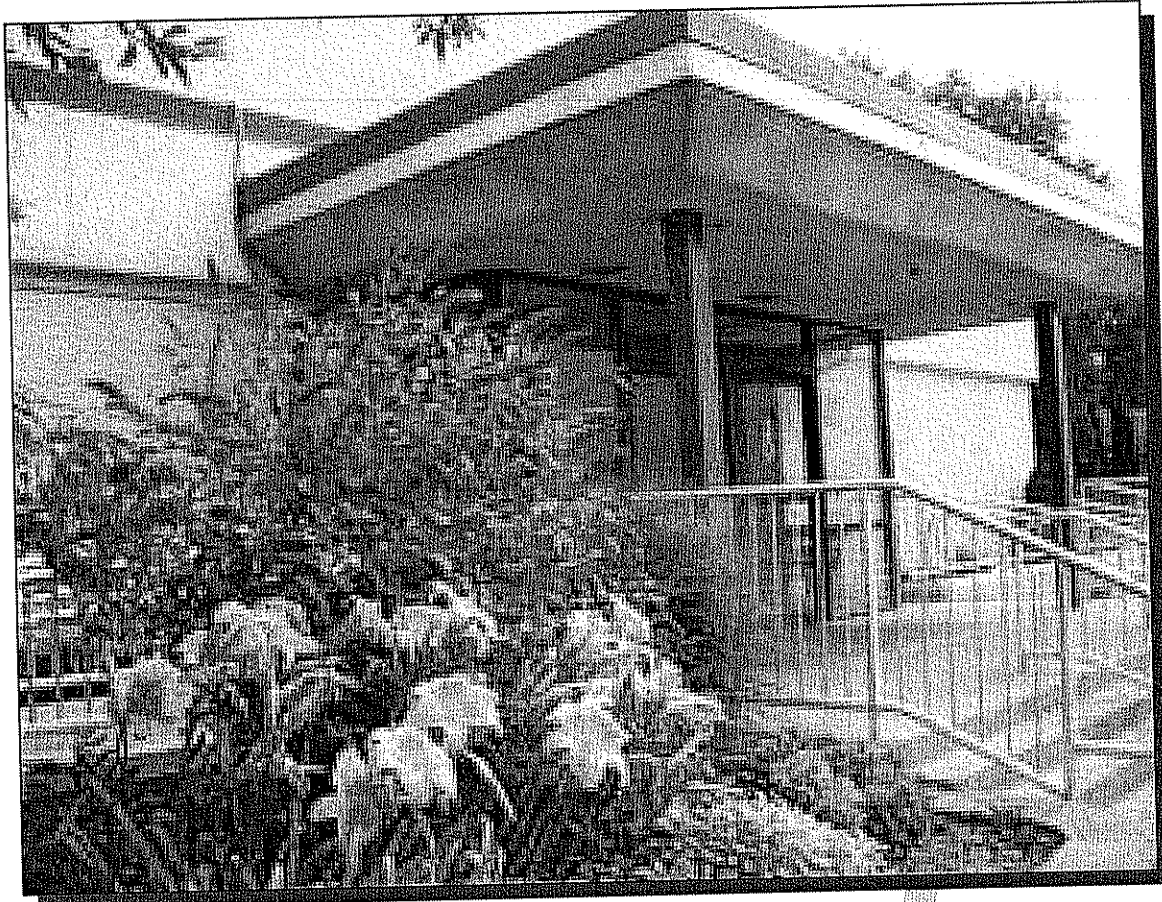


SUSSEX COUNTY HOMESTEAD

Marcus & Millichap
Real Estate Investment Services

NEWTON, NJ



MARKET POSITIONING & PRICING ANALYSIS

Prepared For:

Officials

Sussex County New Jersey

SUSSEX COUNTY HOMESTEAD

NEWTON, NJ

INTRODUCTION

The National Seniors Housing Group of Marcus and Millichap specializes in the consulting and brokerage of Senior Housing Assets. Our firm completes between \$350M-\$450M worth of Senior Housing transactions annually and we are currently working with government entities nationwide. In the past 24 months we have completed sales as well as provided valuations and informal consultations for government-run facilities in DE, CT, NE, WI, NY, PA, NJ, IL, TN, WY, CO, WA, AZ and OH.

The demand for our services has stemmed from state and county governments beginning to question their core functions. As it pertains directly to the operating of public nursing homes, financial pressures are being realized in many fashions, with the majority of the burden falling squarely on the taxpayer. Central to the problem is the obstacle of increased employee benefit costs, which is not limited to the payment of funds into public employee retirement/pensions, the ever rising cost of health insurance and frequent cuts to Medicaid and Medicare, which account for more than 80% of nursing home revenue. In order to combat these exacerbating costs and deep cuts, counties are being forced to determine proper action as it relates to the feasibility of continuing to offer LTC services to residents in addition to the already in-place austerity measures. Taking all of this into account as well as looming budget deficits and shrinking tax revenues, many counties are considering the option of privatization. Such an option provides the following benefits:

- The county receives a one-time large sum of funds from the sale of the facility.
- The county would apply net proceeds from the sale to the highest and best use.
- The transfer of hundreds of employees from the public sector to the private sector would reduce county payroll liability and future pension obligations.
- The conversion of an annually tax-supported operation, into a profit center for the county through the reception of income taxes.
- The county begins to receive real estate tax revenues from the new owner.
- The burden of an established operating loss falls from the taxpayer to the new buyer.
- The mitigation of bond rating risk to the county associated with the ownership of a financially distressed entity.
- The insulation from the unknown financial realities related to the current overhaul of long-term care and overall health care systems.
- The presumable increase in flexibility in a private operator's ability to respond to changing service, administrative/management requirements and needs in comparison to constraints driven by Civil Service, governmental bureaucracy and union/contractual agreements.
- The potential for a private owner to provide greater resources to the facility through purchases of new equipment, facility upgrades, and additional services or levels of care.

Nationally, in the last 24 months, counties have either privatized or begun the privatization process. Unfortunately, the paths they chose have resulted in numerous adverse issues as a result of not using an intermediary. The benefits of hiring an experienced representative include:

- **Broader Reach:** Marcus & Millichap (M&M) has a database of about 18,000 seniors housing owners and we touch many of them for each offering. These potential buyers come from all parts of the United States. Our services foster greater competition for an offering which will translate to a higher purchase price, even if the ultimate buyer is someone from the region.
- **Non-Political Nature of the Process:** A private company without any ties to the county is not concerned about re-election, fundraising, the support of area constituency, unions, special interests and the like. A private intermediary will bring the county the very best offers from the best buyers, period. The county is then able to pick and choose and amend the offers to satisfy any political, economic or social considerations.

SUSSEX COUNTY HOMESTEAD
NEWTON, NJ

INTRODUCTION

- **Full-Time Focus:** A private company such as M&M's Seniors Housing Group focuses 100% of its time selling facilities, instead of being involved in a myriad of projects, such as county budgeting and administration.
- **Monetary Incentive:** A broker such as M&M is highly incentivized financially to locate a terrific buyer, since the broker's compensation is tied directly to the purchase price.
- **Timeliness:** M&M has found that sellers, who don't have an experienced transaction intermediary representing them, will tend to allow the buyer to take advantage of their position. The seller may error by allowing the buyer to put up little to no non-refundable earnest money, take too long for due diligence, or not prove their financial qualifications. By using a broker, clarification is brought to the entire process by eliminating any potential complications and speeding up the transaction, itself.

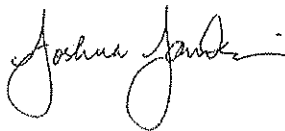
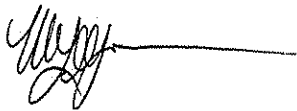
Ultimately, the most important quality a county should seek in an intermediary is experience. Our team has sold more county owned nursing homes in the last 24 months than any other firm in the country. As a result, we can leverage our experience and knowledge of working with and marketing government property to ensure the best possible outcome. Additionally, because we have successfully marketed and closed numerous transactions, our extensive database of owners, operators and intermediaries will directly lend itself to a competitive bidding process that will result in the highest price, the tightest terms and the greatest probability of a closing. Finally, in the last 16 years our team has closed more nursing home transactions than any other brokerage team in the country. Closing a nursing home transaction is unlike the sale of any other asset in commercial real estate. At their core, nursing homes are businesses that care for sick and indigent people. Neither the buyer nor seller can afford to have any missteps throughout the sales continuum. In our team, your county would gain an advocate and partner that has a history of encountering and overcoming nearly every adverse circumstance facing a transaction of this type. We understand that long-term planning for government facilities/operations is on-going and we want to position ourselves as a resource for government officials to turn to, if and when needed.

Sincerely,

Mark Myers

Joshua Jandris

Charles Hilding



SUSSEX COUNTY HOMESTEAD
NEWTON, NJ

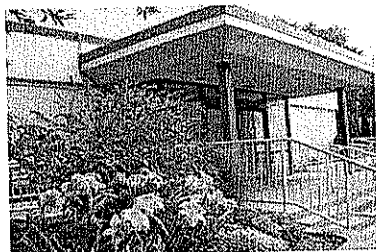


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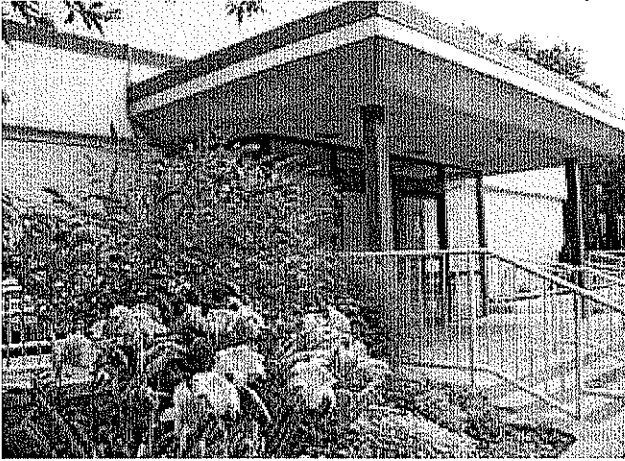
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SOLUTIONS MOVING FORWARD



**SUSSEX COUNTY
HOMESTEAD**

NEWTON, NJ

SUSSEX COUNTY HOMESTEAD
NEWTON, NJ

SOLUTIONS MOVING FORWARD

Strategy: Status Quo/Reconfiguration of Operations

Status Quo/Reconfiguration of Operations:

- Re-finance - Bond Issuance
 - Put additional Debt on the property
 - Provide infusion of leveraged capital
- Hire Labor Attorney
- Re-negotiate Collective Bargaining Agreement (where applicable)
 - Reduce Costs associated with Employee Payroll & Benefits
- Hire Third Party Consultant
 - Implement lean processes to result in waste reduction:
 - Implement technological improvements to drive process automation
 - Reduce Nursing Hours per Resident Day
 - Get PPD levels to market averages
 - Improve Staff to Resident ratio
 - Reduce Labor and Fringe Benefit Costs
 - Improve Payor Mix
 - Increase marketing/promotion efforts to raise census to capacity

Advantages:

- The continued ownership of the asset and provided care to the community
- The promotion of harmony in the community through continuing the historic mission to offer long-term-care services
- The increased morale of employees through job security
- The mitigation of need for certification or licensing adjustments
- The potential for long-term profit generation for the county
- The theoretical reduction of employee related expenses through contract renegotiation

Disadvantages:

- The county retains responsibility for all losses related to the facility
- The impact felt by the taxpayer, driven by tax increases to further subsidize and fund operations
- The current budget crisis could siphon state and federal budget dollars away from the facility
- The increase in benefit levels and pension dollars for county employees directly correlates to escalating operating expenses
- The costs associated with hiring third party consultants and implementing reforms
- The bureaucratic impact of complex and expensive labor negotiations with the union
- The lack of insulation from unknown financial realities related to current long-term care overhaul
- The realization of county bond rating risk associated with the ownership of a potentially distressed entity
- The time required to identify needed operation reconfigurations can prove costly
- There is no guarantee that implemented process improvements will be successful

Strategy: Hire Third Party Management

Hire Third Party Management

- County Officials establish that a Third Party Operator is in the best interest of the county and the Nursing Home
- County retains complete ownership of the facility
- All impact from profits/losses remain responsibility of the county
- County owes operator management fee; typically 5% of Gross Revenue before profit and losses.

Advantages:

- The continued ownership of the asset and provided care to the community
- The new operator may be more effective implementing improvements than a third party consultant. The third party management's income is tied directly to the county home's financial performance, increasing their incentive to lean processes throughout the facility
- The potential for new management to retain current employees and complete existing contracts in place
- The potential for long-term profit generation for the county

Disadvantages:

- There may be a created need for certification or licensing adjustments
- The additional cost related to payment of a management fee
- The time required to implement new management style can prove to be costly
- There is no guarantee that new management practices will improve the well-being of the facility
- The county retains responsibility for all losses related to the facility
- The impact felt by the taxpayer, driven by tax increases to further subsidize and fund operations
- The current budget crisis could siphon state and federal budget dollars away from the facility
- The potential increase in liability derived from operating a nursing home
- The increase in benefit levels and pension dollars for county employees directly correlates to an escalation in operating expenses
- The lack of insulation from unknown financial realities related to current long-term care overhaul
- The realization of county bond rating risk associated with ownership of a potentially distressed entity

Strategy: Public Benefit Corporation (PBC):

Public Benefit Corporation (PBC):

- County would establish a Public Benefit Corporation and governing board
 - State Legislature and Governor have to approve of the PBC
- County would receive payment for sale of the facility from PBC bond issuance
- The PBC would then assume all responsibility and ownership of the facility, despite county governing board

Advantages:

- The one time infusion of cash to the county via the issuance of bonds for the PBC
- The county is no longer responsible for day-to-day operations of the nursing home
- The elimination of future payroll, benefits, and pension obligations by transfer of employees to PBC employer
- The presumable continuity of care for current residents of the Nursing Home
- The presumable retention of employees as public employees
- If supported by State Legislature, the PBC could be created without a RFP process
- The potential for larger state and federal grants to increase care services at the Nursing Home

Disadvantages:

- The county would forfeit ability to exercise future control over the home
- A PBC is a tax-exempt entity, and as a result, the county and municipality would not generate revenue from income or property taxes
- If the PBC were to fail, ownership of the facility could potentially revert back to the county, leaving the county with an even larger liability
- The creation of a PBC takes State Legislature and Governor approval; if there are any objections, the process can be extensive forcing the county to incur any operating losses during that time
- The infusion of cash from bond issuance for the PBC would not likely be as great as if the Nursing Home were privatized through a complete facility sale
- The lag in government reimbursement coupled with the time necessary for the home to establish financial stability could force the county to commit future financial contributions for years

Strategy: Facility Sale & Privatization

Facility Sale and Privatization:

- County Officials would establish that a complete sale and privatization of the facility is in the best interest of the county and the Nursing Home itself
- County would decide to sell the property on its own or through the use of a licensed real estate broker
- Through the sale, Operations and associated real estate are sold in one transaction

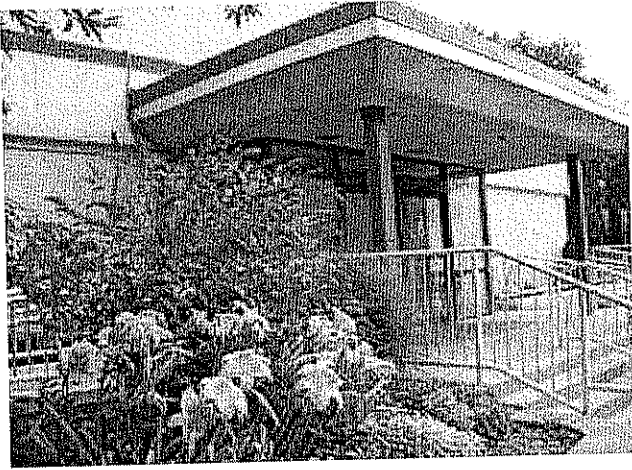
Advantages:

- The county receives a one-time large sum of funds from the sale of the facility
- The sale would allow for a pre-determined marketing time-line for completion of the process
- The county would apply net proceeds from the sale to the highest and best use (outstanding debt obligations)
- The transfer of hundreds of employees from the public sector to the private sector would reduce county payroll liability and future pension obligations
- The conversion of an annually tax-supported operation, into a profit center for the county through the reception of income taxes
- The county begins to receive real estate tax revenues from the new owner
- The burden of an established operating loss falls from the taxpayer to the new buyer
- The mitigation of bond rating risk to the county associated with the ownership of a financially distressed entity
- The insulation from the unknown financial realities related to the current overhaul of long-term care and overall health care systems.
- The presumable increase in flexibility in a private operator's ability to respond to changing service, administrative/management requirements and needs in comparison to constraints driven by Civil Service, governmental bureaucracy and union/contractual agreements.
- The potential for a private owner to provide greater resources to the facility through purchases of new equipment, facility upgrades, and additional services or levels of care.

Disadvantages:

- The county would forfeit ability to exercise future control over the home
- The loss of a county asset and potential future profit generator
- Uncertainty about the future of the county employees at the nursing home
- Potential disruption of the continuity of care.

PRICING & FINANCIAL ANALYSIS



**SUSSEX COUNTY
HOMESTEAD**

NEWTON, NJ

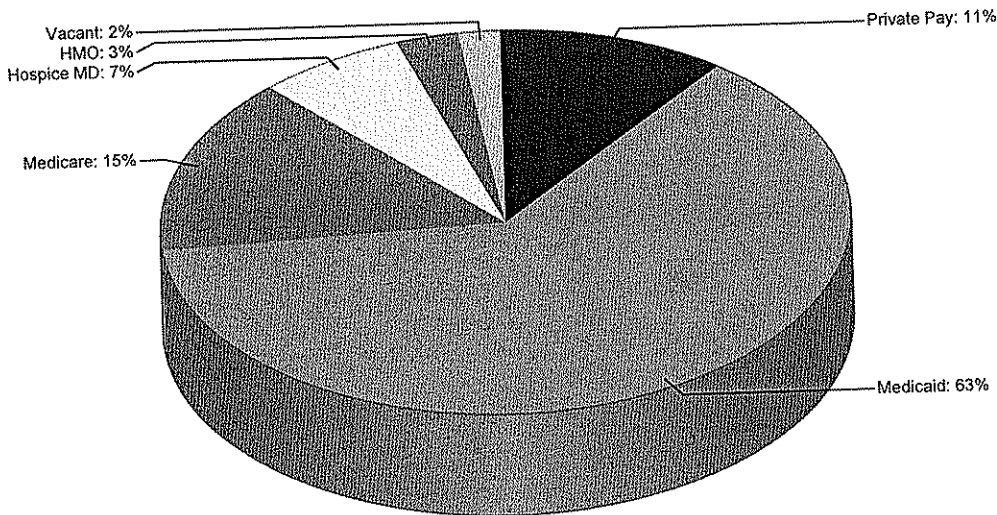
SUSSEX COUNTY HOMESTEAD
 NEWTON, NJ

PRICING & FINANCIAL ANALYSIS

Unit Mix

Type of Care	No. of Units	No. of Beds	Pro Forma Beds	Unit Type	Avg. Rent	Current Daily Income	Avg. Rent	Pro Forma Daily Income
SNF		11	11	Private Pay	\$246	\$2,641.00	\$246	\$2,641.00
SNF		64	64	Medicaid	\$212	\$13,515.00	\$221	14,136
SNF		15	15	Medicare	\$552	\$7,975.00	\$552	\$7,975.00
SNF		0	0	Hospice PP	\$246	\$14.00	\$246	\$14.00
SNF		7	7	Hospice MD	\$212	\$1,385.00	\$212	\$1,385.00
SNF		3	3	HMO				
SNF				Respite				
SNF		2	2	Vacant				
		102	102	TOTAL		\$25,530		\$26,151

UNIT MIX



COMMENTS

Current and Pro Forma census, unit mix and daily income values are based on averages of the 4/30/2011 YTD P&L. Due to a lack of detail for the revenue payor types, Daily Income, Avg Rent and distribution of revenue may not be accurate. HMO and Respite were not represented in the Revenue breakdown.

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SUSSEX COUNTY HOMESTEAD
 NEWTON, NJ

Income & Expenses

	CURRENT	PER BED	PRO FORMA	PER BED
RESIDENT SERVICE FEES				
Care & Service Rent	\$9,318,450	\$91,357	\$9,545,115	\$93,580
Third Party	926,872	9,087	926,872	9,087
Peer Grouping	(164,422)	(1,612)		
GROSS POTENTIAL RENT	\$10,080,900	\$98,832	\$10,471,987	\$102,667
Other Revenue				
Other	2,723	27	2,723	27
TOTAL OTHER REVENUE	\$2,723	\$27	\$2,723	\$27
GROSS POTENTIAL INCOME	\$10,083,623	\$98,859	\$10,474,710	\$102,693
Total Expenses	\$8,977,597	\$88,016	\$8,337,497	\$81,740
PRD	\$250.21		\$232.37	
NET OPERATING INCOME	\$1,106,026	\$10,843	\$2,137,214	\$20,953

PRICING & FINANCIAL ANALYSIS

COMMENTS

The Peer Grouping line item is an adjustment unique to a county home operation, that being the case, the adjustment was not brought through to the Pro Forma analysis. The Third Party revenue line item refers to a revenue payor source, but was non-descript in its presentation.

SUSSEX COUNTY HOMESTEAD
 NEWTON, NJ

PRICING & FINANCIAL ANALYSIS

Expenses

	CURRENT	PRD	PER BED	PRO FORMA	PRD	PER BED
Salaries & Wages	\$4,795,147	\$133.64	\$47,011	\$3,867,810	\$107.80	\$37,920
Fringe Benefits	2,841,124	79.18	27,854	611,514	17.04	5,995
Other Expenses	833,565	23.23	8,172	2,613,062	72.83	25,618
Management (% of GPI)				523,736	14.60	5,135
Other Administrative	79,917	2.23	784	15,377	0.43	151
Maintenance	256,568	7.15	2,515	248,677	6.93	2,438
Utilities	171,276	4.77	1,679	193,039	5.38	1,893
Quality Assurance Fee				264,282	7.37	2,591
TOTAL EXPENSES	\$8,977,597	\$250.21	\$88,016	\$8,337,497	\$232.37	\$81,740
% of GPI	89%			80%		
NET OPERATING INCOME	\$1,106,026	\$30.83		\$2,137,214	\$59.57	
% of GPI	11%			20%		

COMMENTS

Current expenses reflect the 4/30/11 YTD P&L, annualized. Pro Forma expenses reflect comparable operating margins of NJ facility operators' P&Ls (comp set). Property Taxes, Bed Taxes and Marketing Expense represent costs added to the Pro Forma analysis, not seen in current expenses. An industry standard 5% Management Fee was added to the Pro Forma Analysis as well.

SUSSEX COUNTY HOMESTEAD
 NEWTON, NJ

Pricing (A) - Current

	LIST PRICE	SALES RANGE	
Price	\$10,500,000	\$8,500,000	\$12,500,000
NET OPERATING INCOME	\$1,106,026	\$1,106,026	\$1,106,026
CASH FLOW ANALYSIS			
Total Return	\$1,106,026	\$1,106,026	\$1,106,026
VALUE INDICATORS			
CAP Rate	10.53%	13.01%	8.85%
EGIM	1.04	0.84	1.24
Price/Bed	\$102,941	\$83,333	\$122,549

PRICING & FINANCIAL ANALYSIS

SUSSEX COUNTY HOMESTEAD
 NEWTON, NJ

Pricing (B) - Pro Forma

	LIST PRICE	SALES RANGE	
Price	\$10,250,000	\$8,800,000	\$12,250,000
NET OPERATING INCOME	\$2,137,214	\$2,183,191	\$2,183,191
CASH FLOW ANALYSIS			
Total Return	\$2,137,214	\$2,183,191	\$2,183,191
VALUE INDICATORS			
CAP Rate	20.85%	24.81%	17.82%
EGIM	0.98	0.84	1.17
Price/Bed	\$100,490	\$86,275	\$120,098

PRICING & FINANCIAL ANALYSIS

SUSSEX COUNTY HOMESTEAD
 NEWTON, NJ

PRICING & FINANCIAL ANALYSIS

Financial Overview

Price	\$10,500,000
Total Beds	102
Price/ Bed	\$102,941
Price/ Bed - Pro Forma	\$100,490
Occupancy - Current	98%
CAP Rate- Current	10.53%
CAP Rate- Pro Forma	20.85%
EGIM- Current	1.04
EGIM- Pro Forma	0.98

LOCATION
 129 Morris Turnpike
 Newton, NJ 07860

ANNUALIZED OPERATING DATA

	CURRENT	PRO FORMA
INCOME		
Gross Potential Rent	\$10,080,900	\$10,471,987
Total Other Revenue	2,723	2,723
Gross Potential Income	\$10,083,623	\$10,474,710
Less: Expenses	8,977,597	8,337,497
Net Operating Income	\$1,106,026	\$2,137,214

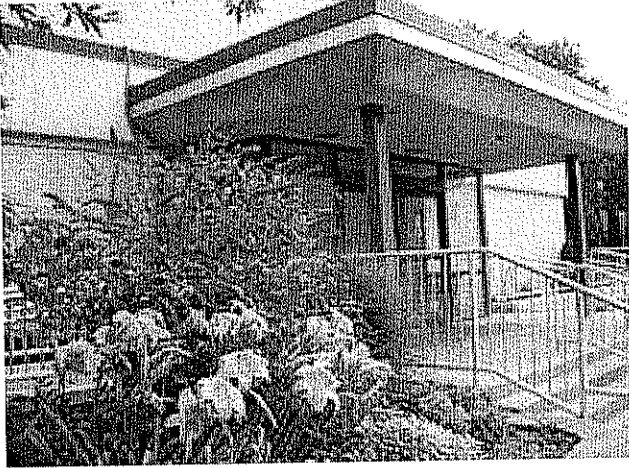
	CURRENT	PRO FORMA
EXPENSES		
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Fringe Benefits	2,841,124	611,514
Other Expenses	833,565	2,613,062
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Other Administrative	79,917	15,377
Maintenance	256,568	248,677
Utilities	171,276	193,039
Quality Assurance Fee		264,282
TOTAL EXPENSES	\$8,977,597	\$8,337,497
PRD	\$250.21	\$232.37
Expenses per Bed	\$88,016	\$81,740

SCHEDULED INCOME

Type of Care	No. of Beds	Pro Forma Beds	Unit Type	Avg. Rent	Current Daily Income	Avg. Rent	Pro Forma Daily Income
SNF	11	11	Private Pay	\$246	\$2,641.00	\$246	\$2,641.00
SNF	64	64	Medicaid	\$212	\$13,515.00	\$221	14,136
SNF	15	15	Medicare	\$552	\$7,975.00	\$552	\$7,975.00
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SNF	7	7	Hospice MD	\$212	\$1,385.00	\$212	\$1,385.00
SNF	3	3	HMO				
	102	102	TOTAL		\$25,530		\$26,151

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**SUSSEX COUNTY
HOMESTEAD**

NEWTON, NJ

SUSSEX COUNTY HOMESTEAD

NEWTON, NJ

Investment Overview

Sussex County Homestead is a dually certified, 102-Bed skilled nursing facility located in the idyllic rolling hills of Southeastern Sussex County, New Jersey. The Homestead has been County owned and operated since opening its doors in 1955. Evidenced by its Payor mix, strong Revenue and exceptional historical Census (Occupancy) and Mix, its management has done an excellent job of identifying the needs of Sussex County's residents and adapting to the ever-changing long-term care business.

The acquisition of Sussex County Homestead would present a rare opportunity for a regional or national Owner/Operator to take over a well-respected, stabilized property with robust Revenue, an attractive Quality Mix and above market Census already in place. By renegotiating the current union contracts, streamlining the Billing and Care Plan Management process, and capitalizing on multi-facility contracts and efficiencies, the new owner could push the bottom line by as much as \$500,000 in the first 12 months after the acquisition and by as much as \$1M in the first 24 months after the sale.

Drawing from our recent experience with the privatization of county-owned nursing homes in New Jersey, Pennsylvania, Arizona and nationally, we would recommend that the Homestead be brought to market un-priced with a minimum bid requirement of \$8 Million. Based on the strong demand for skilled nursing facilities in New Jersey, which is driven by strong Medicaid rates and a strict Certificate of Need process (the state of New Jersey has not issued a call for new nursing facility beds since 1991), it is our opinion, the Homestead will transact between \$10 Million and \$12 Million

The privatization of the Homestead would provide the following benefits for Sussex County:

- *Transferring hundreds of employees from the public sector to the private sector would reduce county payroll liability and future pension obligations.*
- *A one-time large influx of capital from the sale.*
- *Converting an annually tax-supported operation into a profit center for the Township and County through the receipt of sales taxes, income taxes and property taxes.*
- *Insulation from the unknown financial risks related to the current overhaul of long-term care and overall health care systems*
- *The transition of an established operating loss from the taxpayer to the new buyer.*
- *The mitigation of bond rating downgrading due to the county being associated with the ownership of a financially distressed entity.*

SUSSEX COUNTY HOMESTEAD
 NEWTON, NJ

Property Summary

THE OFFERING

Property
 Property Address

Sussex County Homestead
 129 Morris Turnpike
 Newton, NJ 07860

Assessor's Parcel Number
 Zoning
 Type of Care

Skilled Nursing Facility

SITE DESCRIPTION

Year Built
 Number of Units
 Unit Breakdown
 Number of Beds
 Total Square Feet
 Number of Buildings
 Number of Stories
 Lot Size
 Type of Ownership
 Parking
 Parking Ratio
 Handicapped Parking
 Property Improvement

102
 One

CONSTRUCTION/MECHANICAL

Foundation
 Framing
 Exterior
 Exterior Condition
 Parking Surface
 Roof
 Plumbing
 Elevator
 HVAC
 Utilities
 Door Width
 Corridor Width

SYSTEMS

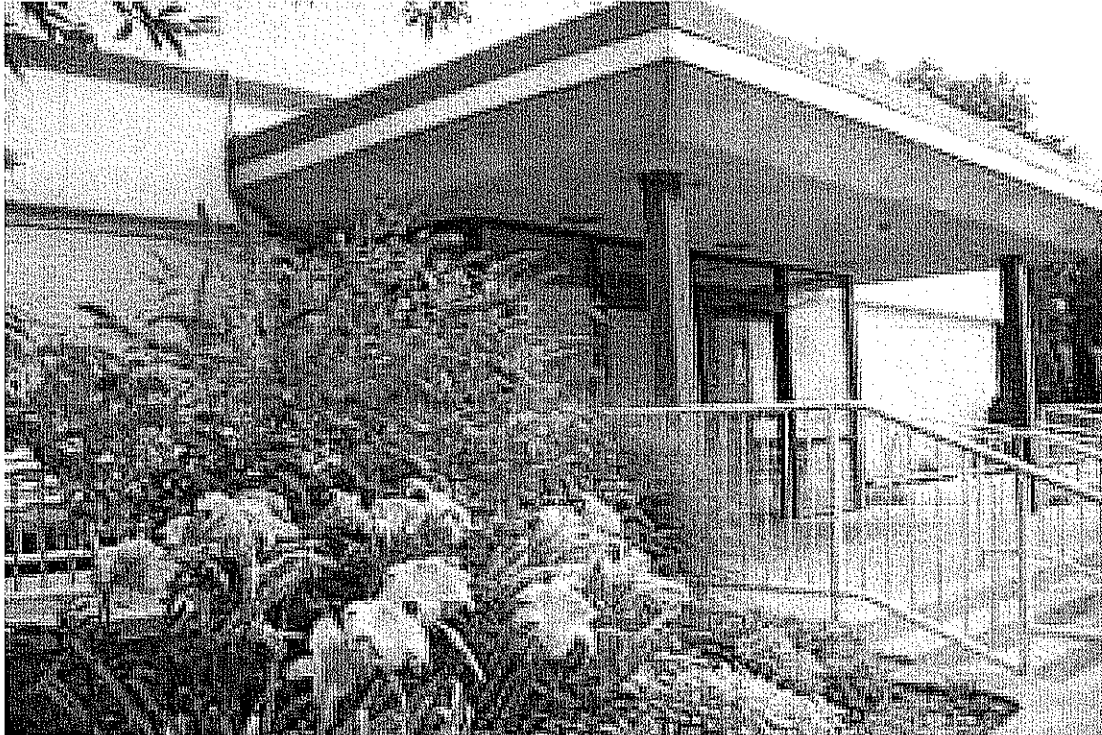
Fire Protection
 Emergency Lighting
 Emergency Generator
 Call Devices

PROPERTY DESCRIPTION

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Property Photos



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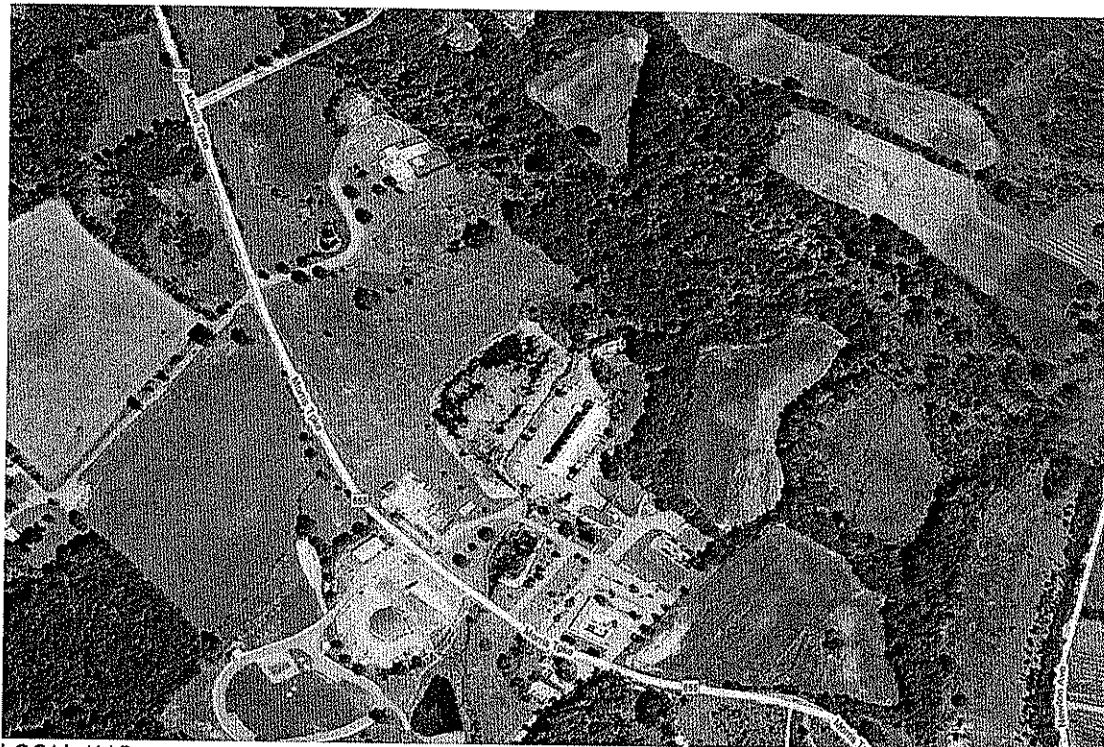
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SUSSEX COUNTY HOMESTEAD

NEWTON, NJ

PROPERTY DESCRIPTION

Area Maps



LOCAL MAP



REGIONAL MAP

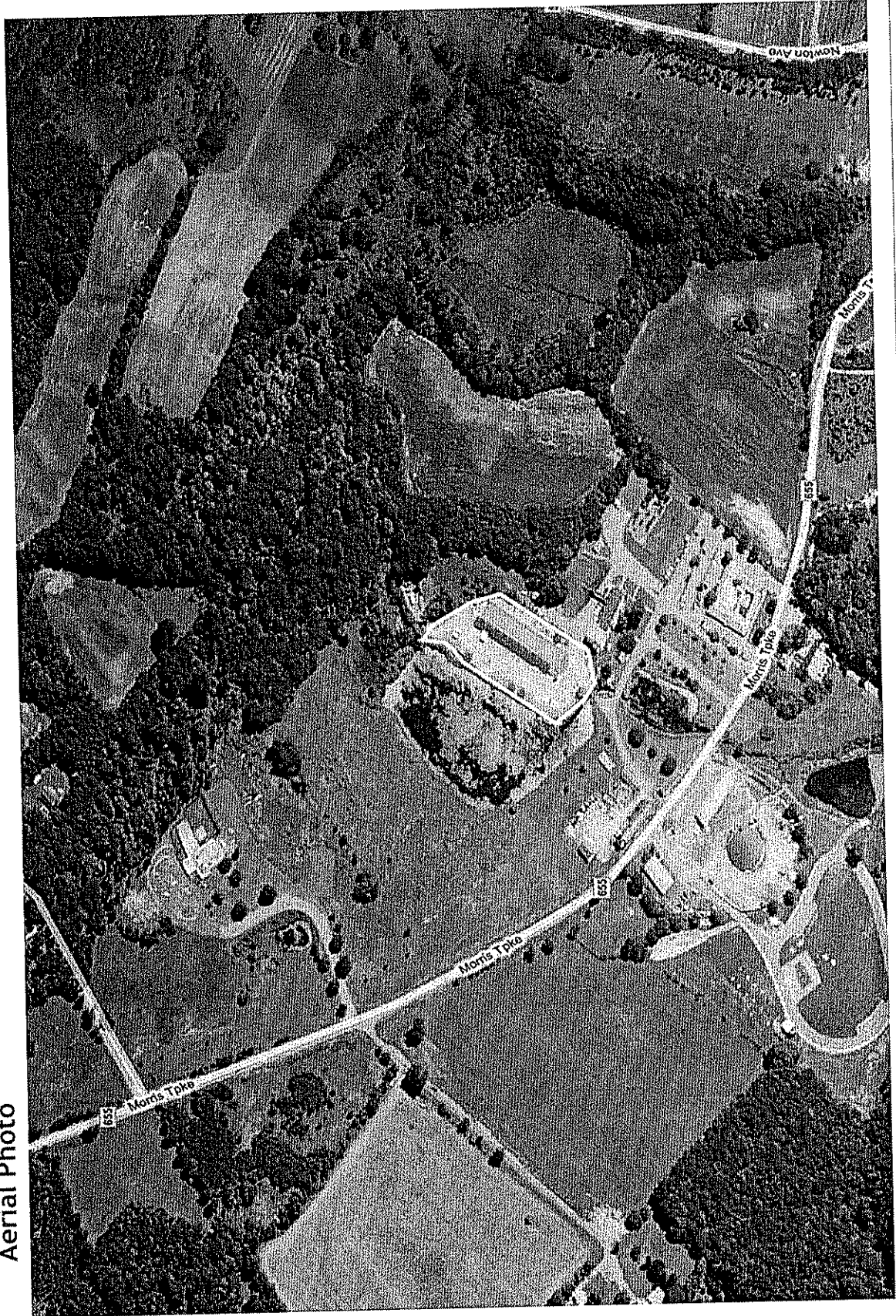
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SUSSEX COUNTY HOMESTEAD
NEWTON, NJ

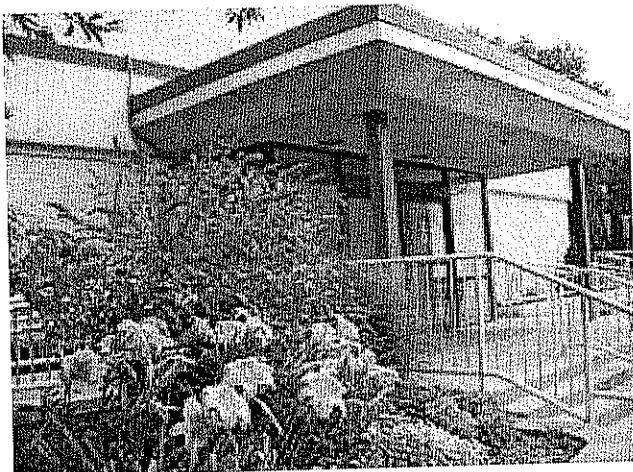
Aerial Photo



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RECENT SALES



**SUSSEX COUNTY
HOMESTEAD**

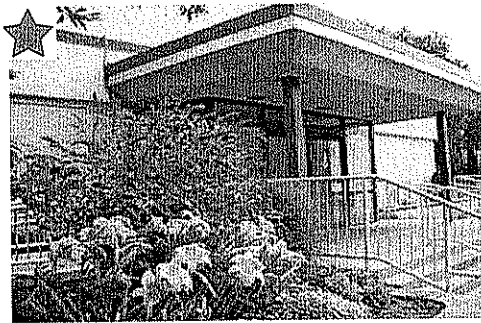
NEWTON, NJ

Marcus & Millichap
Real Estate Investment Services

SUSSEX COUNTY HOMESTEAD

NEWTON, NJ

Recent Sales



SUBJECT PROPERTY

SUSSEX COUNTY HOMESTEAD
 129 Morris Turnpike
 Newton, NJ 07860

Offering Price:	\$10,500,000	Total Units:	
Year Built:		Unit Breakdown:	
Type of Care:	SNF	Total Beds:	102
	CURRENT	Total SF:	
Occupancy:	98%	PRO FORMA	
CAP Rate:	10.53%		
EGIM:	1.04		
Price/Unit:			
Price/Bed:	\$102,941		\$100,490
Price/SF:			

RECENT SALES



SALEM COUNTY NURSING HOME
 438 Salem-Woodstown Road
 Salem, NJ 08079

Close of Escrow:	May 2011	Total Units:	
Sale Price:	\$7,500,000	Unit Breakdown:	Priv/Semi-
Year Built:	1970	Total Beds:	108
Type of Care:	SNF - Skilled	Total SF:	
	CURRENT	PRO FORMA	
Occupancy:	74%		90%
CAP Rate:	-43.00%		
EGIM:			
Price/Bed:	\$69,444		
Price/SF:			

COMMENTS

Due to annual losses meeting or exceeding \$3M, this property traded at a lower price per bed than comparable sales in New Jersey.



HUNTERDON CARE CENTER
 1 Leisure Ct
 Flemington, NJ 08822

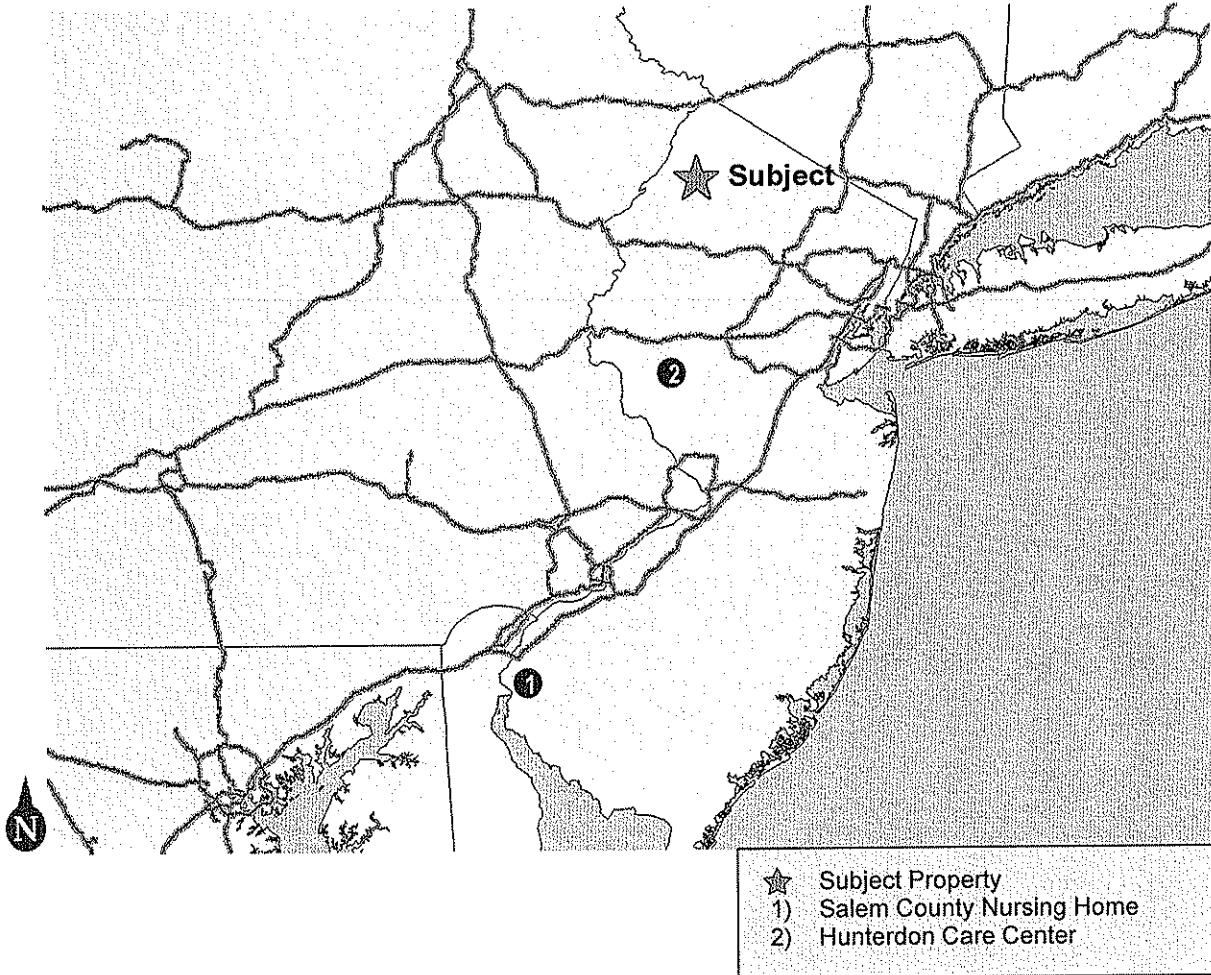
Close of Escrow:	May 2009	Total Units:	
Sale Price:	\$19,314,000	Unit Breakdown:	
Year Built:	1986	Total Beds:	183
Type of Care:	SNF - Skilled	Total SF:	68,295
	CURRENT		
Occupancy:			
CAP Rate:			
EGIM:			
Price/Unit:			
Price/Bed:	\$105,541		
Price/SF:	\$282.80		

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SUSSEX COUNTY HOMESTEAD
NEWTON, NJ

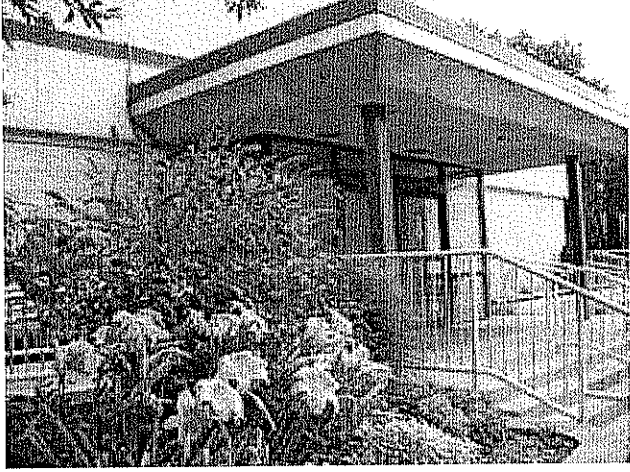
Recent Sales Map

RECENT SALES



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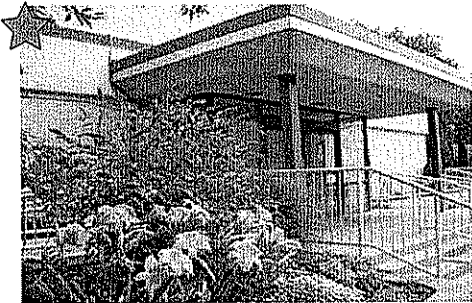
**SUSSEX COUNTY
HOMESTEAD**

NEWTON, NJ

SUSSEX COUNTY HOMESTEAD

NEWTON, NJ

Rent Comparables



SUBJECT PROPERTY

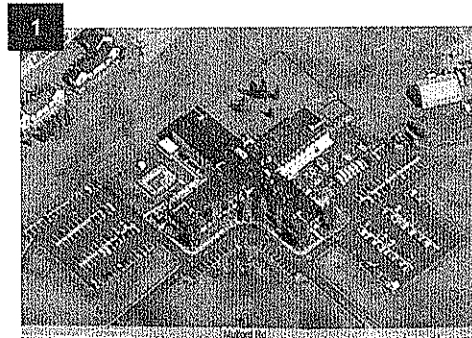
SUSSEX COUNTY HOMESTEAD

129 Morris Turnpike
Newton, NJ 07860

Total Units:		Date Surveyed:	May 2011
Unit Breakdown:		Occupancy:	98%
Total Beds:	102	Type of Care:	SNF
Square Feet:		No. of Floors:	
Year Built:		Management:	

RENT COMPARABLES

Type of Care	No. of Beds	Unit Type	Avg. Rent
SNF	11	Private Pay	\$246
SNF	64	Medicaid	\$212
SNF	15	Medicare	\$552
SNF		Hospice PP	\$246
SNF	7	Hospice MD	\$212
SNF	3	HMO	
	102	TOTAL	\$294



ANDOVER SUBACUTE & REHABILITATION

1 Obrien Lane
Andover, NJ 07821

Total Units:		Date Surveyed:	May 2011
Unit Breakdown:	Priv/Semi-Priv	Occupancy:	95%
Total Beds:	159	Type of Care:	SNF
Square Feet:		No. of Floors:	Two
Year Built:		Management:	

Type of Care	Unit Type	Private Pay Daily Rents	Avg. Rent
SNF	Private	\$270	\$270
SNF	Semi-Private	\$245	\$245
	TOTAL		\$257

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SUSSEX COUNTY HOMESTEAD

NEWTON, NJ

RENT COMPARABLES

Rent Comparables



2

BARN HILL CARE CENTER
249 High Street
Newton, NJ 07860

Total Units:		Date Surveyed:	May 2011
Unit Breakdown:	Priv/Semi-Priv	Occupancy:	90%
Total Beds:	154	Type of Care:	SNF
Square Feet:		No. of Floors:	One
Year Built:	1972	Management:	Genesis HC

Type of Care	Unit Type	Private Pay Daily Rents	Avg. Rent
SNF	Private	\$350	\$350
SNF	Semi-Private	\$323	\$323
SNF	3-4 Bed Ward	\$296	\$296
TOTAL			\$323



3

BRISTOL GLEN SKILLED NURSING
200 Bristol Glen Drive
Newton, NJ 07860

Total Units:		Date Surveyed:	May 2011
Unit Breakdown:	Priv/Semi-Priv	Occupancy:	N/A
Total Beds:	60	Type of Care:	SNF
Square Feet:		No. of Floors:	Two
Year Built:	2000	Management:	United Methodist

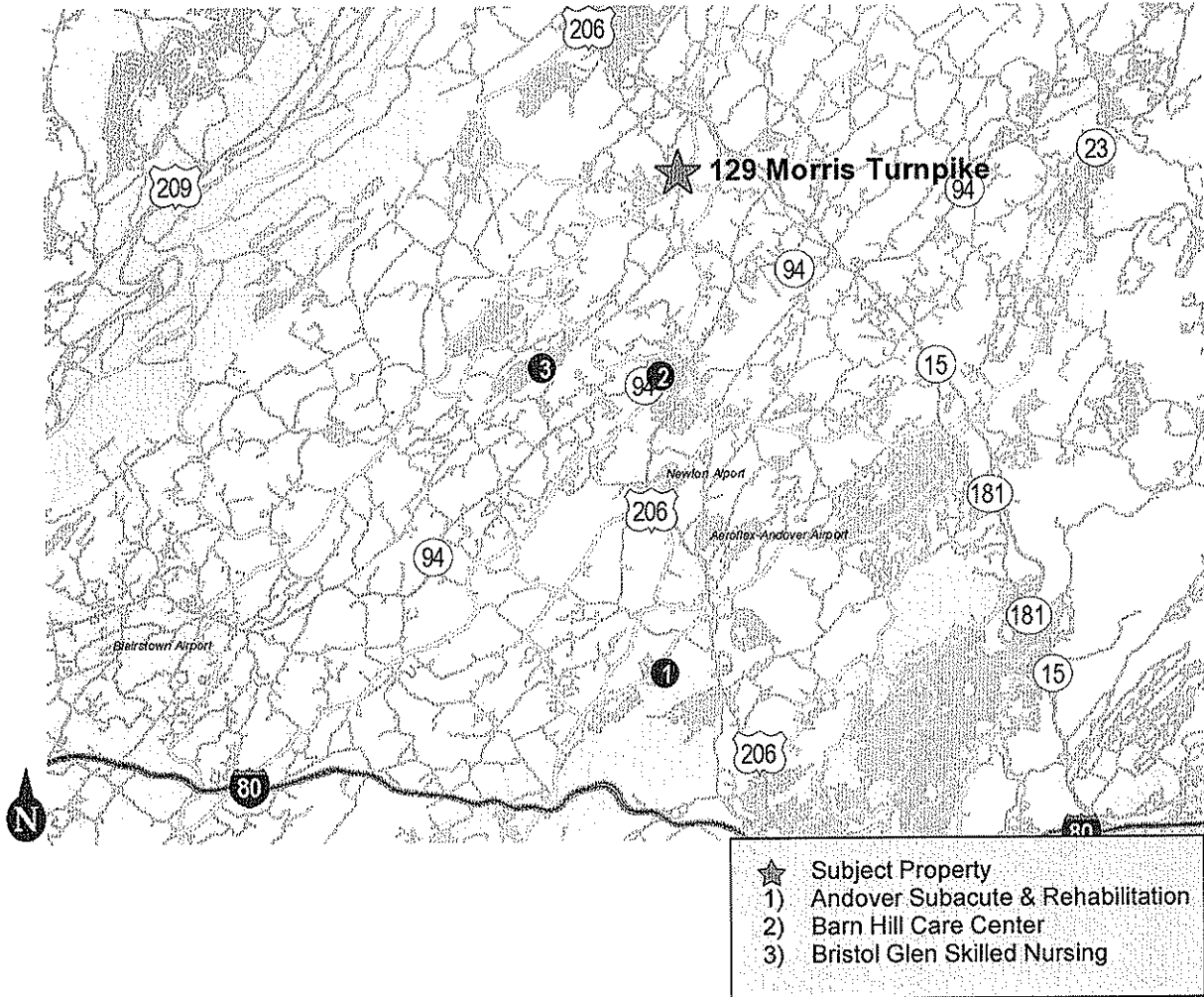
Type of Care	Unit Type	Private Pay Daily Rents	Avg. Rent
SNF	Private	\$426	\$426
SNF	Semi-Private	\$387	\$387
TOTAL			\$406

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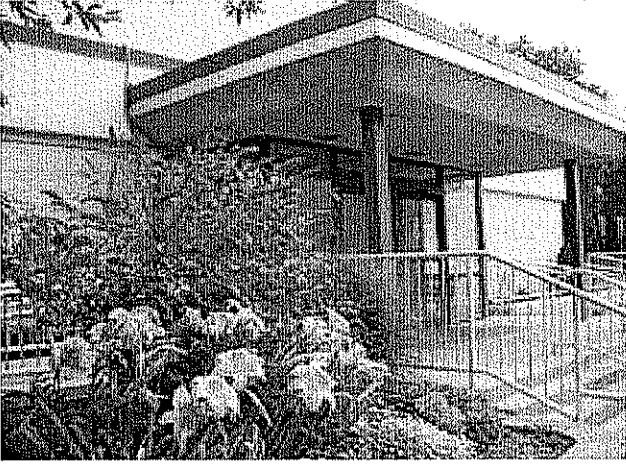
SUSSEX COUNTY HOMESTEAD
NEWTON, NJ

Rent Comparables Map

RENT COMPARABLES



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**SUSSEX COUNTY
HOMESTEAD**

NEWTON, NJ

SUSSEX COUNTY HOMESTEAD
NEWTON, NJ

Demographic Report

DEMOGRAPHIC ANALYSIS

	1 Miles:	3 Miles:	5 Miles:
1990 Population	471	5,250	17,930
2000 Population	519	5,611	19,458
2010 Population	527	5,690	19,492
2015 Population	514	5,519	19,214
1990 Households	133	1,736	6,534
2000 Households	149	1,912	7,321
2010 Households	159	2,031	7,654
2015 Households	158	2,026	7,774
2010 Average Household Size	3.01	2.72	2.46
2010 Daytime Population	534	6,173	16,685
1990 Median Housing Value	\$161,491	\$161,529	\$157,563
2000 Median Housing Value	\$160,078	\$160,390	\$156,724
2000 Owner Occupied Housing Units	79.8%	74.6%	63.9%
2000 Renter Occupied Housing Units	9.9%	13.7%	25.3%
2000 Vacant	10.26%	11.71%	10.85%
2010 Owner Occupied Housing Units	81.5%	76.9%	67.8%
2010 Renter Occupied Housing Units	9.3%	12.6%	22.5%
2010 Vacant	9.24%	10.58%	9.67%
2015 Owner Occupied Housing Units	81.4%	76.9%	67.8%
2015 Renter Occupied Housing Units	9.2%	12.6%	22.6%
2015 Vacant	9.38%	10.60%	9.62%
\$ 0 - \$ 14,999	2.9%	7.1%	10.1%
\$ 15,000 - \$24,999	6.8%	7.0%	7.6%
\$ 25,000 - \$34,999	3.5%	5.4%	7.2%
\$ 35,000 - \$49,999	7.7%	9.6%	10.2%
\$ 50,000 - \$74,999	16.3%	19.7%	19.7%
\$ 75,000 - \$99,999	14.5%	15.2%	14.6%
\$100,000 - \$124,999	20.0%	15.7%	13.1%
\$125,000 - \$149,999	18.1%	12.2%	9.2%
\$150,000 - \$200,000	7.2%	5.4%	5.2%
\$200,000 to \$249,999	1.6%	1.3%	1.4%
\$250,000 +	1.3%	1.4%	1.9%
Median Household Income	\$96,143	\$76,572	\$69,707
Per Capita Income	\$36,408	\$31,880	\$31,194
Average Household Income	\$89,226	\$79,061	\$75,943

Demographic data © 2010 by Experian/ Applied Geographic Solutions.

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Marcus & Millichap
 Real Estate Investment Services

SUSSEX COUNTY HOMESTEAD

NEWTON, NJ

Summary Report

Geography: 5 Miles

Population

In 2010, the population in your selected geography is 19,492. The population has changed by 0.18% since 2000. It is estimated that the population in your area will be 19,214 five years from now, which represents a change of -1.43% from the current year. The current population is 48.95% male and 51.05% female. The median age of the population in your area is 43.9, compare this to the US average which is 37.1. The population density in your area is 248.18 people per square mile.

Households

There are currently 7,654 households in your selected geography. The number of households has changed by 4.55% since 2000. It is estimated that the number of households in your area will be 7,774 five years from now, which represents a change of 1.57% from the current year. The average household size in your area is 2.46 persons.

Income

In 2010, the median household income for your selected geography is \$69,707, compare this to the US average which is currently \$51,517. The median household income for your area has changed by 25.65% since 2000. It is estimated that the median household income in your area will be \$74,123 five years from now, which represents a change of 6.34% from the current year.

The current year per capita income in your area is \$31,194, compare this to the US average, which is \$27,867. The current year average household income in your area is \$75,943, compare this to the US average which is \$72,148.

Race & Ethnicity

The current year racial makeup of your selected area is as follows: 93.31% White, 2.79% Black, 0.00% Native American and 1.65% Asian/Pacific Islander. Compare these to US% averages which are: 73.52% White, 12.42% Black, 0.76% Native American and 4.60% Asian/Pacific Islander.

People of Hispanic origin are counted independently of race. People of Hispanic origin make up 4.38% of the current year population in your selected area. Compare this to the US% average of 15.45%.

Housing

The median housing value in your area was \$156,724 in 2000, compare this to the \$US average of \$115,194 for the same year. In 2000, there were 5,244 owner occupied housing units in your area and there were 2,077 renter occupied housing units in your area. The median rent at the time was \$640.

Employment

In 2010, there are 16,685 employees in your selected area, this is also known as the daytime population. The 2000 Census revealed that 61.1% of employees are employed in white-collar occupations in this geography, and 38.9% are employed in blue-collar occupations. In 2010, unemployment in this area is 8.10%. In 2000, the median time traveled to work was 26.0 minutes.

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SUSSEX COUNTY HOMESTEAD
 NEWTON, NJ

DEMOGRAPHIC ANALYSIS

Mature Market Overview

Mature Market Summary Report

Population By Age							% Change 2010 to 2015
	2000	%	Spring 2010	%	2015	%	
Total	175,245		186,556		182,346		
Age 55 - 59	9,797	5.6%	14,098	7.6%	15,085	8.3%	7.0%
Age 60 - 64	6,450	3.7%	11,287	6.1%	12,770	7.0%	13.1%
Age 65 - 69	4,804	2.7%	8,081	4.3%	9,932	5.5%	22.9%
Age 70 - 74	4,370	2.5%	5,297	2.8%	6,998	3.8%	32.1%
Age 75 - 79	3,357	1.9%	3,652	2.0%	4,305	2.4%	17.9%
Age 80 - 84	2,246	1.3%	2,581	1.4%	2,715	1.5%	5.2%
Age 85+	1,943	1.1%	2,496	1.3%	2,275	1.3%	-8.9%
Age 55 +	32,968	18.8%	47,493	25.5%	54,079	29.7%	13.9%
Age 65 +	16,720	9.5%	22,107	11.9%	26,224	14.4%	18.6%

Median Age	37.3		40.5		41.2		1.8%
Median Age 55+	65.2		64.2		64.6		0.7%

Male	86,646		92,822		91,012		1.8%
Age 55 - 59	4,980	5.7%	7,102	7.7%	7,506	8.2%	5.7%
Age 60 - 64	3,356	3.9%	5,648	6.1%	6,374	7.0%	12.9%
Age 65 - 69	2,311	2.7%	4,043	4.4%	4,961	5.5%	22.7%
Age 70 - 74	2,030	2.3%	2,584	2.8%	3,420	3.8%	32.4%
Age 75 - 79	1,353	1.6%	1,638	1.8%	2,033	2.2%	24.1%
Age 80 - 84	818	0.9%	1,055	1.1%	1,170	1.3%	10.9%
Age 85+	552	0.6%	848	0.9%	768	0.8%	-9.5%
Age 55 +	15,400	17.8%	22,918	24.7%	26,231	28.8%	14.5%
Age 65 +	7,064	8.2%	10,168	11.0%	12,351	13.6%	21.5%

Median Age	36.9		39.9		40.4		1.4%
Median Age 55+	64.1		63.7		64.3		1.0%

Female	88,599		93,734		91,334		
Age 55 - 59	4,817	5.4%	6,996	7.5%	7,578	8.3%	8.3%
Age 60 - 64	3,094	3.5%	5,640	6.0%	6,397	7.0%	13.4%
Age 65 - 69	2,493	2.8%	4,038	4.3%	4,971	5.4%	23.1%
Age 70 - 74	2,340	2.6%	2,713	2.9%	3,578	3.9%	31.9%
Age 75 - 79	2,004	2.3%	2,014	2.1%	2,272	2.5%	12.8%
Age 80 - 84	1,428	1.6%	1,526	1.6%	1,545	1.7%	1.2%
Age 85+	1,391	1.6%	1,648	1.8%	1,507	1.7%	-8.5%
Age 55 +	17,567	19.8%	24,575	26.2%	27,848	30.5%	13.3%
Age 65 +	9,656	10.9%	11,939	12.7%	13,874	15.2%	16.2%

Median Age	37.7		41.0		40.8		-0.6%
Median Age 55+	66.5		64.6		65.0		0.5%

SUSSEX COUNTY HOMESTEAD
 NEWTON, NJ

DEMOGRAPHIC ANALYSIS

Mature Market Overview

Mature Market Summary Report

Income by Age of Head of Household

Householder Age 55 - 64 Years

	2000 Census		Spring 2010		2015		Percent 2000 to
\$ 0 - \$19,999	854	8.9%	937	6.3%	867	5.2%	9.7%
\$ 20,000 -	1,302	13.6%	1,495	10.0%	1,365	8.2%	14.8%
\$ 40,000 -	1,752	18.3%	2,078	14.0%	2,021	12.2%	18.6%
\$ 60,000 -	1,350	14.1%	1,582	10.6%	1,596	9.6%	17.2%
\$ 75,000 -	1,528	16.0%	2,421	16.3%	2,655	16.0%	58.5%
\$100,000 -	1,186	12.4%	2,084	14.0%	2,467	14.9%	75.6%
\$125,000 -	635	6.6%	1,563	10.5%	1,999	12.0%	146.3%
\$150,000 +	956	10.0%	2,730	18.3%	3,621	21.8%	185.7%

Median Income	\$69,522	\$88,580	\$97,988
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Age Householder 65 - 74 Years

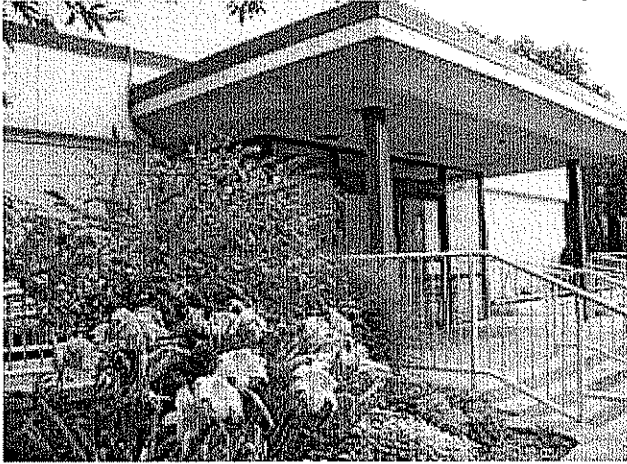
	2000 Census		Spring 2010		2015		Percent 2000 to
\$ 0 - \$19,999	1,204	21.8%	1,297	16.2%	1,499	14.6%	7.7%
\$ 20,000 -	1,598	28.9%	1,592	19.9%	1,800	17.5%	-0.4%
\$ 40,000 -	1,083	19.6%	1,364	17.0%	1,630	15.8%	26.0%
\$ 60,000 -	478	8.6%	848	10.6%	1,042	10.1%	77.4%
\$ 75,000 -	529	9.6%	1,012	12.6%	1,372	13.3%	91.3%
\$100,000 -	326	5.9%	795	9.9%	1,161	11.3%	144.0%
\$125,000 -	138	2.5%	445	5.6%	707	6.9%	222.6%
\$150,000 +	173	3.1%	663	8.3%	1,078	10.5%	282.2%

Median Income	\$39,481	\$56,487	\$62,784
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Householder Age 75 Plus Years

	2000 Census		Spring 2010		2015		Percent 2000 to
\$ 0 - \$19,999	1,759	40.3%	1,461	29.3%	1,420	26.1%	-16.9%
\$ 20,000 -	1,177	27.0%	1,074	21.5%	1,060	19.5%	-8.7%
\$ 40,000 -	638	14.6%	680	13.6%	707	13.0%	6.6%
\$ 60,000 -	248	5.7%	411	8.2%	443	8.2%	65.7%
\$ 75,000 -	297	6.8%	579	11.6%	689	12.7%	95.0%
\$100,000 -	102	2.3%	289	5.8%	385	7.1%	183.9%
\$125,000 -	78	1.8%	201	4.0%	301	5.5%	157.7%
\$150,000 +	64	1.5%	297	6.0%	432	7.9%	366.0%

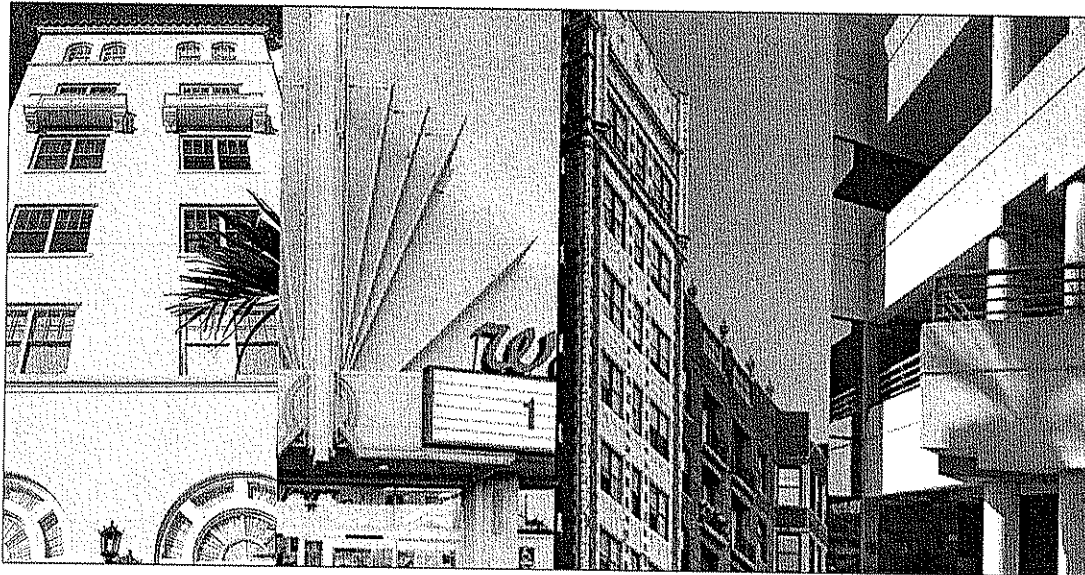
Median Income	\$25,426	\$38,953	\$47,558
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**SUSSEX COUNTY
HOMESTEAD**

NEWTON, NJ

EXPOSURE | EXPERTISE | RESULTS



Leaving No Stone Unturned in Marketing Your Property.

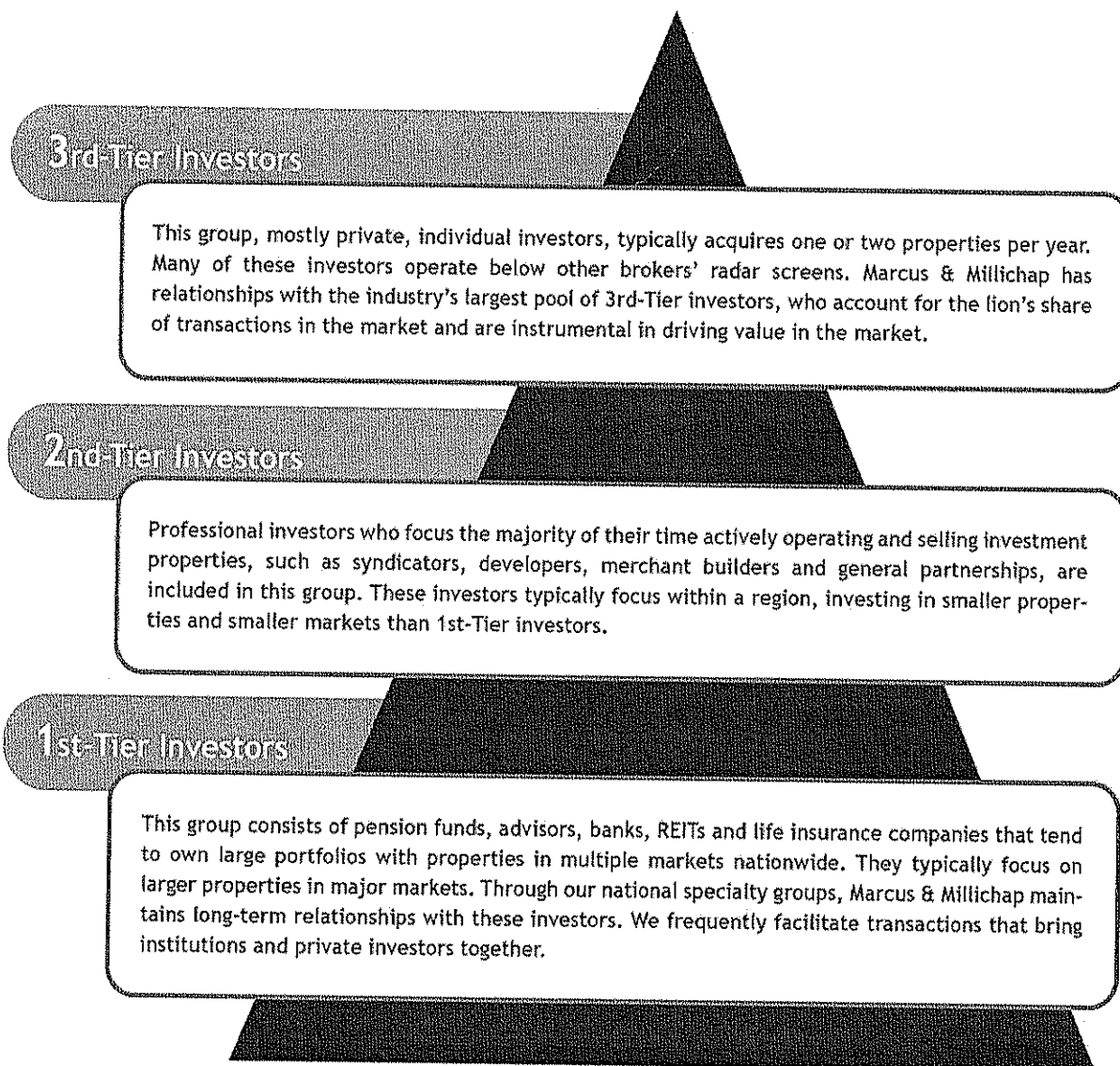
- Expert Underwriting
- Access To More Investors Than Any Other Source
- A Tightly Managed Marketing Campaign

At Marcus & Millichap, our mission is to help each client achieve their investment goals. Through our investment expertise and extensive research capabilities, our agents develop optimal positioning, pricing and marketing strategies for each property.

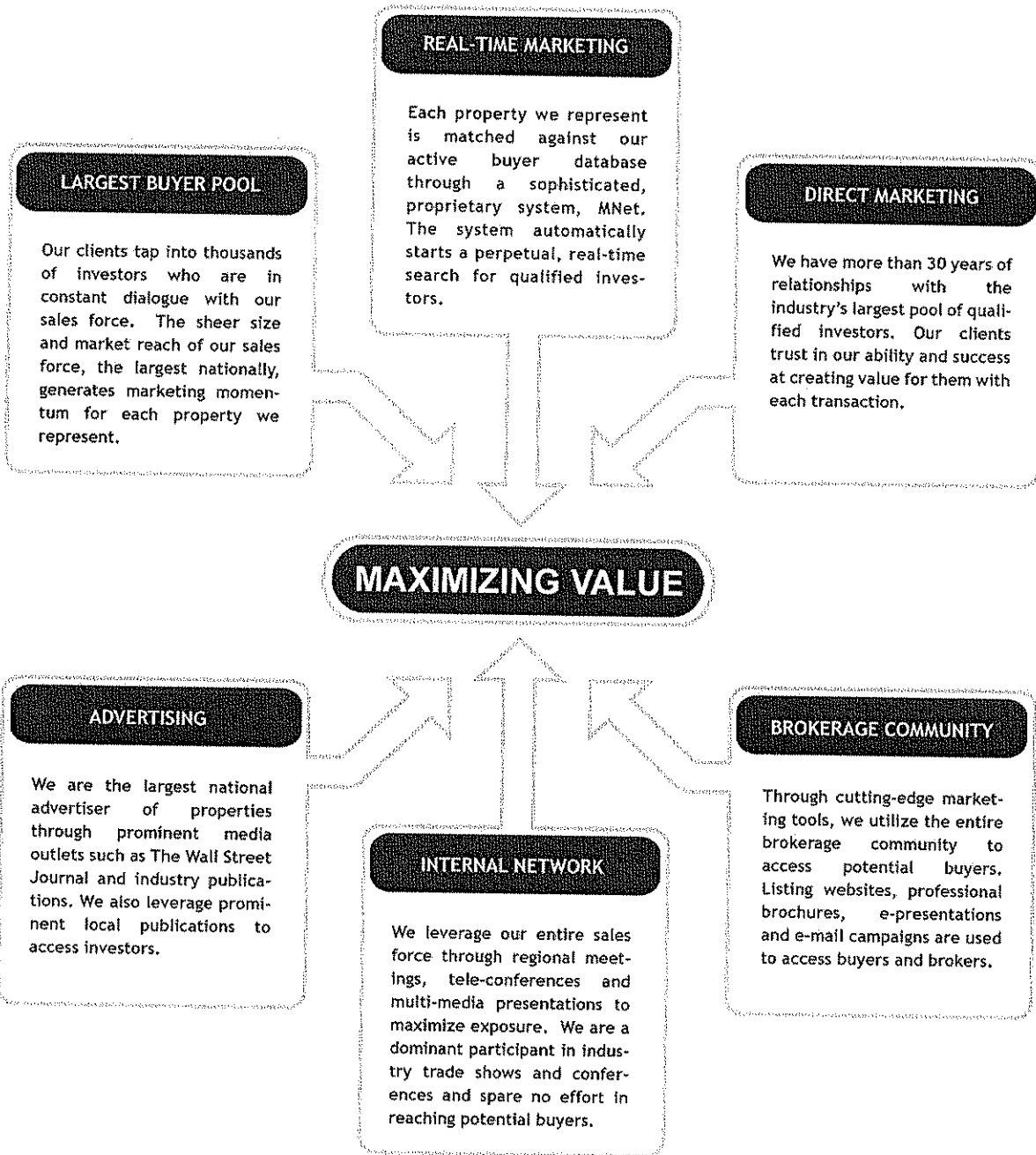
While experience and knowledge of a market create value in the representation of a client, the quality of exposure to the marketplace determines the final outcome. Marcus & Millichap's time-tested marketing system ensures that each listing will be presented to an expanded marketplace, creating the broadest buyer interest and maximizing value for our clients.

INVESTOR PROFILES

There are three primary investor tiers in the marketplace, and Marcus & Millichap has the track record and relationships to effectively access each of these buyer pools.



ACHIEVING OPTIMAL RESULTS ONE TRANSACTION AT A TIME

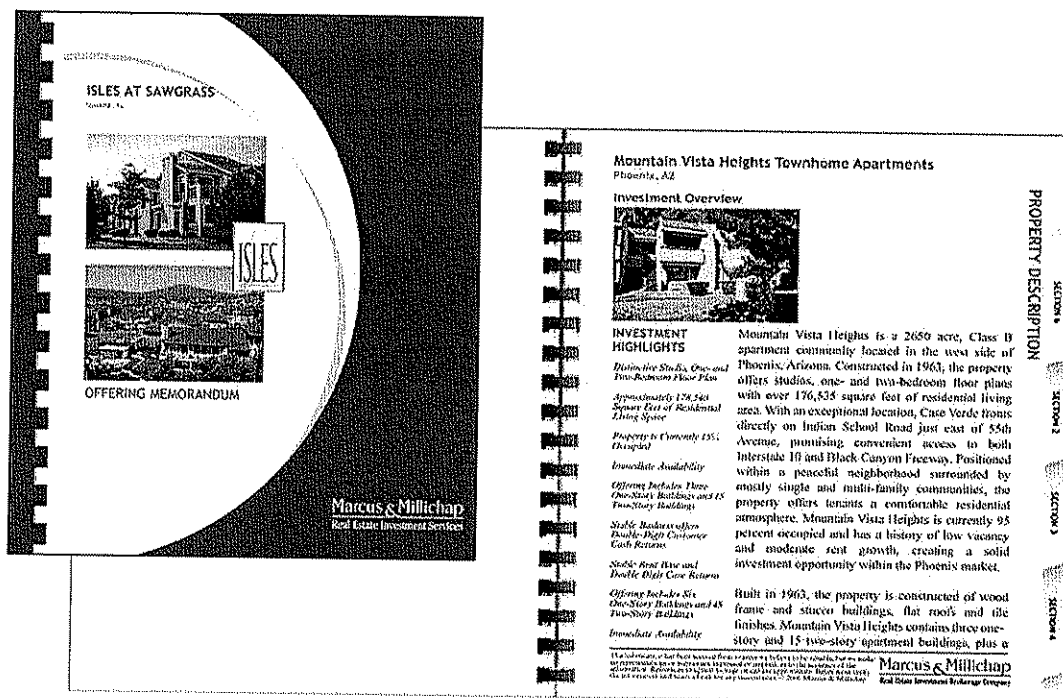


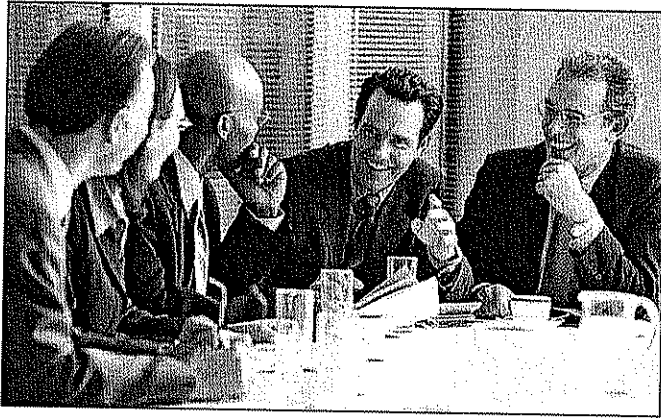
The Marketing Package

A complete Marketing Package is prepared immediately after execution of the "Exclusive Right to Sell" agreement. Within 72 hours of signing the listing agreement, we distribute a detailed information package to sales professionals in our offices throughout the United States.

Marketing Package Contents:

- Property Description-Overview, Highlights, Summary, Photos, Maps, Site Plan, Floor Plans, Aerial Photos, etc.
- Market Profile-MSA and Local Market Overviews
- Rent Comparables-Summary, Graphs and Map
- Recent Sales-Summary, Graphs and Map
- Financial Analysis-Tenant Summary, Income & Expense Summary
- Demographic Information-Summary of Local Market Population's Statistical Characteristics, Reports, Maps





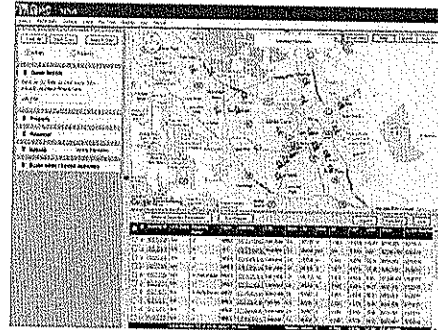
Maximum Exposure, Optimal Results

1. Internal Information Sharing
2. Direct Marketing
3. Advertising
4. Investor Symposiums
5. Broker Cooperation
6. Internet Marketing
7. Industry Events and Trade Shows

1. Internal Information Sharing

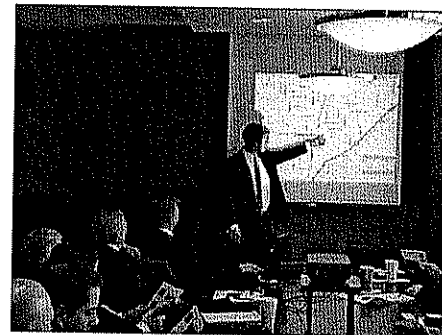
- MNet

Each listing is entered into Marcus & Millichap's proprietary property database (MNet) and the information is instantaneously transmitted to the firm's more than 1,200 agents nationwide. Employing the "Buyer Needs" function of MNet, an agent specifies a client's property investment criteria; when a matching property is listed, the agent is immediately notified.



- Sales Meetings

At our weekly local office sales meetings, a PowerPoint presentation will promote the property to the entire sales force. Agents will be instructed on how to reinforce the property's strong points and overcome any shortcomings. Properties are further promoted internally through our monthly property specialty group conference calls, where, for example, members of our National Multi Housing Group or National Retail Group confer on market trends and investment opportunities.



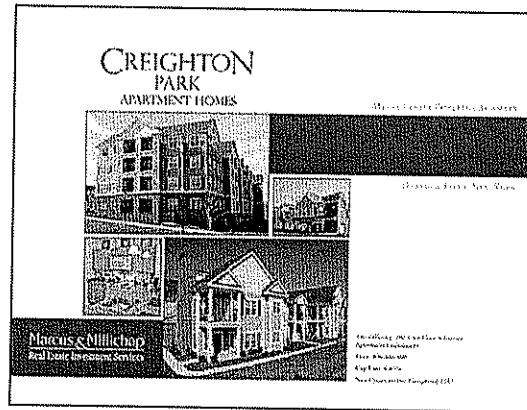
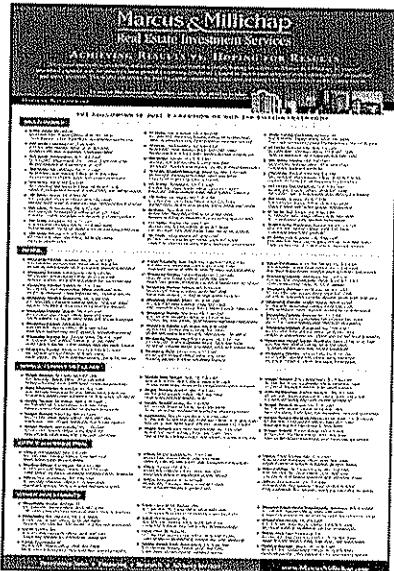
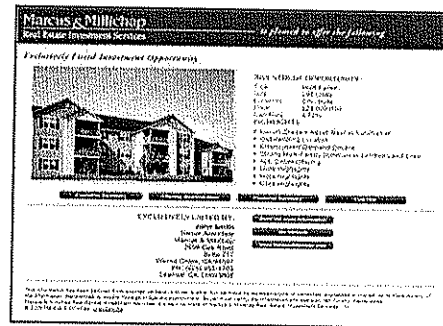
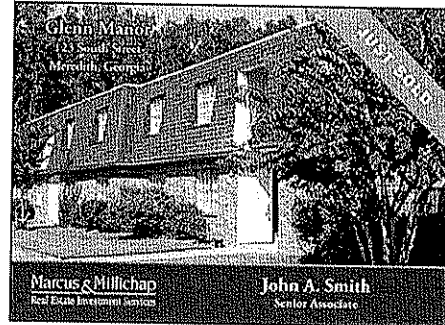
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2. Direct Marketing

Offering memorandums and promotional materials are utilized to present the opportunity to a broad base of investors. Using "My Marketplace," an automated Web application, Marcus & Millichap agents can easily produce high-quality marketing materials and get properties to market quicker. Through MNet's "Buyer Needs" function and their personal databases of investor relationships, our investment professionals identify qualified potential buyers. After specific investors are identified, a direct marketing campaign is initiated, which includes mailings followed by personal contact with each potential buyer.

3. Advertising

Marcus & Millichap actively advertises its exclusive property listings in national, regional and local publications to expand the exposure to potential investors. We regularly feature our listings in full-page advertisements in The Property Report section of The Wall Street Journal, the nation's premier business publication.



THE WALL STREET JOURNAL.

Marcus & Millichap
 Real Estate Investment Services

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4. Investor Symposiums

Marcus & Millichap's local offices host regular investor symposiums throughout the United States. These invitation-only events feature property presentations where the merits of each investment opportunity are discussed with the large group of qualified investors in attendance.

5. Broker Cooperation

We contact all brokers who possess the expertise and qualifications to contribute to a property's marketing. These contacts include brokers who have been involved in the sale of similar types of properties within the past 24 months and brokers who represent clients qualified to acquire such properties. As part of our initial marketing campaign, a mailer serves to notify qualified brokers of the offering. In addition, these brokers receive the property's Executive Summary via e-mail.

6. Internet

Marcus & Millichap utilizes the vast reach of the Internet to ensure maximum exposure of a listing. With the seller's permission, exclusive listings are promoted through the Marcus & Millichap website.

www.MarcusMillichap.com

7. Industry Events and Trade Shows

Marcus & Millichap is a leading participant and sponsor of key real estate industry events, the majority of which are organized by property type. Our commitment to industry events and our presence at key gatherings of investors result in additional exposure of investment properties to potential investors. Our agents and management interact with the nation's most prominent investors, as well as numerous local investors, at events such as ICSC, NAIOP, NMHC, ULI, Inside Self-Storage, ALFAA, AAHOA and Western Manufactured Housing.



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Marketing Budget - Planning for Success

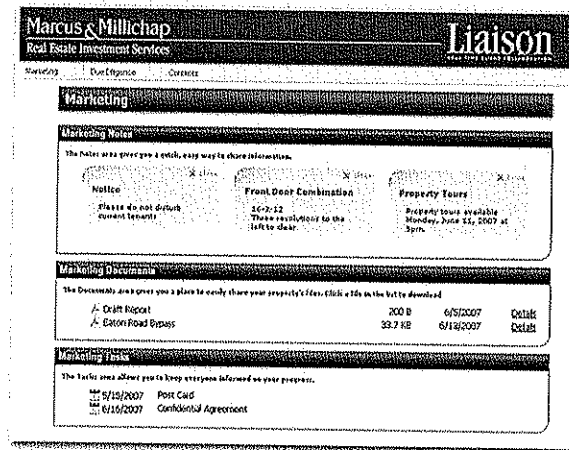
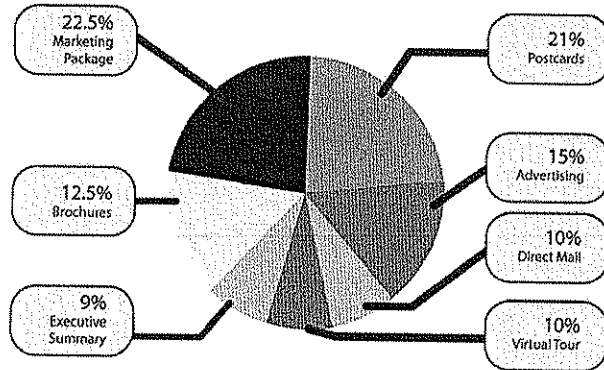
Marcus & Millichap designs its marketing budget to effectively target the right pool of investors. Employing cutting-edge marketing tools and state-of-the-art communications, we ensure the broadest possible exposure for each listing.

Emphasis on Client Communication - Liaison

Marcus & Millichap emphasizes proactive transaction management and client communication. We will give you regular updates on the pending sale of your asset. These reports will include progress status of interested parties, objections from uninterested parties, marketing activity updates and copies of all advertisements and dates when placed.

Clients also have the option of utilizing Marcus & Millichap's Marketing Liaison. This Web-based collaboration platform provides clients the convenience of online access to transaction progress reports and documents on a 24/7 basis. Agents and clients can also use the secured Internet meeting place as another means of communication.

BUDGET BREAKDOWN



THE INDUSTRY'S MOST POWERFUL MARKETING PLATFORM



THE INDUSTRY'S MOST COMPREHENSIVE SUPPORT SYSTEMS



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MARKETING PLAN

Timeline	Month 1				Month 2				Month 3				Month 4				Month 5				Month 6							
Week	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Internal Marketing																												
Property in MNet = 1,200+ Agents	▲																											
Sales Meetings		▲				▲				▲				▲				▲					▲					
Regional Office Presentations		▲	▲	▲	▲	▲	▲																					
Buyer Needs (Automated Matching)	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	
1031-Exchange List	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	
National Specialty Group Marketing			▲				▲				▲				▲				▲				▲				▲	
Direct Marketing to Potential Investors																												
E-Brochure	▲																											
Executive Summary	▲	▲	▲																									
Offering Memorandum			▲	▲																								
Investor Symposiums				▲				▲					▲					▲					▲				▲	
Postcards			▲				▲					▲					▲					▲				▲		
E-Presentation		▲						▲						▲					▲						▲			
Property Tours				▲				▲					▲					▲					▲				▲	
Marketing to Cooperating Brokers																												
E-mail	▲																											
E-Brochure	▲																											
Executive Summary	▲	▲	▲																									
Offering Memorandum			▲	▲																								
Advertising																												
www.MarcusMillichap.com (optional)	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	
National Edition The Wall Street			▲				▲					▲					▲					▲					▲	
Local/Regional Newspapers		▲				▲				▲				▲				▲				▲				▲		
Business Journals							▲																					
Trade Publications				▲																								
Accountability																												
Status Meetings with Seller								▲																			▲	
Marketing Updates (written)			▲				▲					▲					▲					▲					▲	
Copies of Marketing Materials			▲				▲					▲					▲					▲					▲	
Follow Through																												
Buyer Qualification																												
Multiple Offers																												
Offering																												
Transaction Management																												

ONGOING →

Marcus & Millichap
Real Estate Investment Services

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**MARKET POSITIONING &
PRICING ANALYSIS**

Presented By:

Joshua Jandris
Associate
Member, National Senior Housing Group
Chicago Office
Tel: (773) 867 - 1500
Fax: (773) 867 - 1510
License: IL: 476.388237
Joshua.Jandris@marcusmillichap.com
www.marcusmillichap.com/JoshuaJandris

Mark L Myers
Senior Vice President Investments
Senior Director, National Senior Housing Group
Chicago Office
Tel: (773) 867 - 1500
Fax: (773) 867 - 1510
License: IL: 475.102753
Mark.Myers@marcusmillichap.com
www.marcusmillichap.com/MarkLMyers

Offices Nationwide
www.MarcusMillichap.com