditions currently prevailing are those to which the appraised property interest is subject.
- The buyer and seller is each acting prudently and knowledgeably.
- The seller is under compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider their best interest.
- An adequate marketing effort will be made in the limited time allowed for the completion of a sale.
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Note that this definition differs from the definition of market value. The most notable difference relates to the motivation of the seller. In the case of Disposition value, the seller would be acting under compulsion within a limited future marketing period.

Exposure Time

1. The time a property remains on the market. 2. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. See also marketing time.

The reasonable exposure period is a function of price, time and use. It is not an isolated opinion of time alone. Exposure time is different for various types of property and under various market conditions. As noted above, exposure time is always presumed to precede the effective date of appraisal. It is the length of time the property would have been offered prior to a hypothetical market value sale on the effective date of appraisal. It is a retrospective opinion based on an analysis of past events, assuming a competitive and open market. It assumes not only adequate, sufficient and reasonable time but adequate, sufficient and a reasonable marketing effort. Exposure time and conclusion of value are therefore interrelated.

Extraordinary Assumptions

An extraordinary assumption is defined by the *USPAP* (2022-2023 Edition) as “an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinions or conclusions.”

Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis.

Fee Simple Estate

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

Going Concern Value

The value created by a proven property operation; considered as a separate entity to be valued with a specific business establishment. Common going-concern appraisals are conducted for assisted living facilities, nursing homes, hotels and motels, restaurants, bowling alleys, industrial enterprises, retail stores, and similar property uses. For these property types, the physical real estate assets are integral parts of an ongoing business such that the market values from the land and building are difficult, if not impossible, to segregate from the total value of the ongoing business.

Hypothetical Conditions:

A hypothetical condition is defined by the *USPAP* (2022-2023 Edition) as “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.” Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

Leased fee Interest

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

Leasehold Interest

The tenant’s possessory interest created by a lease. See also negative leasehold; positive leasehold.

Liquidation Value

The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

- Consummation of a sale will occur within a severely limited future marketing period specified by the client.
- The actual market conditions currently prevailing are those to which the appraised property interest is subject.
- The buyer is acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- The buyer is acting in what he or she considers his or her best interest.
- A limited marketing effort and time will be allowed for the completion of a sale.
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Note that this definition differs from the definition of market value. The most notable difference relates to the motivation of the seller. Under market value, the seller would be acting in his or her own best interests. The seller would be acting prudently and knowledgeably, assuming the price is not affected by undue stimulus or atypical motivation. In the case of liquidation value, the seller would be acting under extreme compulsion within a severely limited future marketing period.

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.) See also exposure time.

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).

Market Value

As defined in the Agencies' appraisal regulations, the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.[1]

Market Value of the Total Assets of the Business

Market value of all the intangible assets of the business as if sold in aggregate in a going concern.

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

Prospective Value Upon Reaching Stabilized Occupancy

The value of a property as of a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long-term occupancy. At such point, all capital outlays for tenant improvements, leasing commissions, marketing costs and other carrying charges are assumed to have been incurred.

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion."

[1] "Interagency Appraisal and Evaluation Guidelines." Federal Register 75:237 (December 10, 2010) p. 77472.

Addenda Contents

Addendum A:
Client Satisfaction Survey

WE WANT TO HEAR FROM YOU!

VALUATION & ADVISORY

CUSHMAN & WAKEFIELD

V&A National Quality Control Group values your feedback!

- What are we doing right?
- Are there areas where we could improve?
- Did our report meet your requirements?

As part of our quality monitoring campaign, your comments are critical to our efforts to continuously improve our service.

We'd appreciate your help in completing a short survey pertaining to this report and the level of service you received. Rest assured, any feedback will be treated with proper discretion and confidentiality.

Simply click http://www.surveymonkey.com/s.aspx?sm=_2bZUxc1p1j1DWj6n_2fswh1KQ_3d_3d&c=22-21002-900538-001 to respond.

Contact our National Lead for Quality Control with any questions or comments:

Rick Zbranek, MAI
Senior Managing Director
U.S. Lead, National Quality Control
Valuation & Advisory
T +1 713 963 2863
Rick.Zbranek@cushwake.com

Addendum B:
Engagement Letter

McHENRY SAVINGS BANK APPRAISAL ENGAGEMENT

MSB
TRUST IS EARNED.

Appraiser Name MARTIN D. BROERMAN

Address 9500 W BRYN MAWR AVENUE

City ROSEMONT

State ROSEMONT Zip 60018

Phone 847-518-3208

Fax 847-518-9116

E-Mail Martin.Broerman@cushwake.com

PROPERTY INFORMATION

Address 503 Countryside Lane

City Dixon

State IL Zip

Contact Brandon Schwab

Phone 224-333-6247

E-Mail brandon@boutiqueseniorlivingfund.c

Property Type SENIOR LIVING

Loan Reference SHEPHERD PREMIER

This letter is our formal request for you to proceed with a summary appraisal report on the above referenced property on behalf of McHenry Savings Bank ("MSB"). The scope of work and content of this appraisal should follow generally accepted practices set forth in both the Uniform Standards of Professional Appraisal Practice and FIRREA standards. MSB instructs the appraiser to determine the approaches' to value necessary to develop a credible appraisal analysis. In determining value please provide the following:

☑ "AS IS" value only ☐ "AS IS" as well as an "AS COMPLETED" ☐ "AS STABLIZED" value ☐ ALL

In addition, the purpose and scope of work of the appraisal must be clearly set forth in the report, along with all limiting conditions and assumptions. Flood zone and related map must be included within the report. The appraisal must be addressed to McHenry Savings Bank and should be delivered to appraisals@mchenrysavings.com.

If applicable, appraiser shall certify that Supervisory Appraisers have personally inspected the property and should disclose whether anyone provided significant assistance to the appraiser signing the appraisal report. Certification should include the date of the inspection.

By acceptance of this assignment, you acknowledge that the subject appraisal is being requested in connection with the underwriting of a loan, and that a copy of the appraisal report may be furnished by MSB to the loan applicant. Please sign and return the enclosed copy of this letter to the undersigned, acknowledging receipt of this letter.

Please contact me at (815) 331-6413 or lmallon@mchenrysavings.com if you have any questions in regard to this assignment.

Sincerely,

Linda Mallon
Loan Processing Systems Manager

Date 6/2/22

Quoted Fee $4800

Quoted Delivery Date 6/9/20

RECEIPT ACKNOWLEDGED

By:_________________________________ Date:_____________

Addendum C:
Senior Demographics

CW Senior Life Summary for My Site, 503 Countryside Ln, Dixon, IL, 61021, trade area of 15 mile(s):

Senior Life Summary Report

Date: June 21, 2022

Population by Age

	15 mile(s)
5 Year Projection Total Population	72,456
Current Year Total Population	73,516
2000 Census Total Population	79,002
2010 Census Total Population	77,641
Growth 2000 to 2010	-1.72%

Description	2000 Census	%	Current Estimate	%	5 Year Projection	%
Total Population	79,002		73,516		72,456	
Age 45 - 54	10,772	13.63%	9,198	12.51%	8,443	11.65%
Age 55 - 64	7,334	9.28%	10,895	14.82%	9,896	13.66%
Age 65 - 74	6,415	8.12%	8,241	11.21%	8,880	12.26%
Age 75 - 84	4,432	5.61%	4,664	6.34%	5,443	7.51%
Age 85+	1,834	2.32%	2,247	3.06%	2,370	3.27%
Age 65+	12,681	16.05%	15,152	20.61%	16,693	23.04%
Household Income by Age of Householder						
Median Household Income	$44,616		$62,449		$63,460	
Householder Age 65 - 74	4,021		4,977		5,339	
Income < $ 15,000	724	17.99%	452	9.08%	469	8.79%
Income $ 15,000 - $24,999	898	22.33%	673	13.52%	695	13.02%
Income $ 25,000 - $34,999	657	16.33%	643	12.91%	691	12.94%
Income $ 35,000 - $49,999	829	20.61%	760	15.27%	816	15.29%
Income $ 50,000 - $74,999	547	13.61%	1,019	20.47%	1,113	20.84%
Income $ 75,000 - $99,999	157	3.91%	577	11.60%	622	11.65%
Income $ 100,000 - $124,999	52	1.29%	197	3.95%	226	4.24%
Income $ 125,000 - $149,999	35	0.87%	218	4.38%	225	4.21%
Income $ 150,000 - $199,999	72	1.79%	269	5.41%	280	5.24%
Income $ $200,000+	51	1.26%	170	3.42%	202	3.78%
Median Household Income	$30,651		$48,364		$49,084	
Householder Age 75 - 84	NA		3,285		3,824	
Income < $ 15,000	NA	NA	518	15.76%	574	15.00%
Income $ 15,000 - $24,999	NA	NA	628	19.12%	694	18.14%
Income $ 25,000 - $34,999	NA	NA	456	13.88%	516	13.49%
Income $ 35,000 - $49,999	NA	NA	454	13.81%	533	13.94%
Income $ 50,000 - $74,999	NA	NA	435	13.23%	512	13.39%
Income $ 75,000 - $99,999	NA	NA	335	10.20%	411	10.74%
Income $ 100,000 - $124,999	NA	NA	147	4.49%	196	5.13%
Income $ 125,000 - $149,999	NA	NA	133	4.05%	173	4.51%
Income $ 150,000 - $199,999	NA	NA	112	3.40%	137	3.58%
Income $ $200,000+	NA	NA	68	2.06%	79	2.07%
Median Household Income	NA		$36,571		$38,604	
Householder Age 85 and Older	NA		1,531		1,627	
Income < $ 15,000	NA	NA	252	16.47%	261	16.07%
Income $ 15,000 - $24,999	NA	NA	245	16.02%	257	15.78%
Income $ 25,000 - $34,999	NA	NA	178	11.59%	181	11.11%
Income $ 35,000 - $49,999	NA	NA	177	11.55%	187	11.47%
Income $ 50,000 - $74,999	NA	NA	283	18.49%	307	18.86%
Income $ 75,000 - $99,999	NA	NA	142	9.29%	148	9.12%
Income $ 100,000 - $124,999	NA	NA	65	4.25%	77	4.71%
Income $ 125,000 - $149,999	NA	NA	26	1.72%	30	1.86%
Income $ 150,000 - $199,999	NA	NA	125	8.17%	140	8.62%
Income $ $200,000+	NA	NA	37	2.44%	39	2.40%
Average Household Income	$48,401		$73,418		$74,868	
Median Household Income	$39,817		$57,101		$57,373	
Per Capita HH Income*	$18,752		$29,846		$30,611	
Median Value	$79,038		$117,186		$129,468	
Owner Occupied	21,878		20,533		20,342	
Renter Occupied	8,730		8,654		8,593	

* Current Year Per Capita HH Income = Aggregate Household

** Not all 2000 variables are available in 2010 data.

Demographic Trend Summary for My Site, 503 Countryside Ln, Dixon, IL, 61021, trade area of 15 mile(s):

Demographic Trend Summary
Geography: 15 mile(s)
Date: June 21, 2022

	2000		2010		2021		2026		Percent Change	
	Census	%	Census	%	Estimate	%	Projection	%	2000 to 2010	2021 to 2026
Total Population	79,002		77,641		73,516		72,456		-1.7%	-1.4%
Total Households	30,608		31,116		29,187		28,934		1.7%	-0.9%
Employed Civilian Population 16+	36,376		34,738		34,066		33,792		-4.5%	-0.8%
Blue Collar	18,267	50%	16,921	49%	16,980	50%	16,859	50%	-7.4%	-0.7%
White Collar	18,109	50%	17,817	51%	17,086	50%	16,933	50%	-1.6%	-0.9%
Q4 2021 Employees	n/a		n/a		28,173		n/a		n/a	n/a
Q4 2021 Establishments*	n/a		n/a		2,291		n/a		n/a	n/a

Population by Age

	2000		2010		2021		2026		Percent Change	
	Census	%	Census	%	Estimate	%	Projection	%	2000 to 2010	2021 to 2026
0 to 4	4,721	6.0%	4,660	6.0%	4,099	5.6%	4,075	5.6%	-1.3%	-0.6%
5 to 14	11,020	13.9%	9,566	12.3%	8,673	11.8%	8,474	11.7%	-13.2%	-2.3%
15 to 19	5,466	6.9%	5,011	6.5%	4,135	5.6%	4,012	5.5%	-8.3%	-3.0%
20 to 24	4,202	5.3%	4,302	5.5%	3,951	5.4%	3,889	5.4%	2.4%	-1.6%
25 to 34	10,130	12.8%	8,845	11.4%	8,999	12.2%	8,647	11.9%	-12.7%	-3.9%
35 to 44	12,676	16.0%	9,622	12.4%	8,414	11.4%	8,326	11.5%	-24.1%	-1.0%
45 to 54	10,772	13.6%	12,049	15.5%	9,198	12.5%	8,443	11.7%	11.9%	-8.2%
55 to 64	7,334	9.3%	10,372	13.4%	10,895	14.8%	9,896	13.7%	41.4%	-9.2%
65 to 74	6,415	8.1%	6,643	8.6%	8,241	11.2%	8,880	12.3%	3.6%	7.8%
75 to 84	4,432	5.6%	4,467	5.8%	4,664	6.3%	5,443	7.5%	0.8%	16.7%
85+	1,834	2.3%	2,103	2.7%	2,247	3.1%	2,370	3.3%	14.7%	5.5%
Median Age	38.2		41.9		43.2		43.6		9.8%	0.9%

Households by Income

	2000		2010		2021		2026		Percent Change	
	Census	%	Census	%	Estimates	%	Projections	%	2000 to 2010	2021 to 2026
$0 - $15,000	4,447	14.5%	3,709	11.9%	2,861	9.8%	2,807	9.7%	-16.6%	-1.9%
$15,000 - $24,999	4,518	14.8%	4,078	13.1%	3,237	11.1%	3,192	11.0%	-9.7%	-1.4%
$25,000 - $34,999	4,382	14.3%	3,974	12.8%	3,006	10.3%	2,974	10.3%	-9.3%	-1.1%
$35,000 - $49,999	5,980	19.5%	5,011	16.1%	3,983	13.6%	3,967	13.7%	-16.2%	-0.4%
$50,000 - $74,999	6,473	21.1%	6,940	22.3%	5,684	19.5%	5,531	19.1%	7.2%	-2.7%
$75,000 - $99,999	2,736	8.9%	3,585	11.5%	4,443	15.2%	4,342	15.0%	31.0%	-2.3%
$100,000 - $149,999	1,457	4.8%	2,621	8.4%	3,680	12.6%	3,695	12.8%	79.9%	0.4%
$150,000 +	604	2.0%	1,199	3.9%	2,292	7.9%	2,425	8.4%	98.7%	5.8%
Average Hhld Income	$48,401		$59,119		$73,418		$74,868		22.1%	2.0%
Median Hhld Income	$39,817		$46,009		$57,101		$57,373		15.6%	0.5%
Per Capita Income	$18,752		$24,326		$29,846		$30,611		29.7%	2.6%

*Establishment counts include D&B business location records that have a valid telephone, known SIC code and D&B rating as well as exclude cottage industries (businesses that operate from a residence).

Addendum D:
Property Exhibits

Lee County
Jennifer Boyd, CIAO
Chief County Assessment Officer
112 E. Second Street
Dixon, IL 61021
Phone: (815) 288-4483

PIN 07-08-04-251-010

Parcel Information

GIS/Map **Property Tax**

Dixon Township

Street Address:
503 COUNTRYSIDE LN
DIXON IL

Subdivision:

NO IMAGE AVAILABLE

Legal Information

Property Class:	0060 Improved Commercial
Lot Acres:	0.00
Lot Size:	0 Sq. Ft

Sale Information

Sale Date	Sale Type	Sale Amount	Document Number
10/15/2019	001 Not advertised	250,000	2019004071
08/19/2014	001 Not advertised	450,000	2014003378

Assessment Information

Year	Type	Land Unimproved/Farm	Land Improved	Building Other/Farm	Building	Total
2021	Normal	0	44,472	0	154,481	198,953
2020	Normal	0	42,354	0	147,125	189,479
2019	Normal	0	41,120	0	142,840	183,960

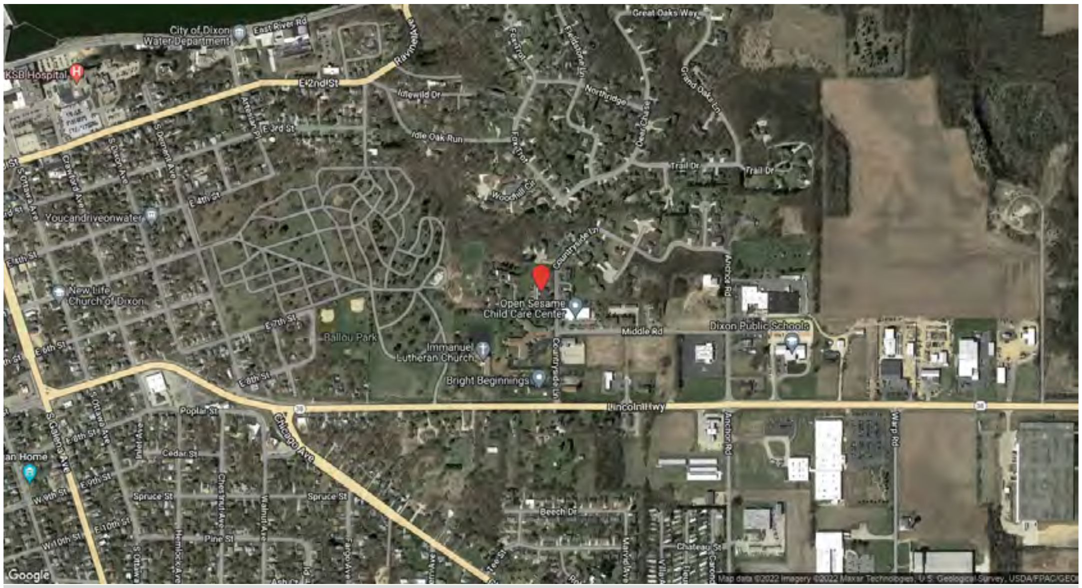
Building Information

Type of Use:
Style:
Model Name:
Year Built:
Total Sq. Ft:
Bathroom:
Basement:

Fireplace:
Central Air:
Deck:
Porch:
Patio:
Garage:

Search Again Back Print

Overview Map



RiskMeter

CoreLogic

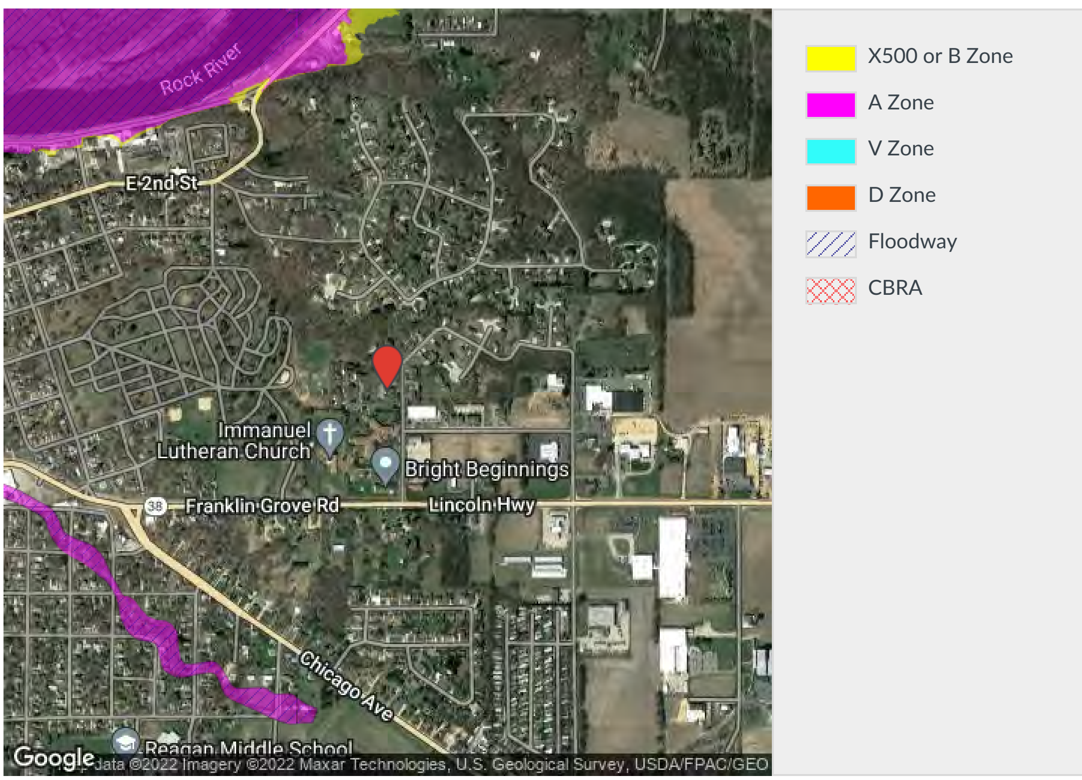
503 COUNTRYSIDE LN DIXON, IL 61021-3912

LOCATION ACCURACY: Excellent **LATITUDE:** 41.840170 **LONGITUDE:** -89.466144 **MATCH CODE:** A0000 **SOURCE:** PxPoint **CENSUS BLOCK ID:** 171030003001033

Flood Zone Determination Report

Flood Zone Determination: OUT

SFHA (FLOOD ZONE)	OUT	WITHIN 250 FEET OF FLOOD ZONE	NO
FLOOD ZONE	X	COMMUNITY	170417
COMMUNITY NAME	DIXON, CITY OF	PANEL	0230G
PANEL DATE	August 17, 2016	COBRA	OUT
PARTICIPATION STATUS	R	ORIGIN FIRM DATE	April 15, 1988
MAP NUMBER	17103C0230G	FIPS CODE	17103



Addendum E:
Rent Roll

		2022 Dixon	MOVE IN DATE		Jan.	Feb.	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	
1		KM	3/26/22					$0.00	$0.00								
2	9	DZ	3/21/22					$7,000.00	$7,000.00								
3		CP	4/4/22	4/12/22				$0.00	$0.00								
4																	
5																	
6																	
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15																	
16																	
		TOTAL						**$7,000.00**	**$7,000.00**								**$14,000.00**
		AVERAGE						**$2,333.33**	**$2,333.33**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**$2,333.33**
		Occupancy						**18.75%**	**18.75%**								**18.75%**
		Residents						**3**	**3**								**3**

Addendum F:
Operating Statements

Shepherd of Dixon 503 Countryside Ln, Dixon, IL

	Operating	Operating	Operating	Operating	Operating	Operating	Operating	Operating	Operating	Operating	Operating	Operating
Month	1	2	3	4	5	6	7	8	9	10	11	12
# of Residents	1	1	2	3	4	5	5	6	7	8	9	10
Average Cost per Bed	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500
Acquisition												
Purchase												
Acquisition Costs												
	-											
Construction												
Construction Costs	(375,000)	(375,000)	(375,000)	(375,000)	-	-	-	-	-	-	-	-
Total Acquisition and Construction	***(375,000)***	***(375,000)***	***(375,000)***	***(375,000)***	-	-	-	-	-	-	-	-
Revenue												
POD 1-House 1	5,500	5,500	11,000	16,500	22,000	27,500	27,500	33,000	38,500	44,000	49,500	55,000
Less 10% Vacancy	(550)	(550)	(1,100)	(1,650)	(2,200)	(2,750)	(2,750)	(3,300)	(3,850)	(4,400)	(4,950)	(5,500)
Respite Stay Program	1,000	1,000	1,000	1,000	1,000	1,250	1,250	1,250	1,500	1,500	1,500	1,500
Total Revenue	***5,500***	***5,500***	***11,000***	***16,500***	***20,800***	***26,000***	***26,000***	***30,950***	***36,150***	***41,100***	***46,050***	***51,000***
Expenses												
Operating Expense												
Caregivers	(1,815)	(1,815)	(3,630)	(5,445)	(7,260)	(9,075)	(9,075)	(10,890)	(12,705)	(14,520)	(16,335)	(18,150)
RN	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)
Director	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
Overhead @ 10% of Revenue	(550)	(550)	(1,100)	(1,650)	(2,200)	(2,750)	(2,750)	(3,300)	(3,850)	(4,400)	(4,950)	(5,500)
Food	(2,880)	(2,880)	(2,880)	(2,880)	(2,880)	(2,880)	(2,880)	(2,880)	(2,880)	(2,880)	(2,880)	(2,880)
Utilities	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)
Misc Expense	(6,675)	(6,675)	(6,675)	(6,675)	(6,675)	(6,675)	(6,675)	(6,675)	(6,675)	(6,675)	(6,675)	(6,675)
Total Operating Expense	***(16,720)***	***(16,720)***	***(19,085)***	***(21,450)***	***(23,815)***	***(26,180)***	***(26,180)***	***(28,545)***	***(30,910)***	***(33,275)***	***(35,640)***	***(38,005)***
Project Net Cashflow Before Financing	***(386,220)***	***(386,220)***	***(383,085)***	***(379,950)***	***(3,015)***	***(180)***	***(180)***	***2,405***	***5,240***	***7,825***	***10,410***	***12,995***
Financing												
Project Net Cashflow Before Financing	(386,220)	(386,220)	(383,085)	(379,950)	(3,015)	(180)	(180)	2,405	5,240	7,825	10,410	12,995

Shepherd of Dixon 503 Countryside Ln, Dixon, IL

	Operating	Operating	Operating	Operating	Operating	Operating	Operating	Operating	Operating	Operating	Operating	Operating
Month	13	14	15	16	17	18	19	20	21	22	23	24
# of Residents	11	12	13	14	15	16	16	16	16	16	16	16
Average Cost per Bed	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500
Acquisition												
Purchase												
Acquisition Costs												
Construction												
Construction Costs	-	-	-	-	-	-	-	-	-	-	-	-
Total Acquisition and Construction	-	-	-	-	-	-	-	-	-	-	-	-
Revenue												
POD 1-House 1	60,500	66,000	71,500	77,000	82,500	88,000	88,000	88,000	88,000	88,000	88,000	88,000
Less 10% Vacancy	(6,050)	(6,600)	(7,150)	(7,700)	(8,250)	(8,800)	(8,800)	(8,800)	(8,800)	(8,800)	(8,800)	(8,800)
Respite Stay Program	1,750	1,750	2,000	2,000	2,500	2,500	3,500	3,500	3,500	4,000	5,000	5,250
Total Revenue	***56,200***	***61,150***	***66,350***	***71,300***	***76,750***	***81,700***	***82,700***	***82,700***	***82,700***	***83,200***	***84,200***	***84,450***
Expenses												
Operating Expense												
Caregivers	(19,965)	(21,780)	(23,595)	(25,410)	(27,225)	(29,040)	(29,040)	(29,040)	(29,040)	(29,040)	(29,040)	(29,040)
RN	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)
Director	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
Overhead @ 10% of Revenue	(6,050)	(6,600)	(7,150)	(7,700)	(8,250)	(8,800)	(8,800)	(8,800)	(8,800)	(8,800)	(8,800)	(8,800)
Food	(2,880)	(2,880)	(2,880)	(2,880)	(2,880)	(2,880)	(2,880)	(2,880)	(2,880)	(2,880)	(2,880)	(2,880)
Utilities	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)
Misc Expense	(6,675)	(6,675)	(6,675)	(6,675)	(6,675)	(6,675)	(6,675)	(6,675)	(6,675)	(6,675)	(6,675)	(6,675)
Total Operating Expense	***(40,370)***	***(42,735)***	***(45,100)***	***(47,465)***	***(49,830)***	***(52,195)***	***(52,195)***	***(52,195)***	***(52,195)***	***(52,195)***	***(52,195)***	***(52,195)***
Project Net Cashflow Before Financing	***15,830***	***18,415***	***21,250***	***23,835***	***26,920***	***29,505***	***30,505***	***30,505***	***30,505***	***31,005***	***32,005***	***32,255***
Financing												
Project Net Cashflow Before Financing	15,830	18,415	21,250	23,835	26,920	29,505	30,505	30,505	30,505	31,005	32,005	32,255

Addendum G:
Comparable Sale Data Sheets

IMPROVED SALE COMPARABLE 1

Property Name:	Village Green at Cypress
Address:	13058 Grant Road
City, State, Zip:	Cypress TX 77429
MSA:	Houston
County:	Harris
Submarket:	
Property Type:	Senior Housing
Property Subtype:	Alzheimer's/ Dementia Facility
Classification:	N/A
ID:	645709
Tax Number(s):	119-080-001-0005

PROPERTY INFORMATION

Site Area (Acres):	0.91	Total IL Units:	N/A
Site Area (Sq. Ft.):	39,436	Total AL Units:	N/A
Gross Building Area:	10,400	Total ALZ Units:	16
Net Building Area:	3,108	Total Nursing Beds:	N/A
Year Built:	2018	Total Units:	16
Quality:	Good	Total Beds:	16
Condition:	Good		

SALE INFORMATION

Status:	Closed Sale	OAR:	6.25%
Sale Date:	11/2021	NOI:	$288,000
Sale Price:	$4,608,000	NOI per Unit:	$18,000
Price per Unit:	$288,000	NOI per Bed:	$18,000
Price per Bed:	$288,000	Occupancy:	100.00%
Value Interest:	Leased Fee	Expense Ratio:	N/A
Grantor:	Village Green, LLC	EGIM:	16.00
Grantee:	DKW, Inc.	CFM:	16.00
Financing:	N/A		
Condition of Sale:	Arm's Length		

VERIFICATION COMMENTS

Listing agent and Purchase and Sale Agreement.

COMMENTS

This is the November 2021 sale of Village Green at Cypress (formerly Eden Memory Care), a 16-unit memory care facility, that upon closing of the sale will be subject to a 15-year operating leased to Village Green, LLC at an initial absolute triple-net rental rate of $288,000 per year, with 10% rent steps every five years and each of four 5-year renewal options. Village Green, LLC operates 10 assisted living/memory care facilities in Houston and Dallas.

IMPROVED SALE COMPARABLE 2

Property Name:	Boulevard Senior Living Portfolio - Missouri
Address:	3330 Ehlmann Road
City, State, Zip:	Saint Charles MO 63301
MSA:	St. Louis
County:	Saint Charles
Submarket:	
Property Type:	Senior Housing
Property Subtype:	Assisted Living Residences
Classification:	N/A
ID:	600118
Tax Number(s):	N/A

PROPERTY INFORMATION

Site Area (Acres):	17.17	Total IL Units:	173
Site Area (Sq. Ft.):	747,851	Total AL Units:	102
Gross Building Area:	336,334	Total ALZ Units:	44
Net Building Area:	N/A	Total Nursing Beds:	N/A
Year Built:	2018	Total Units:	319
Quality:	Excellent	Total Beds:	N/A
Condition:	Excellent		

SALE INFORMATION

Status:	Closed Sale	OAR:	6.49%
Sale Date:	9/2020	NOI:	$6,296,170
Sale Price:	$97,000,000	NOI per Unit:	$19,737
Price per Unit:	$304,075	NOI per Bed:	N/A
Price per Bed:	N/A	Occupancy:	90.00%
Value Interest:	Fee Simple	Expense Ratio:	62.42%
Grantor:	St. Charles Senior Community LLC	EGIM:	5.79
Grantee:	St. Charles Senior Housing I Propco LLC	CFM:	15.41
Financing:	Cash to seller		
Condition of Sale:	Arm's Length		

VERIFICATION COMMENTS

Sean Reilly with confidential source. The facilities were marketed by Blueprint.

COMMENTS

This is a two-property portfolio. Both properties were constructed in 2018 and have independent living, assisted living and memory care units. The buyer is an affiliate of Kayne Anderson. The Boulevard Senior Living at St. Charles contains 180 units. The Boulevard Senior Living at Wentzville has 139 units and is located at 110 Perry Cate Boulevard in Wentzville, approximately 15 miles to the west. The figures noted above are based on the buyer's Year 1 pro forma and are inclusive of management fees of 5 percent of effective gross income and replacement reserves of $500 per unit. The pricing is reflective of stabilized operations and no COVID-related discount was given.

IMPROVED SALE COMPARABLE 3

Property Name:	Village Green Alzheimer's Care - Spring
Address:	7910 West Rayford Road
City, State, Zip:	Spring TX 77389
MSA:	Houston
County:	Harris
Submarket:	
Property Type:	Senior Housing
Property Subtype:	Alzheimer's/ Dementia Facility
Classification:	N/A
ID:	616528
Tax Number(s):	134-765-001-0054

PROPERTY INFORMATION

Site Area (Acres):	1.51	Total IL Units:	N/A
Site Area (Sq. Ft.):	65,570	Total AL Units:	N/A
Gross Building Area:	12,899	Total ALZ Units:	16
Net Building Area:	N/A	Total Nursing Beds:	N/A
Year Built:	2020	Total Units:	16
Quality:	Good	Total Beds:	16
Condition:	Excellent		

SALE INFORMATION

Status:	Recorded Sale	OAR:	6.29%
Deed Reference:	RP-2020-304196	NOI:	$301,250
Sale Date:	7/2020	NOI per Unit:	$18,828
Sale Price:	$4,790,000	NOI per Bed:	$18,828
Price per Unit:	$299,375	Occupancy:	100.00%
Price per Bed:	$299,375	Expense Ratio:	N/A
Value Interest:	Leased Fee	EGIM:	15.90
Grantor:	Vaquero Augusta Pines Partners LP	CFM:	15.90
Grantee:	Tachibana Properties LP		
Financing:	N/A		
Condition of Sale:	Arm's Length		

VERIFICATION COMMENTS

Listing agent and offering memorandum

COMMENTS

This is the July 2020 sale of Village Green Alzheimer's Care - Spring, a 16-unit memory care facility, that was subject to a 20-year operating lease to Village Green Alzheimer's Care Home, LLC at an initial absolute triple-net rental rate of $301,250 per year, with two percent annual rent steps and three 5-year renewal options. Village Green operates six assisted living/memory care facilities in Houston. The lease includes a personal guarantee from the two principals of the tenant - Village Green Alzheimer's Care Home, LLC. The lease commenced on February 1, 2020.

IMPROVED SALE COMPARABLE 4

Property Name:	Brightmoor Hospice
Address:	3247 Newnan Road
City, State, Zip:	Griffin GA 30223
Submarket:	
Property Type:	Senior Housing
Property Subtype:	Other (Senior Housing)
Classification:	N/A
ID:	562581
Tax Number(s):	N/A

PROPERTY INFORMATION

Site Area (Acres):	6.02	Total IL Units:	N/A
Site Area (Sq. Ft.):	262,231	Total AL Units:	N/A
Gross Building Area:	16,519	Total ALZ Units:	N/A
Net Building Area:	16,519	Total Nursing Beds:	N/A
Year Built:	2012	Total Units:	12
Quality:	Good	Total Beds:	12
Condition:	Good		

SALE INFORMATION

Status:	Recorded Sale	OAR:	7.00%
Deed Reference:	2020-001587	NOI:	$371,921
Sale Date:	7/2020	NOI per Unit:	$30,993
Sale Price:	$5,313,157	NOI per Bed:	$30,993
Price per Unit:	$442,763	Occupancy:	100.00%
Price per Bed:	$442,763	Expense Ratio:	N/A
Value Interest:	Leased Fee	EGIM:	14.29
Grantor:	SD Brightmoor, LLC	CFM:	14.29
Grantee:	LMF Griffin Properties, LLC		
Financing:	N/A		
Condition of Sale:	Arm's Length		

VERIFICATION COMMENTS

Public Records and Buyer Broker, Heidi Adam, NAI 865-531-6400

COMMENTS

This is a hospice that sold in July 2020 for $5,313,157, or $321.64 per square foot. The capitalization rate was 7.00 percent. The property was leased in 2017 for 10 years on a net basis with 2.5 percent annual increases and three 5-year renewals.

Property Name:	The Clare
Address:	55 East Pearson Street
City, State, Zip:	Chicago IL 60611
MSA:	Chicago
County:	Cook
Submarket:	
Property Type:	Senior Housing
Property Subtype:	Continuing Care Retirement Community
Classification:	N/A
ID:	548901
Tax Number(s):	N/A

PROPERTY INFORMATION

Site Area (Acres):	0.56	Total IL Units:	248
Site Area (Sq. Ft.):	24,583	Total AL Units:	26
Gross Building Area:	695,453	Total ALZ Units:	14
Net Building Area:	695,453	Total Nursing Beds:	48
Year Built:	2008	Total Units:	336
Quality:	Excellent	Total Beds:	336
Condition:	Excellent		

SALE INFORMATION

Status:	Closed Sale	OAR:	7.85%
Sale Date:	12/2019	NOI:	$8,478,000
Sale Price:	$108,000,000	NOI per Unit:	$25,232
Price per Unit:	$321,429	NOI per Bed:	$25,232
Price per Bed:	$321,429	Occupancy:	97.00%
Value Interest:	Leasehold	Expense Ratio:	76.45%
Grantor:	Fundamental/SCD12.74	EGIM:	3.00
Grantee:	The Clare,LCS & Senior Care Development	CFM:	12.74
Financing:	N/A		
Condition of Sale:	Arm's Length		

VERIFICATION COMMENTS

Krystyna Gut: Assessor, confidential source, public announcements.

COMMENTS

The property reflects a Type A Fee-for-Service entry-fee community. This is a53-story trophy retirement community in a downtown location, just one block from Michigan Avenue. The building was renovated in 2017. The original development cost was approximately $272 million. Because of the financial crisis that ensued soon after the property opened, lease-up was very slow and the original not-profit operated went through a highly publicized bankruptcy. When the property was purchased out of bankruptcy in 2012 for $53 million, the occupancy was only 34%. Currently, entry fees range from approximately $330k to over $2.5 million, based on refundable plans ranging from 70 to 80 percent of entrance fees. The above financials are based on the buyer's Year 1 and include a 4.0% management fee and $500/ unit reserves. We note the property is encumbered by a long-term ground lease, and annual ground rent was approximately $2.5 million at the time of sale. If we apply a 5.0% capitalization rate to the ground rent payment, this equates to an additional $50 million to the purchase price and results in an equivalent fee-simple acquisition price of $158 million or approximately $470,000 per unit.

IMPROVED SALE COMPARABLE 6

Property Name:	University Living
Address:	2865 South Main Street
City, State, Zip:	Ann Arbor MI 48103
MSA:	Detroit
County:	Washtenaw
Submarket:	
Property Type:	Senior Housing
Property Subtype:	Assisted Living Residences
Classification:	N/A
ID:	552615
Tax Number(s):	N/A

PROPERTY INFORMATION

Site Area (Acres):	4.27	Total IL Units:	N/A
Site Area (Sq. Ft.):	186,000	Total AL Units:	63
Gross Building Area:	41,634	Total ALZ Units:	12
Net Building Area:	41,634	Total Nursing Beds:	N/A
Year Built:	2001	Total Units:	75
Quality:	Good	Total Beds:	N/A
Condition:	Good		

SALE INFORMATION

Status:	Closed Sale	OAR:	6.54%
Sale Date:	10/2019	NOI:	$1,554,292
Sale Price:	$23,750,000	NOI per Unit:	$20,724
Price per Unit:	$316,667	NOI per Bed:	N/A
Price per Bed:	N/A	Occupancy:	93.00%
Value Interest:	Fee Simple	Expense Ratio:	72.20%
Grantor:	CSH Ann Arbor, LLC	EGIM:	4.25
Grantee:	Ann Arbor Senior Housing Propco, LLC	CFM:	15.28
Financing:	Cash		
Condition of Sale:	Arm's Length		

VERIFICATION COMMENTS

Sean Reilly with confidential source
Deed Book 5327, Page 314

COMMENTS

This property has been operated by Provision Living Management since it was acquired in 2017. They will continue to manage the facility. The figures noted above are based on the trailing 12 month statement, with income and expenses trended upward by 2.5 percent apiece. Management fees are 5.0 percent of effective gross income and replacement reserves are $350 per unit. The property was extensively renovated in 2018. This was an interest purchase agreement and there is not a recorded transaction. It was an arm's length deal, however.

Addendum H:
Qualifications of the Appraisers

Martin D. Broerman, MAI

Senior Director
Valuation & Advisory | Senior Housing/Healthcare
Cushman & Wakefield of Illinois, Inc.

Professional Expertise

Martin D. Broerman, MAI has been involved in the commercial real estate valuation business for more than fifteen years. Martin's experience includes market value appraisals of varied property types for portfolio analysis, acquisition/disposition, condemnation, financing, estate planning, tax appeal, litigation, and other purposes. He has performed valuations on a wide variety of real property types including healthcare, senior living, retail, industrial, office, residential, and special purpose properties.

Memberships, Licenses, Professional Affiliations and Education

- Designated Member, Appraisal Institute, as of the current date, Martin D. Broerman, MAI has completed the requirements of the continuing education program of the Appraisal Institute
- Certified General Real Estate Appraiser in the following states:
  - Illinois – 553.002252
  - Indiana – CG41400050
  - Iowa – CG03645
  - Ohio – ACGO.2017001987
  - Michigan – 1201076224
  - Minnesota – 40652622
  - Missouri – 2018037795
  - Wisconsin – 2381-010
- Bachelor of Science in Finance, DePaul University
- Associate in Applied Science in Business Administration, Triton College

Illinois

State of Illinois

Department of Financial and Professional Regulation

Division of Real Estate

LICENSE NO.
553.002252

The person, firm, or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below:

EXPIRES:
09/30/2023

CERTIFIED GENERAL REAL ESTATE APPRAISER

MARTIN D BROERMAN
1518 HARRISON AVENUE
LA GRANGE PARK, IL 60526

SEAL OF THE STATE OF ILLINOIS AUG. 26th 1818

MARIO TRETO, JR.
ACTING SECRETARY

LAURIE MURPHY
ACTING DIRECTOR

The official status of this license can be verified at www.idfpr.com

15800367

Indiana

DEMOGRAPHIC INFORMATION

Name: Martin D Broerman

ADDRESS INFORMATION

City/State/Zip: La Grange Park IL 60526
County: Cook

LICENSE INFORMATION

Lic #: CG41400050	Profession: Appraiser Board	Type: Certified General Appraiser	Secondary:
Status: Active	Issued: 12/12/2014	Expiration: 6/30/2024	
Method: Reciprocity			

DISCIPLINE INFORMATION

-

RELATED LICENSES

No Related Licenses

CUSHMAN & WAKEFIELD

Gerald V. Rasmussen, MAI, FRICS Executive Managing Director

Valuation & Advisory
Practice Group Leader | Senior Housing / Healthcare
Cushman & Wakefield of Connecticut, Inc.

Professional Expertise

Mr. Rasmussen joined Cushman & Wakefield of Connecticut, Inc. in November of 2001. He is the National Practice Leader for the Valuation & Advisory Senior Housing/Healthcare Industry group. As Practice Group Leader, he oversees a team of 35 professional appraisers, all of whom have extensive senior housing and healthcare experience. Combined, the group has completed in excess of 10,000 healthcare related valuation assignments.

Prior to joining Cushman & Wakefield in 2001, Mr. Rasmussen worked for BA Appraisals, Inc. in New York City where he was a Senior Appraiser from January 1985 until 1986. In August of 1986, he began working for Moran & Associates, Inc. in Stamford, CT until November 2001 when he joined Cushman & Wakefield's Valuation & Advisory.

Mr. Rasmussen has been a member of the Connecticut Real Estate Appraisal Commission since April, 1996. He has been involved with and written decisions that have impacted not only the laws of Connecticut, but have impacted the appraisal industry on a national basis.

He has been a member and an officer of the Connecticut Chapter of the Appraisal Institute serving as its President in 2000. He received the prestigious Louise Lee and Y.T. Lum Award from the Appraisal Institute's Education Trust Fund as the Honoree of the Year in 2001. He has been recognized numerous times by the Connecticut Chapter of the Appraisal institute for his contributions to the Real Estate Appraisal community.

Mr. Rasmussen has been a Board Member and officer including serving as President of the Connecticut Real Estate Education Foundation. This group funds various programs and studies that have impacted the appraisal community and the industry.

Memberships, Licenses, Professional Affiliations and Education

- Designated Member, Appraisal Institute (MAI 8203). As of the current date, Gerald V. Rasmussen, MAI has completed the requirements of the continuing education program of the Appraisal Institute.
- Fellow, Royal Institution of Chartered Surveyors (FRICS)
- Commissioner, Acting Chairman, State of Connecticut Real Estate Appraisal Commission
- Bachelor of Science in Business Administration, Long Island University, Cum Laude

- Certified General Real Estate Appraiser in the following states:

State	License Number
Alabama	G00866
Alaska	134750
Arizona	31710
Arkansas	CG-3351
California	AG043979
Colorado	CG100023222
Connecticut	RCG.0000510
Delaware	X1-0000640
Georgia	330331
Hawaii	CGA 1176
Idaho	CGA-4521
Illinois	553001939
Indiana	CG40801017
Iowa	CG03284
Kansas	G-3141
Kentucky	5222
Louisiana	G4152
Maine	CG1749
Maryland	32215
Massachusetts	5613
Michigan	1201073219
Minnesota	40527154
Mississippi	GA-893
Missouri	2017017862
Montana	REA-RAG-LIC-10306

State	License Number
Nebraska	CG212178R
Nevada	A.0207542-CG
New Hampshire	NHCG-745
New Jersey	42RG00160200
New Mexico	03555-G
New York	46000001881
North Carolina	A6766
North Dakota	CG-21758
Ohio	2008000510
Oklahoma	13246CGA
Oregon	C001178
Pennsylvania	GA003449
Rhode Island	CGA.0A01362
South Carolina	AB .6415 CG
South Dakota	1430CG
Tennessee	4306
Texas	TX-1337775-G
Utah	6825683-CG00
Vermont	80.0075939
Virginia	4001013534
Washington	1101813
Washington D.C.	GA12052
West Virginia	CG439
Wisconsin	1412-10
Wyoming	AP-1645

Other Awards and Achievements

- Fair market rent reset between these two companies of 179 Skilled Nursing and Long Term Acuity Hospitals (LTAC) located in 35 states.
- A multi-year tax appeal of a high-end Continuing Care Retirement Community.
- Portfolios: He has been involved with a significant number of the largest portfolios occurring in the marketplace in the past year. These include portfolios of Skilled Nursing, Assisted Living and dementia facilities.
- Mr. Rasmussen has also been involved with the revaluation of all commercial properties in Stamford, Connecticut, Wallingford, Connecticut and Glen Cove, New York for tax assessment purposes.
- His experience has included a significant amount of court testimony, having been qualified as an expert witness in the U.S. Federal Bankruptcy, New York State Supreme, Connecticut Superior and Connecticut Housing Courts

IDAHO

Division of Occupational and Professional Licenses
Department of Self Governing Agencies
The person named has met the requirements for licensure and is entitled under the laws and rules of the State of Idaho to operate as a(n)

CERTIFIED GENERAL APPRAISER

GERALD V RASMUSSEN
535 WHEELERS PT
WINSTED CT 06098

DUPLICATE

Russell S. Barron
Division Admin

CGA-4521
Number

01/24/2022
Expires

ILLINOIS

State of Illinois

Department of Financial and Professional Regulation
Division of Real Estate

LICENSE NO.
553.001939

EXPIRES:
09/30/2023

CERTIFIED GENERAL REAL ESTATE APPRAISER

GERALD V RASMUSSEN
535 WHEELERS PT
WINSTED, CT 06908

MARIO TRETO, JR.
ACTING SECRETARY

LAURIE MURPHY
ACTING DIRECTOR

The official status of this license can be verified at www.idfpr.com

15788614

Jason A. VanDevelde Associate Director

Valuation & Advisory | Senior Housing/Healthcare
Cushman & Wakefield of Illinois, Inc.

Professional Expertise

Jason A. VanDevelde has been actively involved on a full-time basis in the appraisal of real estate since 2004. Appraisal assignments have included a wide variety of property types including commercial, industrial, retail, office, senior housing, healthcare, multi-family, mixed-use and special purpose properties. Mr. VanDevelde has completed market value appraisals for purposes of financing, acquisition/disposition, tax appeal, condemnation, litigation, estate planning and other purposes.

Memberships, Licenses, Professional Affiliations and Education

- Certified General Real Estate Appraiser in the following states:
  - Illinois – 553.002544
- Bachelor of Science in Business, Indiana University - Indianapolis, with Distinction

ILLINOIS

State of Illinois

Department of Financial and Professional Regulation

Division of Real Estate

LICENSE NO.
553.002544

The person, firm, or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below:

EXPIRES:
09/30/2023

CERTIFIED GENERAL REAL ESTATE APPRAISER

JASON A VANDEVELDE
970 N OAKLAWN AVE STE 303
ELMHURST, IL 60126

SEAL OF THE STATE OF ILLINOIS AUG. 26th 1818

MARIO TRETO, JR.
ACTING SECRETARY

LAURIE MURPHY
ACTING DIRECTOR

The official status of this license can be verified at www.idfpr.com

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