

FITCH AFFIRMS UNITED METHODIST RETIREMENT COMMUNITY (MICHIGAN) BONDS 'BBB'

Fitch Ratings-New York-01 March 2007: Fitch affirms the 'BBB' rating on the currently outstanding \$14,960,000 Economic Development Authority of the Village of Chelsea revenue and refunding bonds, series 1998 (United Methodist Retirement Communities, Inc.). Fitch's analysis incorporates a possible issuance of approximately \$15 million series 2007 bonds that may sell in summer or fall 2007. Proceeds of the series 2007 bonds would fund new construction of approximately 60 independent living units. Fitch expects to assign a rating to the series 2007 bonds closer to the time of issuance. The Rating Outlook is Stable.

The rating affirmation is based on United Methodist Retirement Communities' (UMRC) strong occupancy, manageable debt burden, adequate liquidity, beneficial relationship with Henry Ford in terms of medical staff support and discharge planning, and favorable shift in payor mix from Medicaid to Medicare. Historically, both of UMRC's facilities have experienced strong occupancy in the 90%-plus range. Through the 12 months ended Dec. 31, 2006, Chelsea Retirement Community had 98% occupancy in its independent living units and assisted living units, and 89% in its skilled nursing units. UMRC's standalone nursing facility, Boulevard Temple, had a strong 90% occupancy in fiscal 2006 per unaudited interim results. UMRC's debt burden is manageable at current levels with unaudited maximum annual debt service (MADS) at 3.3% of revenues and debt to cash flow of 2.7 times (x). UMRC's unaudited excess margin was at 7.4% in fiscal 2006 leading to debt service coverage of 2.9x (and a coverage of 4.7x when using a MADS from the remaining annual debt service for the life of the outstanding bonds). Liquidity levels are adequate with a cash-to-debt ratio of 124% and 218 days cash on hand at Dec. 31, 2006.

Fitch's primary credit concern is UMRC's future capital needs at its existing campuses. Capital spending has historically been light at UMRC with an average age of plant of approximately 14.9 years. Over the last four fiscal years, UMRC has spent on average approximately 135% of depreciation expense on acquisitions of plant, property, and equipment. Fitch believes liquidity may be pressured in the near term due to capital spending needs.

The Stable Outlook reflects Fitch's expectation that UMRC will continue to maintain solid occupancy rates, liquidity, and coverage at current levels. Fitch views the possible expansion of independent living units positively; however, we will monitor the development of the project and review the rating again at the time of a final plan of finance, which is expected summer 2007.

UMRC consists of two facilities, Chelsea Retirement Community and Boulevard Temple. Chelsea Retirement Community is a rental-only CCRC with 129 independent living units, 83 assisted living units, 72 dementia care assisted living units, 30 dementia care nursing beds, and 55 skilled nursing beds located in Chelsea, MI, about 50 miles southwest of Detroit. Boulevard Temple is a skilled nursing facility located in Detroit. Chelsea Retirement Community is accredited by the Continuing Care Accreditation Commission.

Fitch views UMRC's disclosure practices favorably.

Contact: Garey M. Fuqua +1-212-908-0684, New York; or Jim Mitchell +1-813-222-1395, Tampa.

Media Relations: Cindy Stoller, New York, Tel: +1 212 908 0526.

Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, 'www.fitchratings.com'. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.