

PRO FORMA STATEMENT OF PRE-OPENING OPERATING EXPENSE

Notes & Assumptions to Statement of Pre-Opening Operating Expense

The following notes and assumptions pertain to these pro forma statements:

1. **General & Administrative.** Records the amount of pre-opening expense per the schedule entitled, “Pro Forma Schedule of General & Administrative Department Expense” (see discussion under heading entitled, “Pro Forma Statement of General & Administrative Department Expense”).
2. **Activities.** Records the amount of pre-opening expense per the schedule entitled, “Pro Forma Schedule of Activities Department Expense” (see discussion under heading entitled, “Pro Forma Statement of Activities Department Expense”).
3. **Assisted Living/Healthcare.** Records the amount of pre-opening expense per the schedule entitled, “Pro Forma Schedule of Assisted Living/Healthcare Department Expense” (see discussion under heading entitled, “Pro Forma Statement of Assisted Living/Healthcare Department Expense”).
4. **Dietary/Food Service.** Records the amount of pre-opening expense per the schedule entitled, “Pro Forma Schedule of Dietary/Food Service Operating Expense” (see discussion under heading entitled, “Pro Forma Statement of Dietary/Food Service Department Expense”).
5. **Housekeeping & Laundry.** Records the amount of pre-opening expense per the schedule entitled, “Pro Forma Schedule of Housekeeping & Laundry Department Expense” (see discussion under heading entitled, “Pro Forma Statement of Housekeeping & Laundry Department Expense”).
6. **Marketing.** Records the amount of pre-opening expense per the schedule entitled, “Pro Forma Schedule of Marketing Department Expense” (see discussion under heading entitled, “Pro Forma Statement of Marketing Department Expense”).
7. **Maintenance & Grounds.** Records the amount of pre-opening expense per the schedule entitled, “Pro Forma Schedule of Maintenance & Grounds Department Expense” (see discussion under heading entitled, “Pro Forma Statement of Maintenance & Grounds Department Expense”).
8. **Transportation.** Records the amount of pre-opening expense per the schedule entitled, “Pro Forma Transportation Department Expense” (see discussion under heading entitled, “Pro Forma Statement of Transportation Department Expense”).
9. **Fixed Operating Expense.** Records the amount of pre-opening expense per the schedule entitled, “Fixed Operating Expense” (see discussion under heading entitled, “Pro Forma Statement of Fixed Operating Expense”).

PRO FORMA STATEMENT OF PRE-OPENING OPERATING EXPENSE

Pro Forma Statement of Pre-Opening Operating Expense

The following spreadsheets provide detail for the first five (5) years of operations pertaining to the pre-opening operating expenses of the proposed Project.

Exhibit 1: Pro Forma Statement of Pre-Opening Operating Expense (11 sheets)

Pro Forma Statement of Pre-Opening Project Expense						
Project Name: Rainforest @ Diamondhead						
Project Type: Initial Phase/120-Unit ILF Development Program						
Project Location: Diamondhead, Mississippi						
Analysis Number: Private Placement Offering Pro Forma Financial Presentation						
Period Ending:	End Year 1	End Year 2	End Year 3	End Year 4	End Year 5	End Year 5
<u>Operating Expense by Department</u>						
<i>General & Administrative</i>	93,820	-	-	-	-	-
<i>Activities</i>	6,489	-	-	-	-	-
<i>Assisted Living/Health Care</i>	16,571	-	-	-	-	-
<i>Dietary/Food Service</i>	35,773	-	-	-	-	-
<i>Housekeeping & Laundry</i>	9,706	-	-	-	-	-
<i>Marketing</i>	426,550	-	-	-	-	-
<i>Maintenance & Grounds</i>	70,990	-	-	-	-	-
<i>Transportation</i>	-	-	-	-	-	-
<i>Fixed Operating Expense</i>	-	-	-	-	-	-
Total Pre-Operating Expense	\$ 659,899	\$ -	\$ -	\$ -	\$ -	\$ -
The accompanying notes and assumptions are an integral part of this pro forma financial presentation.						

PRO FORMA STATEMENT OF PRE-OPENING OPERATING EXPENSE

Pro Forma Statement of Pre-Opening Project Expense

Project Name: Rainforest @ Diamondhead
 Project Type: Initial Phase/120-Unit ILF Development Program
 Project Location: Diamondhead, Mississippi
 Analysis Number: Private Placement Offering Pro Forma Financial Presentation



Period Ending:	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08
Operating Expense by Department						
General & Administrative	7,500	10,790	10,790	10,790	10,790	10,790
Activities	-	-	-	-	-	-
Assisted Living/Health Care	-	-	-	-	-	-
Dietary/Food Service	-	-	-	-	-	-
Housekeeping & Laundry	-	-	-	-	-	-
Marketing	46,475	55,600	55,600	44,813	44,813	44,813
Maintenance & Grounds	-	8,874	8,874	8,874	8,874	8,874
Transportation	-	-	-	-	-	-
Fixed Operating Expense	-	-	-	-	-	-
Total Pre-Operating Expense	\$ 53,975	\$ 75,264	\$ 75,264	\$ 64,476	\$ 64,476	\$ 64,476

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Pro Forma Statement of Pre-Opening Project Expense

Project Name: Rainforest @ Diamondhead
 Project Type: Initial Phase/120-Unit ILF Development Program
 Project Location: Diamondhead, Mississippi
 Analysis Number: Private Placement Offering Pro Forma Financial Presentation



Period Ending:	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	End Year 1
Operating Expense by Department							
General & Administrative	10,790	10,790	10,790	-	-	-	93,820
Activities	-	-	6,489	-	-	-	6,489
Assisted Living/Health Care	-	8,286	8,286	-	-	-	16,571
Dietary/Food Service	-	17,887	17,887	-	-	-	35,773
Housekeeping & Laundry	-	-	9,706	-	-	-	9,706
Marketing	44,813	44,813	44,813	-	-	-	426,550
Maintenance & Grounds	8,874	8,874	8,874	-	-	-	70,990
Transportation	-	-	-	-	-	-	-
Fixed Operating Expense	-	-	-	-	-	-	-
Total Pre-Operating Expense	\$ 64,476	\$ 90,649	\$ 106,844	\$ -	\$ -	\$ -	\$ 659,899

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PRO FORMA STATEMENT OF PRE-OPENING OPERATING EXPENSE

Pro Forma Statement of Pre-Opening Project Expense

Project Name: Rainforest @ Diamondhead
 Project Type: Initial Phase/120-Unit ILF Development Program
 Project Location: Diamondhead, Mississippi
 Analysis Number: Private Placement Offering Pro Forma Financial Presentation



Period Ending:	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09
Operating Expense by Department						
General & Administrative	-	-	-	-	-	-
Activities	-	-	-	-	-	-
Assisted Living/Health Care	-	-	-	-	-	-
Dietary/Food Service	-	-	-	-	-	-
Housekeeping & Laundry	-	-	-	-	-	-
Marketing	-	-	-	-	-	-
Maintenance & Grounds	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Fixed Operating Expense	-	-	-	-	-	-
Total Pre-Operating Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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Pro Forma Statement of Pre-Opening Project Expense

Project Name: Rainforest @ Diamondhead
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Period Ending:	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	End Year 2
Operating Expense by Department							
General & Administrative	-	-	-	-	-	-	-
Activities	-	-	-	-	-	-	-
Assisted Living/Health Care	-	-	-	-	-	-	-
Dietary/Food Service	-	-	-	-	-	-	-
Housekeeping & Laundry	-	-	-	-	-	-	-
Marketing	-	-	-	-	-	-	-
Maintenance & Grounds	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-
Fixed Operating Expense	-	-	-	-	-	-	-
Total Pre-Operating Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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PRO FORMA STATEMENT OF PRE-OPENING OPERATING EXPENSE

Pro Forma Statement of Pre-Opening Project Expense

Project Name: Rainforest @ Diamondhead
 Project Type: Initial Phase/120-Unit ILF Development Program
 Project Location: Diamondhead, Mississippi
 Analysis Number: Private Placement Offering Pro Forma Financial Presentation



Period Ending:	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10
Operating Expense by Department						
General & Administrative	-	-	-	-	-	-
Activities	-	-	-	-	-	-
Assisted Living/Health Care	-	-	-	-	-	-
Dietary/Food Service	-	-	-	-	-	-
Housekeeping & Laundry	-	-	-	-	-	-
Marketing	-	-	-	-	-	-
Maintenance & Grounds	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Fixed Operating Expense	-	-	-	-	-	-
Total Pre-Operating Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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Pro Forma Statement of Pre-Opening Project Expense

Project Name: Rainforest @ Diamondhead
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Period Ending:	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	End Year 3
Operating Expense by Department							
General & Administrative	-	-	-	-	-	-	-
Activities	-	-	-	-	-	-	-
Assisted Living/Health Care	-	-	-	-	-	-	-
Dietary/Food Service	-	-	-	-	-	-	-
Housekeeping & Laundry	-	-	-	-	-	-	-
Marketing	-	-	-	-	-	-	-
Maintenance & Grounds	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-
Fixed Operating Expense	-	-	-	-	-	-	-
Total Pre-Operating Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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Pro Forma Statement of Pre-Opening Project Expense

Project Name: Rainforest @ Diamondhead
 Project Type: Initial Phase/120-Unit ILF Development Program
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Period Ending:	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11
Operating Expense by Department						
General & Administrative	-	-	-	-	-	-
Activities	-	-	-	-	-	-
Assisted Living/Health Care	-	-	-	-	-	-
Dietary/Food Service	-	-	-	-	-	-
Housekeeping & Laundry	-	-	-	-	-	-
Marketing	-	-	-	-	-	-
Maintenance & Grounds	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Fixed Operating Expense	-	-	-	-	-	-
Total Pre-Operating Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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Project Name: Rainforest @ Diamondhead
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Period Ending:	Jan-11	Mar-11	Apr-11	May-11	May-11	Jun-11	End Year 4
Operating Expense by Department							
General & Administrative	-	-	-	-	-	-	-
Activities	-	-	-	-	-	-	-
Assisted Living/Health Care	-	-	-	-	-	-	-
Dietary/Food Service	-	-	-	-	-	-	-
Housekeeping & Laundry	-	-	-	-	-	-	-
Marketing	-	-	-	-	-	-	-
Maintenance & Grounds	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-
Fixed Operating Expense	-	-	-	-	-	-	-
Total Pre-Operating Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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Period Ending:	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
Operating Expense by Department						
General & Administrative	-	-	-	-	-	-
Activities	-	-	-	-	-	-
Assisted Living/Health Care	-	-	-	-	-	-
Dietary/Food Service	-	-	-	-	-	-
Housekeeping & Laundry	-	-	-	-	-	-
Marketing	-	-	-	-	-	-
Maintenance & Grounds	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Fixed Operating Expense	-	-	-	-	-	-
Total Pre-Operating Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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Period Ending:	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	End Year 5
Operating Expense by Department							
General & Administrative	-	-	-	-	-	-	-
Activities	-	-	-	-	-	-	-
Assisted Living/Health Care	-	-	-	-	-	-	-
Dietary/Food Service	-	-	-	-	-	-	-
Housekeeping & Laundry	-	-	-	-	-	-	-
Marketing	-	-	-	-	-	-	-
Maintenance & Grounds	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-
Fixed Operating Expense	-	-	-	-	-	-	-
Total Pre-Operating Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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