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Summary of SC's Roles in Development and 2018 Development Plan

SC works as a senior living developer in the following capacities:

1) Fee Paid Developer and/or Co-Developer of Site - On behalf of an operator and/or investor of substance (i.e. access to equity of $10-15M per project) and covers expenses of entitlement and SC only, SC would be in lead in delivering an entitled site to suit as their developer or co-developer. Depending on the barriers to entry of market(s) and the number, size and type of senior living project(s) or scale, SC would receive $5,000-$6,000 per unit or more at closing, with the development partner/operator/investor retaining at least as much value added equity in identifying the opportunity and entitling the site.

Typically, larger operators have their own development team and we have gotten to know at least a couple dozen of those teams. What we have seen is that while many CEO's and Stakeholder's seek and can fund a more aggressive development plan, most operator development divisions or affiliates are over extended and many are underfunded. SC's value proposition is simple, as if SC takes on an added region or a couple major metro's as an example where SC does 90-95% of the work and the boots on ground as needed, while the operator and its stakeholders fuel growth with tightly budgeted costs and with limited C-level and SVP level commitments.

2) Co-Developer with Development Partner - We can alternatively proceed with a partner that is <u>not</u> an operator and/or investor of substance. In this case, the Development Partner would commit a $200,000-$250,000 investment or more on larger high barrier to entry markets like Westchester County, NY, as an example. These funds would draw down over 10-18 months depending on project/market factors, and would cover market/site identification and due diligence first, escrow deposit in the selected site and then engineering/land use counsel/application costs to proceed through zoning or rezoning first and plot plan or site plan thereafter. This budget also assumes schematic design budgeted at $40,000-$50,000 with an Architectural firm of substance like SFCS.

Exit strategies are either of the following:

> Sell the entitled site at a profit - At a minimum, identifying and entitling sites, and all the other work and effort of the developer should at least double the price of the “dirt" so to speak and the entitlement costs. We are targeting higher income markets, so site purchases should be at least $10K minimum and 100 unit minimum, with $200K entitlement for only 100 units or $2K per unit and sale at $22K. The Development Partner gets their capital back first, SC would get a matching success fee as a second priority payment and then each would share 50/50. Hence, the return to the co-development partner, typically an inactive or silent partner, would be $400,000 or tripling their investment or sometimes more. Risks can be lessened in multiple sites or a geographic platform.

> The development partners can also invest up to 60% of their profits in entitlement of the site, and maybe higher as if investing as a limited partner in the completed facility, the valuation of the site could be somewhat higher. SC prefers that the consideration of investing in a project on a case by case basis as deal structure and stakeholders are identified and term sheets are examined.

Note: In either of options 1 and 2 above, the partner would receive detailed monthly reports as mutually agreed, as well as important progress updates and advice via email memos on items of substance, and can attend meetings in the market with the development team of civil, environmental, planning, land use counsel and public hearings at their option.

Note: While we know many Architectural firms and Builders we respect, including combinations that have worked closely in senior living previously, we often typical conduct a project specific RFQ/RFP for both an Architectural firm and Builder. However, many operators and/or their capital stack partners have preferences. For IL/AL/MC or IL only projects (our focus vs AL/MC or MC only), we prefer one operator as first option in combination with a REIT in what is in effect the entire capital stack. In this scenario, the Development Partners would have the option to invest part of the land equity created in the Lessee/Opco/Operations vs the Lessor/Propco/Real Estate.

3) Optional Development Services through CO - If a stakeholder (option 2 above)

With the potential REIT/Operator option or on debt/equity or debt/mezz/equity secured by SC, SC would serve as the sole developer post entitlement, closing and payment in full to the Development Partner referenced in either 1 or 2 above

However, if debt/equity or debt/equity/mezz is provided by the Development Partner, than the Development Partners would co-venture as project developers through Certificate of Occupancy (CO) assuming a development fee of 4-5% of hard costs depending on the size of the project, minus any third party fees.

Misc. Considerations

> Senior Housing and Senior Living Product Preference - Our current focus and priorities are IL only or IL/AL/MC projects, and prefer at least a top 50 US major metro and Best of Class or one step down upper middle income targeted markets. Depending on demand and scale of a partnership, we are open to AL/MC or potentially MC only. Notwithstanding, with much AL/MC development in major markets in the last five years, we see IL only with concierge units, or IL/AL/MC with IL in the lead as the best opportunities in larger markets.

> Market Analysis - We will identify a market opportunity and typically look at 6-7 markets to proceed with one project. We are rarely comfortable on markets without conducting our own market analysis (MA), but do respect a handful of third party market analysis firms and/or appraisers that both mystery shop all competitors and establish a Service Area based on 16-18 minute drive times and an understanding of zip code by zip code and neighborhood by

neighborhood market nuances. If we do not conduct the MA or see a study for one of the firms we respect, we will not consider a partnership or expect upfront fees to some degree. The latter is not our goal by any means, but we also know that often each partner in a market/site must "buy in" to their own analysis, and that can provide positive checks and balances.

> Site Identification and Due Diligence - Typically after establishing an agreement with development and/or operating partner, we then identify a site (after due diligence on several typically) and proceed through site due diligence from engineering to concept planning to entitlement risk assessment.

> Team Establishment - We interview the top local civil, environmental and traffic firms, as well as a land use attorney, and request proposals/background and memos on entitlement paths for review and engagement of a partnership or client.

> Entitlements - We take a lead role in this process, keeping our partner or client closely informed as we entitle to suit in a two-step process to lessen risks, first use/zoning and then through final site plan or plot plan approvals.

> Costs are covered by our partner or client, plus our overhead and team (not myself) at cost, which after escrow of a contract purchase of a site can be a budgeted flat rate per month depending on the project, with budgets including escrow/entitlements/schematic design and elevations.

As to markets we could potentially deliver sites to suit if IL or IL/AL/MC, please see the following:

> KC Area - We are seeking a partner on two projects in greater KC, one with zoning and preliminary plot plans in place.

> Major Midwest Metro's - We are proceeding with a 170 unit IL with two concierge units, one for IL and a second staffed by home health agency as AL alternative in the Indy area (34th largest MSA) with a LOI with partner in place, and looking hard for the right site in a Columbus, OH, suburb (33rd largest MSA). Cleveland (32nd largest MSA), but much slower growth compared to Columbus or Indy, Cincinnati (28th largest), Grand Rapids (52nd largest and St Louis (20th largest MSA) are pending analysis for 2018. With possibly 1-2 project exceptions, we seek a single development partner in the Midwest.

> North Carolina's two major metros - We have looked to greater Charlotte (22nd largest MSA) and believe there are opportunities in several areas. We also believe a systematic approach in the Triangle area starting in Cary (43rd largest MSA) will result in a defined 1-2 opportunities as well.

> Tidewater Area, VA (37th largest MSA) - We have completed an initial assessment and will proceed with analysis in 4-5 Tidewater cities including Virginia Beach and Chesapeake and currently open for a development partner. See separate analysis on approach to this market for interested parties.

> We have Nashville, Louisville and Lexington on our radar, and could help in greater Atlanta, but would only be interested in IL/AL/MC of 150-200 units or IL only of 150 units minimum. We are open to a NJ partnership that could include greater Philadelphia.

> There are other major metros including Charleston, SC, and the greater Tampa area where we see the demand for AL/MC as limited, and expect limited IL demand. As it is, our plate will be quite full in the targeted markets referenced above. Boston and New England, let alone DC, are too competitive and have seen much development.

Conclusion

Even with strong capitalized partners and added additions to our team, we will not proceed with all these markets in 2018, but could through 2019. Moreover, when we identify and finalize partnership agreements project by project or preferably regionally (like in the Midwest and Southeast), we will adjust our priorities to be able to adhere to our commitments to partners.