

XYZ Senior Living						
Debt Capacity Analysis						HISTORICAL
	Audit FYE 2009	Audit FYE 2010	Audit FYE 2011	Audit FYE 2012	Audit FYE 2013	Average
Net Operating Income	\$ -	\$ -	\$ 773,399	\$ (597,863)	\$ 850,968	\$ 205,301
Add: Investment Income	\$ -	\$ -	\$ 142,619	\$ 503,156	\$ 958,269	\$ 320,809
Add: Other Non Cash Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Add: Depreciation & Amortization	\$ -	\$ -	\$ 520,199	\$ 607,168	\$ 529,336	\$ 331,341
Add: Interest Expense	\$ -	\$ -	\$ 322,063	\$ 335,683	\$ 278,901	\$ 187,329
Less: Amortization of Lease Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Revenue Only Adjusted Cash Flow</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,758,280</b>	<b>\$ 848,144</b>	<b>\$ 2,617,474</b>	<b>\$ 1,044,780</b>
Add: Entrance/Lease Fees - Received	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Entrance/Lease Fees - Refunds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>CCRC Adjusted Cash Flow</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,758,280</b>	<b>\$ 848,144</b>	<b>\$ 2,617,474</b>	<b>\$ 1,044,780</b>
<b>Debt Capacity based on average cash flow:</b>						
<b>Historical Average Revenue Only Adjusted Cash Flow</b>	<b>\$1,044,780</b>	<b>\$1,044,780</b>	<b>\$1,044,780</b>	<b>\$1,044,780</b>	<b>\$1,044,780</b>	<b>\$1,044,780</b>
Debt Service Coverage Ratio	1.25x	1.50x	1.75x	2.00x	2.25x	2.50x
Debt Capacity	\$12,846,976	\$10,705,813	\$9,176,411	\$8,029,360	\$7,137,209	\$6,423,488
Less: Existing Debt	\$6,549,880	\$6,549,880	\$6,549,880	\$6,549,880	\$6,549,880	\$6,549,880
<b>Incremental Debt Capacity</b>	<b>\$6,297,096</b>	<b>\$4,155,933</b>	<b>\$2,626,531</b>	<b>\$1,479,480</b>	<b>\$587,329</b>	<b>-\$126,392</b>
<b>Historical CCRC Adjusted Average Cash Flow</b>	<b>\$1,044,780</b>	<b>\$1,044,780</b>	<b>\$1,044,780</b>	<b>\$1,044,780</b>	<b>\$1,044,780</b>	<b>\$1,044,780</b>
Debt Service Coverage Ratio	1.25x	1.50x	1.75x	2.00x	2.25x	2.50x
Debt Capacity	\$12,846,976	\$10,705,813	\$9,176,411	\$8,029,360	\$7,137,209	\$6,423,488
Less: Existing Debt	\$6,549,880	\$6,549,880	\$6,549,880	\$6,549,880	\$6,549,880	\$6,549,880
<b>Incremental Debt Capacity</b>	<b>\$6,297,096</b>	<b>\$4,155,933</b>	<b>\$2,626,531</b>	<b>\$1,479,480</b>	<b>\$587,329</b>	<b>-\$126,392</b>
<b>Debt Capacity Terms:</b>						
Assumed amortization in yrs:	20	20	20	20	20	20
(1) Assumed interest rate:	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
(2) Debt capacity factor:	12.296	10.247	8.783	7.685	6.831	6.148

**NOTES:**

- (1) The assumed interest rate is the All-in-TIC which includes the impact of letter of credit fees and all issuance costs.  
(2) The debt capacity factor represents the amount of debt that can be supported by each additional \$1 of cash flow.



### Financial Ratio Comparison

XYZ Senior Living	FYE 2011	FYE 2012	FYE 2013	Proforma	Fitch		S & P		2013
					2013 Medians "BBB"	"A"	2013 Medians "BBB"	"A-"	Fitch Comparison
<b>Profitability Ratios</b>									
Operating Margin (%)	4.9	-3.8	5.2	<b>-18.2</b>	9.9	5.6	-0.70	-1.60	A
Excess Margin (%)	5.8	-0.6	10.4	<b>-14.5</b>	3.2	3.4	2.30	1.50	AA
Operating Ratio	91.0	96.8	86.5	<b>98.3</b>	97.2	95.8	95.1	92.9	Not I.G.
<b>Liquidity Ratios</b>									
Days Cash on Hand Ratio	179.0	173.8	190.1	<b>171.5</b>	371.3	563.7	359.30	565.80	Not I.G.
Cushion Ratio	11.4	11.4	12.8	<b>3.2</b>	6.9	15.3	8.70	17.40	A-
Cash to Debt (%)	97.9	107.3	119.8	<b>20.5</b>	58.9	125.2	77.20	161.00	A
<b>Capital Structure Ratios</b>									
Historical Debt Service Coverage Ratio	2.8	1.3	4.3	<b>N/A</b>	-	-	0.50	1.20	-
Historical Debt Service Coverage Ratio (Revenue Basis)	2.8	1.3	4.3	<b>0.9</b>	-	-	2.00	2.30	-
MADS as % of Total Revenues (Debt Burden)	3.9	4.0	3.5	<b>14.6</b>	12.4	8.4	9.40	8.20	AA
Debt to Capitalization	37.5	36.6	32.1	<b>78.2</b>	-	-	80.20	45.80	-
Adjusted Debt to Capitalization	37.5	36.6	32.1	<b>78.2</b>	57.0	43.0	45.30	31.60	AA
Average Age of Plant (years)	4.5	4.5	6.2	<b>2.2</b>	10.0	10.4	11.6	12.3	AA
<b>Operational Ratios</b>									
Resident Revenue as % of Total Revenue	99.1	96.9	93.9	<b>96.3</b>	80.0	77.7	-	-	Not. I.G.
Personnel Costs as % of Resident Revenue	55.6	59.7	52.1	<b>52.1</b>	-	-	-	-	-
Investment Income as % of Total Revenue	0.9	3.1	5.5	<b>3.1</b>	2.8	3.5	-	-	AA

<sup>1</sup> Fitch median numbers taken from single site entities in "2013 Median Ratios for Not-For-Profit Continuing Care Retirement Communities" which reflect financial performance for 2012

<sup>2</sup> S&P median numbers taken from single site entities in "Senior Living Providers' Median Financial Metrics Held steady in 2013" which reflect financial performance for 2012

