ARBORS OF HOP BROOK

Life Plan Retirement Community

Facts Book

Contract Year
2018

403 West Center Street • Manchester, CT 06040-4738
Voice Mail: 860-647-7828 • Receptionist: 860-647-9343
1-888-2ARBORS (toll free) www.ArborsCT.com

EQUAL HOUSING OPPORTUNITY

AMERICAN HEALTH CARE ASSOCIATION NATIONAL QUALITY AWARD NATIONAL CENTER FOR ASSISTED LIVING 2016 BRONZE

INTRODUCTION

The concept of a Continuing Care Retirement Community (CCRC) provides active adults (62+) an independent lifestyle with necessary support services, including significant health-related benefits.

Our program elements consist of a well-constructed living unit, basic supportive services, and personal care benefits, including assisted living services and care in our skilled nursing facility. The plan responds to the need for necessary services within the context of a stable and sound financial plan.

This Disclosure Statement provides You the necessary information regarding the nature of the program, financial considerations, rights and privileges under the Residency Agreement and background of the sponsor, Arbors of Hop Brook Limited Partnership. We encourage You to read it thoroughly, share it with Your personal advisor, and ask us any questions You may have. The Residency Agreement, in all cases, will be the governing document.

We look forward to serving You.

PAUL T. LIISTRO
Managing Partner

March 1, 2018

ARBORS OF HOP BROOK

Life Plan Retirement Community

DIRECTORY

Disclosure Statement	**Tan**
Residency Agreement	**Yellow**
-Services & Benefits Addendum	
-Health Care Benefits Addendum	
-Entrance Fee Addendum	
Financial and Actuarial Statements	**White**
Entrance Fee Escrow Agreement	**Blue**
Operating Reserve Escrow Agreement	**Green**

MISSION STATEMENT

Arbors of Hop Brook provides an environment that maximizes resident independence along the continuum of care

DISCLOSURE STATEMENT

This Facility, like all other Continuing Care facilities in the State of Connecticut, is subject to Chapter 319hh, Connecticut General Statutes, concerning management of Continuing Care facilities. Registration under the law does not constitute approval, recommendation, or endorsement of the Facility by the Department of Social Services or the State of Connecticut, nor does such registration evidence the accuracy or completeness of the information in this Disclosure Statement.

March 1, 2018

EQUAL HOUSING OPPORTUNITY

Indicates it is illegal to discriminate against any person because of race, color, religion, sex, handicap, familiar status, or national origin.

Arbors is a non-smoking environment.

TABLE OF CONTENTS

NAME AND ADDRESS OF PROVIDER

Arbors of Hop Brook Limited Partnership was organized for the purpose of operating Arbors of Hop Brook, a Continuing Care Retirement Community. Its principal place of business is located at 403 West Center Street, Manchester, Connecticut 06040. The primary interest in the sponsorship of the community is to provide the highest quality retirement living option with access to certain health-related benefits, including long-term healthcare, within a sound financial plan.

OFFICERS, DIRECTORS, TRUSTEES AND PARTNERS

The partners of Arbors of Hop Brook Limited Partnership are:

Paul T. Liistro holds a fifty-nine and one half (59.5%) percent interest in the Partnership. He serves as the Managing Partner of the Partnership. He holds an MBA from the Wharton School of the University of Pennsylvania (1980) and an AB from Bowdoin College (1975). He is a member of the Board of Directors of CT Association of Health Care Facilities (since 2008), serving as Treasurer (2009-10), and Chair of the Board (2011-14); an at large member of the American Health Care Association (2012-16); a member of the Board of Directors of Qualidigm, serving as its Chair of the Board (2014-15); a member of the Board of HealthCap Liability Insurance Company (2014-16) a member of the University of Connecticut School of Business Advisory Board for healthcare and insurance studies. He is a member of Vernon Manor Healthcare Center, LLC.

Brian Liistro holds thirty-nine and one half (39.5%) percent interest in the Partnership. He is President and CEO of LICO Group Corporation. Under his vision and leadership, LICO has been recognized as one of the leading building contractors in the region. In 2011, LICO was the recipient of the prestigious “Builder of The Year” award by the local chapter of the National Association of Home Builders (NAHB). Brian is a fixture on many boards and committees such as: Connecticut Home Builders Government Affairs Committee, Connecticut Home Builders Association Safety & OSHA Partnership Alliance, the Connecticut Builders & Remodelers Association of Central Connecticut, University of Hartford Construction Institute Facilities & Civil Infrastructure

Management Committee. Brian is also a member of the United States Green Building Council (USGBC), National Multifamily Housing Council (NMHC), National Apartment Association (NAA), Connecticut Developers Council (CDC), and the University of Hartford's Construction Institute. He is also Managing Member of Fenn-Woode Development Company LLC, a market rate multi-family management company which under his direction has received numerous quality housing awards reflecting his passion for high quality service to the residents of the community. In addition, he is a member of Vernon Manor Healthcare Center.

Brian graduated from Springfield College in Springfield, Massachusetts with a Bachelor's degree in Health Science (1981).

Manchester Manor 3, LLC is a State of Connecticut registered limited liability company. The Company serves as the General Partner for the Limited Partnership. The Company holds a one percent (1%) interest in the Limited Partnership. The sole members of the LLC are Brian and Paul Liistro. Paul Liistro serves as the managing member.

BUSINESS EXPERIENCE

The individual Partners of the Partnership have had significant experience operating long-term care facilities, and other rental residential communities for over twenty (20) years. Their business entities enjoy very favorable reputations for high quality and excellence in service. The Partnership was organized for the purpose of combining independent living with the security of long-term health benefits. Manchester Manor 3, LLC serves as the General Partner for the Partnership. The Company holds a one percent (1%) interest in the Partnership. The Partnership holds a license to operate a chronic and convalescent nursing home within the State of Connecticut, d.b.a. Manchester Manor Health Care Center.

In 1988, Arbors commenced operations as a rental retirement community. In 1989, with the emergence of Continuing Care Retirement Communities (CCRC) as a popular form of retirement living option, and after continued research within the local community, the decision was made to combine significant long-term health-related benefits available at Manchester Manor Health Care Center with the independent living option available at Arbors in a Continuing Care Retirement Community.

JUDICIAL PROCEEDINGS

None of the Partners of the Partnership have been convicted of a felony or pleaded nolo contendere to a felony charge, or held liable or enjoined in a civil action by final judgment involving fraud, embezzlement, fraudulent conversion or misappropriation of property; nor is subject to a restrictive or remedial order of a court of record, nor has had any State or Federal license or permit suspended or revoked.

AFFILIATION

Arbors of Hop Brook Limited Partnership is not affiliated with any religious, charitable or other non-profit organization.

Arbors of Hop Brook Limited Partnership is affiliated with the following entities through common ownership:
Manchester Manor Realty Partnership, LLP owns the real property known as Manchester Manor Health Care Center located at 385 West Center Street, Manchester, CT.

Vernon Manor Health Care Center, LLC operates a 120 bed skilled nursing home in Vernon, CT known as Vernon Manor Health Care Center.

Fenn-Woode Development, LLC operates a 133-unit residential apartment complex in Newington, CT.

Prospect Holdings, LLC building 3 condominiums in West Hartford, CT.

DESCRIPTION OF THE PROPERTY

Location

The Community is located at 403 West Center Street, Manchester, Connecticut. The site meets the requirements of the Town of Manchester for use as a Continuing Care Retirement Community.

Arbors of Hop Brook

Arbors of Hop Brook is a 114-unit Life Plan Retirement Community. The Community consists of a mix of studio, one-bedroom and two-bedroom units, all of which are equipped with full kitchen facilities including electric stove and oven, frost-free refrigerator, ducted exhaust hood, microwave, garbage disposals (and dishwashers in the two-bedroom units).

The residential living units are provided unfurnished and are equipped with emergency call systems, smoke detectors, sprinklers, individual thermostats, fresh-air system, exhaust-air system, and individual hot water heaters. Each unit is pre-wired for telephone service, is fully carpeted and floor covered, and equipped with window sheers. In addition, the units are handicap accessible due to such appointments as 3-foot wide doors, very large kitchens and bathrooms, lever door handles and low clearance thresholds.

The Community has extensive common areas for the benefit of the residents. These common areas include a lobby, lounge with fireplace, club room, library with fireplace, primary dining room, a private dining room with a fireplace, all-purpose room with a fireplace, art studio, general store, exercise room, activities center, wellness center, beauty salon, medical suite, transportation center and auditorium. All common areas are equipped with emergency response systems, intra-facility communications capability and other specialized equipment. The exterior common areas include courtyards, a dining terrace, walking paths, and garden areas featuring raised beds.

Arbors Staff

Arbors staff includes a Director, Director of Resident Services, Activities Coordinator, Nursing Services Coordinator, Building Services Director, Maintenance and Housekeeping staff members, Retirement Counselor, Sales Support and Administrative staff, Security Department, Director of Dining, Executive Chef, Kitchen staff, Dining Room Supervisor, and Dining Room staff. In addition, Arbors contracts with various consultant and provider groups who offer specialized services. These include medical home health services, food services and general maintenance of equipment.

Nursing Services Provided by Manchester Manor Health Care Center

Manchester Manor Health Care Center is a fully licensed skilled nursing facility offering a full range of nursing and rehabilitative care. Short-term care is utilized to help individuals recover quickly from a wide variety of medical issues with the goal of restoring functionality and resuming an active lifestyle at Arbors.

The facility is designed to accommodate 126 patients in semi-private and private accommodations. The West Wing dedicates rooms for thirty-two (32) short-term rehab patients. Arbors residents are given preferential standing based on need and availability. Additional facilities and services include a rehabilitation center, arts and crafts, dining rooms, lounges, beauty/barber shop, and facility support areas.

The objective of Manchester Manor Health Care Center is to have patients return to their normal environment in the community or at Arbors. In some circumstances, long-term care may be indicated but rest assured because Manchester Manor Health Care Center is a fully staffed with competent and compassionate health care professionals. The team consists of an Administrator, Director of Nursing Services, Medical Director and Assistant Medical Director who are both licensed to practice medicine in the State of Connecticut. Additional care is provided by Registered Nurses, Licensed Practical Nurses, Certified Nursing Assistants, Physical Therapists, Occupational Therapists and Speech Therapists as well as Respiratory Therapy. Support staff are responsible for building maintenance, housekeeping, laundry, therapeutic recreation, and social services.

Manchester Manor was the only facility in the country to be awarded the American Health Care Association/National Center for Assisted Living (AHCA/NCAL) Gold Excellence in Quality Award in 2010. Fewer than forty (40) skilled nursing facilities have received this award since the inception of the Quality Award Program in 1996. There are over 15,000 skilled nursing facilities in the United States.

BENEFITS INCLUDED

The services to be provided at Arbors or by Arbors can be categorized in the "Services and Benefits" and "Health Related Services" addendum included in this Agreement.

INTEREST ON DEPOSITS

Deposits will earn interest at prevailing money market rates of interest. Residents may earn interest and be credited with such interest earned to the extent allowed by the Residency Agreement. It is possible to forfeit all interest in certain termination situations. Refer to Paragraph 6, Termination of Agreement, Sections 6.1.1, 6.1.2, and 6.1.3 of the Residency Agreement.

TERMINATION OF AGREEMENT

It is the philosophy and intent of Arbors of Hop Brook to have residents live in the area of maximum independence. All residents are entitled to live in their own apartment as long as they can obtain all medically required services in that setting and meet the requirements of the Residency Agreement. Please refer to Section 6- Termination of Agreement of the Residency Agreement. Provisions are made in the Residency Agreement that specify how we contract would be terminated.

RIGHTS OF A SURVIVING SPOUSE

In the case of a death or permanent transfer of one of a participating Resident couple, the surviving participating party retains all rights under this Agreement including the right to reside in the same Living Unit. The first person single occupancy Monthly Service Fee will be charged for the unit.

If the surviving Resident desires to move out of Arbors, the Resident is responsible for paying the Monthly Service Fee until the Unit is vacated. The refund provisions of the Residency Agreement will be followed.

All rights and benefits specified in this contract including, but not limited to, dinner services, housekeeping and emergency monitoring will be rescinded upon death of all residents named in this agreement, as well as the use of common areas and transportation.

MARRIAGE OF RESIDENTS

If You and non-resident marry and desire to reside in the Resident's Living Unit, the non-resident party must submit a Residency Application. If accepted by Arbors, a new Residency Agreement must be signed by the couple and the difference between the double occupancy second person entrance fee and applicable double occupancy monthly service fee must be paid. The Residents and non-participating occupant will be charged the applicable first and second person Monthly Service Fees.

If two Residents with separate Living Units marry, they may either release one Living Unit and reside together in the other, or release both Living Units and move into another Living Unit.

If the Residents release one Living Unit and reside together in the other Unit, a new Residency Agreement must be executed by the couple. A double occupancy second person entrance fee and the applicable double occupancy monthly service fee must be paid. A refund in accordance with the Entrance Fee Addendum of this agreement will be paid.

If the Residents elect to release both Living Units and move into another Living Unit, a new Residency Agreement for the new Living Unit must be executed by the couple. The current Entrance Fee for the new Living Unit will be charged. A refund in accordance with the Entrance Fee Addendum of this agreement will be paid.

In either case, You will be charged the applicable first and second person Monthly Service Fees upon joint residency in the single Unit.

DISPOSITION OF PERSONAL PROPERTY

In the event of a Resident’s death, permanent transfer to the Health Center or the termination of this Residency Agreement, the personal property of the Resident must be removed from his or her Living Unit within thirty (30) days of vacating the unit at the expense of the Resident or the Resident’s estate. The Resident or the Resident’s estate will be responsible for the Monthly Service Fee until the personal property is removed. If not removed by thirty (30) days, Arbors will make arrangements for the Resident’s personal property to be stored. All expenses relating to the moving and storage of the Resident’s personal property will be the responsibility of the Resident’s estate. Property left in storage for ninety (90) days or more may be disposed of by us at Your expense.

TAX CONSEQUENCES

Since execution of this Agreement may result in significant tax consequences, Arbors advises that each person consult with his/her tax advisor prior to entering into this Agreement.

RESERVE FUNDING – ESCROWS

Under Connecticut Law, (Connecticut General Statutes Chapter 319hh Section 17b-524) Arbors of Hop Brook is required to establish an Escrow Account for Entrance Fees with a bank or trust company. Arbors has established the required Escrow Accounts with U.S. Bank National Association of Connecticut.

Prior to occupancy, a Resident's Entrance Fee deposit and the subsequent balance of the Entrance Fee will be deposited on the Resident's behalf in the Entrance Fee Escrow Account. These funds and interest earned on these funds will be held in this Account until all statutory requirements have been met.

Following compliance with statutory requirements, the Entrance Fees held in the Escrow Account will be released first to fund the Operating Reserve Fund Escrow required by Connecticut law (Connecticut General Statutes, Chapter 319hh Section 17b-525). The Operating Reserve Escrow Fund will consist of:

> (A) Twelve (12) months of debt service and/or lease payment obligations, and,
>
> (B) One month's (1) estimated cost of operations excluding debt service and/or lease payments.

In addition, Arbors will be increasing this Reserve by an estimated and prudent amount order to reserve for future healthcare costs and for future replacement of capital equipment. The objective of this financial plan is to provide the highest quality basic and health-related services to the Residents of Arbors within the constraints of sound financial management.

FEES

Application Fee

An Application is required to be submitted by each applicant in order to enable us to evaluate an applicant's medical and financial qualifications and appropriateness for residency at Arbors. An Application Fee of $500 is required when the Application is submitted. The Application Fee is refundable less $100 if the application is not accepted.

Entrance Fees

Entrance Fees are based upon the type and size of the Living Unit selected and the number of persons to occupy the unit except combination units. The balance of the Entrance Fee is payable upon execution, or Your occupancy (whichever comes first), unless otherwise stipulated in writing by Arbors. Benefits of this contract will not commence until the balance of the entrance fee is paid.

Entrance Fees are refundable subsequent to occupancy upon termination of the Residency Agreement by the Resident or by Arbors. Paragraph 6, Termination of Agreement, and the Entrance Fee Addendum, of the Residency Agreement describe the procedures for termination of the Agreement and the refunds of the Entrance Fee.

Arbors has the right to change the amount of the Entrance Fees and the degree of refund for all future Residents of Arbors.

The current fees for 2018 are as follows:

Option #1 Continuing Care Plan

Choices to Fit Your *Lifestyle*

At Arbors of Hop Brook, we understand that our residents are unique and have their own ideas of what "home" should be. To meet diverse tastes and opinions, we offer a variety of apartment sizes, floor plan options and entrance fee choices to meet individual needs, preferences and budgets.

Apartment	Declining Balance Fee (2% per month)	50% Refundable Entrance Fee	90% Refundable Entrance Fee	Monthly Fee
Studio – Azalea (525 Sq. Ft)	$54,500	$84,475	$164,726	$2,060
1 Bedroom - Chestnut A (675 Sq. Ft)	$70,500	$109,275	$213,086	$2,399
1 Bedroom – Chestnut B (700 Sq. Ft.)	$73,500	$113,925	$222,154	$2,499
1 Bedroom – Magnolia C (750 Sq. Ft.)	$79,500	$123,225	$240,289	$2,725
2 Bedroom -2 Bath Rosewood (1,000 Sq. Ft.)	$105,500	$163,525	$318,874	$3,280
Second Person	$12,000	$12,000	$12,000	$900

Monthly Fees

The monthly fee includes heat, air conditioning, water/water disposal, one meal daily in fine dining room, biweekly housekeeping services, weekly bed linen service, home maintenance, appliance repair and replacement, cable TV with premium channels, trash removal, 24-hour security, lawn care/land-scaping, scheduled transportation, 24-hour emergency response, health and wellness program, social and cultural events, entertainment, craft classes and more.

860-533-2524 | www.ArborsCT.com
403 West Center Street | Manchester, CT 06040

ARBORS OF HOP BROOK
Life Plan Retirement Community

Rev. 3/2018

ARBORS OF HOP BROOK
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CONCIERGE PRICE LIST

Resident's Name ______________________ Date Service Begins ______________

Resident's Apt # ______________________ Date Service Ends ______________

● = Flat Rate Charges ★ = $12.50 Per 15 Minute Unit

	DESCRIPTION OF SERVICES	Qty.	Amount
	HOSPITALITY		
•	Hospitality Ste. @ $85.00/Night		
•	Cot @ $5.00/Night or $25 / Week		
	DINING		
•	Adult Meal $16.00 Incl. Tax *(Special events not incl.)*		
•	Lunch $6.00 Incl. Tax		
•	Breakfast $6.00 Incl. Tax		
•	Child's Meal 5-12 yrs: $8.50 includes tax		
•	Catering: Fruit Platters, Desserts, Cold Cuts - *(Quoted)*		
•	Other: Meal Plan Upgrade		
•	One (1) Time		
•	Recurring		
	SCHEDULED TRANSPORTATION		
•	Towns Surrounding Manchester $3.00/Trip *(Bolton, Vernon, South Windsor, East Hartford)*		
•	Beyond Surrounding Towns in CT $5.00/Trip		
•	Transportation Out-Of-State $10.00/Trip		
•	Transportation for Guests In-State $5.00		
•	Transportation for Guests Out-Of-State $10.00		
•	Excursion Non-Cancellation Chrg. $5.00		
	FURNITURE RENTAL ***(Includes 15 min. set up/take down)***		
•	Card Table $3.00		
•	6 Foot Table $5.00		
•	Chair $2.00/Chair *(gray or black)*		
•	Table Cloth $3.00		
•	Napkin $ .50 ea.		
	HOUSEKEEPING ***(Additional Apt. Cleaning)***		
•	One Bedroom A & B $40.00		
•	One Bedroom C $50.00		
•	Two Bedroom $60.00		
•	Additional Linen Change $12.50/Bed		
•	Laundry $25.00/Load		
	MISCELLANEOUS		
•	Package Wrapping & Mailing $5.00/Package *(Resident provides materials)*		
•	Tray Service - Non-ill Resident $5.00 *Contact Front Desk*		
•	Late Request for Tray Service $5.00 *(Please Review Policy)*		
•	Notary Service $3.00/Document		
•	Biohazard Material Remediation $25.00 / 1/2Hr		
•	Urgent Personal Services $15.00 / 1/2 Hr		
•	Purchasing Personal Items - Cost Plus 20%		
•	Transfer to New Apt. $3,000 Renovation Charge		
•	Fax $ .25/pg. B&W Copy $ .25/pg. Color Copy $ .50/pg.		
•	Other:		

	DESCRIPTION OF SERVICES	# Units	Amount
	HANDYMAN SERVICS ***(See Front Desk for Scheduling)***		
★	Picture Hanging		
★	Furniture Assembly / Moving		
★	TV / VCR Set Up		
★	Shampoo Apartment Carpet		
★	Emergency Car Service *(gas, emergency jump + expenses)*		
	CONCIERGE SERVICES		
★	Holiday Decorating		
★	Letter Writing		
★	Personal Typing		
★	Plant Care Services		
★	Cat Care - Feed and Scoop Cat Box		
	BEAUTY SALON SERVICES		
★	Service		
●	TOTAL LEFT COLUMN	$	
★	TOTAL RIGHT COLUMN	$	
●★	**GRAND TOTAL**	**$**	

★ = Legend for 15 Minute Units

UNIT	TIME	$ AMOUNT
1	15 Minutes	$ 12.50
2	30 Minutes	$ 25.00
3	45 Minutes	$ 37.50
4	1 Hour	$ 50.00

Resident's Signature: ______________________

Staff Name: ______________________

COMMENTS: ______________________

WHITE - Resident Copy CANARY - Bus. Office Copy PINK - Internal File Copy

Arbors CPL Form - 1M - Rev. 08/17

Monthly Service Fee

The Monthly Service Fee is determined by us based upon our estimate of the cost of providing the services and maintaining the facilities as promised in this agreement.

Changes in Monthly Service Fees

The Monthly Fees are intended to be used by us to fund all on-going costs of operating the Community, including capital replacement costs. The Monthly Fee will be adjusted annually to reflect changes in operating costs, inflation during the coming year and the need to maintain working capital, among other items. Changes will be announced in writing to all residents pursuant to this Agreement by February 1. The new Monthly Service Fee will be in effect for the twelve-month (12) period March 1 - February 28 (29). Historical pricing is listed in the Financial and Actuarial Statements section of this Agreement.

Payment of Monthly Service Fees

The Monthly Service Fees will be billed in advance on the first of the month. All payments received after the 10th of the month will be assessed a late fee on the eleventh (11th) day of the month and will accrue interest at a rate set on February 1 each year and which will not exceed the State of Connecticut's laws on usury.

DEPARTMENT OF SOCIAL SERVICES - FILINGS

(A) All materials required to be filed with the Department of Social Services of the State of Connecticut are on file with the Department of Social Services.

(B) The materials on file include all the information required by Connecticut General Statutes Chapter 319hh Section 17b-522. The Residency Agreement is an exhibit to this disclosure statement.

(C) All material may be reviewed at:

Connecticut Department of Social Services
Elderly Services Division
55 Farmington Avenue
Hartford, CT 06105

GLOSSARY OF TERMS

The following terms are described as used in the accompanying Agreement. Reference to the Agreement and the context in which the terms are used is recommended to provide a fuller understanding of each of the terms:

"**Arbors of Hop Brook**" or "**Arbors**" or "**we**" or "**us**" or “Our” means Arbors of Hop Brook Limited Partnership.

"**Community**" means the facilities known as Arbors of Hop Brook and/or Manchester Manor Health Care Center including the living units, the common spaces and exterior grounds.

"**Entrance Fees**" means the amount to be paid to Arbors in return for life use of a specific Living Unit and services offered by Arbors. See the Entrance Fee Addendum for terms of Entrance Fee requirements.

"**Health Center**" means Manchester Manor Health Care Center or another comparably licensed Nursing Facility.

"**Living Unit**" or "Unit" means an apartment within Arbors.

"**Monthly Service Fee**" means the charge paid by the Resident, monthly, pursuant to the Agreement.

"**Occupancy Date**" means the date You take occupancy, unless otherwise extended by Arbors.

"**Refund**" is the portion of the Entrance Fee which is refundable pursuant to the Agreement. See the Entrance Fee Addendum for terms of Entrance Fee refund.

"**Reoccupancy**" means the event of a new Resident occupying a Living Unit previously occupied by a previous Resident.

"**Residency Agreement**" or "**Agreement**" or “**Basic Agreement**” means this Agreement.

"**Resident**" or "**You**" means the Resident (or Residents in case of couples) who is (are) signatory to the Agreement receiving use of the Living unit, Basic Services and Health-Related Services.

"**Second Person Monthly Service Fee**" or "**Second Person Fee**" is the monthly charge for a second Resident or Non-participating Occupant occupying an apartment unit.

TABLE OF CONTENTS

PARAGRAPH

Resident Name(s):

Refund Type
Unit Number:

Type:

Date Executed

1. BASIC AGREEMENT - 2018

1.1 Introduction Resident has made application to Arbors of Hop Brook, a Continuing Care Retirement Community under the provisions of Connecticut General Statutes Section 17b-520 through 17b-535. Upon the granting of this application, the Resident will enjoy a contractual right to reside in a Living Unit at Arbors together with certain health-related benefits and other services as set forth in this Agreement. The Resident also has the obligation to pay an Entrance Fee in accordance with the Entrance Fee Addendum in this Agreement, in addition to a Monthly Service Fee. These rights and obligations for Arbors of Hop Brook are set forth in this Agreement.

1.2 Parties This Agreement is made and entered into by and between **NAME OF RESIDENT** (collectively, the "Resident" “You” or “Your”), and Arbors of Hop Brook Limited Partnership (Arbors).

You, having made application to establish residency and upon acceptance of the application by Arbors of Hop Brook, agree to comply with the policies and procedures of Arbors of Hop Brook and, further, understands that such residency shall be subject to the terms and conditions set forth in this Agreement.

1.3 <u>Documents</u> You acknowledge receipt of a copy of the Confidential Application, Confidential Disclosure Form, Medical Evaluation and Facts Book (Disclosure Statement), which are each, by this reference, made a part of this Agreement. An application fee of $500.00 has been paid to process this application. Any change in Your physical or mental health, or financial condition prior to residency is to be immediately disclosed to Arbors by You.

1.4 <u>Entrance Fee</u> Please see the Entrance Fee Addendum for details of Your Entrance Fee payment and refunds.

1.5 <u>Payment of Entrance Fee and First Monthly Service Fee</u> Payment of the Entrance Fee is payable upon execution of this agreement. This payment must be made by the date You take occupancy, unless otherwise stipulated in writing by Arbors. Residency is established when You have completed payment of the Entrance Fee and first Monthly Service Fee.

1.6 <u>Payment of Monthly Fee</u> From date of residency, You agree to pay the Monthly Service Fee applicable for the Living Unit. The total Monthly Service Fee will be billed by Arbors monthly.
The Monthly Service Fee for Living Unit # is:

First Person Monthly Service Fee is $

Second Person Monthly Service Fee is $

Total Monthly Service Fee $

2. <u>ADMISSION PROCEDURE</u>

2.1 <u>General</u> You agree to submit an application which will allow Arbors to determine the appropriateness of admission to Arbors. You must be in reasonably good health, must successfully complete our comprehensive, pre-admission program, and must possess the means to pay the required Entrance Fee as well as the Monthly Service Fee. Specifically, You must satisfy the following criteria:

> **2.1.1 <u>Age</u>** You must be at least 62 years of age. In case of a couple, the second person must be at least 50 years of age.
>
> **2.1.2 <u>Health</u>** You must be in reasonably good health and able to live independently without the need of personal assistance in the Living Unit.

2.1.3 Medical Evaluation You agree to complete the Request for Medical Records form no later than thirty (30) days prior to occupancy and provide Your permission to us, for obtaining medical records from Your doctors.

2.1.4 Personal Interview You agree to have a standardized assessment at Arbors conducted by Arbors' professional staff. The information obtained in this assessment, along with Your physician's report, will assist in determining Your eligibility for residency at Arbors. The assessment must be performed within 60 days prior to Your move-in date. In the event that the assessment is performed more than 60 days prior to Your move-in, a reassessment will be necessary.

2.2 Financial Criteria for Residency

2.2.1 Entrance Fee You must have financial assets adequate to pay the contracted Entrance fee, plus an amount sufficient to provide for Your personal financial requirements after residency.

2.2.2 Monthly Service Fee You must have sufficient income to meet the anticipated Monthly Service Fee and other personal expenses not provided under the Residency Agreement.

2.2.3 Confidential Application A Confidential Application and Confidential Disclosure Form must be completed.

2.2.4 Health Insurance You must have and maintain coverage (if age eligible) pursuant to:

Medicare Part A (hospital coverage),
Medicare Part B (physician coverage),
Medicare Part D or other prescription benefit plan,
Supplemental "Medigap" Insurance with Nursing
Home Benefit; or,
Medicare HMO Insurance with Nursing Home Benefit;

If You are not Medicare eligible, or if insurance is with a Medicare alternative, e.g., an HMO or other managed care organization, then the alternative insurance must be approved by Arbors. Arbors may request verification of the above insurance coverage at any time.

2.2.5 Other Insurance You will be required to purchase liability insurance for Your Unit with a minimum of $300,000 of liability coverage to cover any damage to Your Unit or the Building that is caused by You. You may also purchase at Your discretion additional amounts of coverage to cover damage to Your own personal property located within the Unit. A certificate of insurance must be provided to Arbors prior to occupancy and upon request.

3. LIVING UNIT

3.1 Unit

3.1.1 Unit Selection You will select an unfurnished Living Unit as indicated in Paragraph 1., Basic Agreement, of this Agreement.

3.1.2 Use of Living Unit The Living Unit is for living only and shall not be used for carrying on any business or profession, nor in any manner shall Resident's use violate zoning restrictions.

3.1.3 Unit Alterations You may request physical alterations to the Living Unit prior to or subsequent to occupancy. Arbors will review the request and approve or deny such request in writing. If approved, Arbors has the responsibility of supervising and contracting all the work to be performed. The cost of such alterations will be Your responsibility and are not refundable by Arbors. You will be responsible for restoring the unit, or paying an allowance for future restoration of the unit to Arbors' unit specifications. Restorations and/or allowances will be managed and determined by Arbors at the time of the proposed unit alterations, agreed to in writing by You and withheld from the entrance fee refund.

3.1.4 Compliance Changes Arbors may make changes or modifications to Your Unit or the common areas to satisfy the requirements of the Law. If necessary, You will agree to temporarily relocate to other facilities provided by us, without additional cost to You, if it becomes necessary to vacate Your Unit.

3.2 Occupancy Date

3.2.1 Not Used

3.2.2 Occupancy Date The "Occupancy Date" will be the date You take occupancy, unless otherwise extended by Arbors.

3.3 Resident's Right to Stay in the Living Unit

You acknowledge and agree that Your Apartment is appropriate for occupancy by persons who can live independently with or without assistance from an assisted living service agency, home health agency or other qualified provider, if necessary, but that Your Apartment is not appropriate for occupancy by persons who need 24-hour skilled nursing care or whose physical, mental or psychological condition otherwise results in their inability to live appropriately in a residential setting.

Examples of inappropriateness include, but are not limited to situations where:

- You do not meet the requirement for residency established by state law and/or the Assisted Living Regulations
- You present an immediate physical threat or danger to yourself or others
- You have active communicable tuberculosis or another similar communicable disease
- You require 24-hour skilled nursing care
- You have a primary need for care and supervision that results from dementia or mental disorder resulting in ongoing behavior which would distress the general Resident group, would require a greater amount of care and supervision than other residents at the Community
- You are bedridden
- You refuse to accept services required in order for Arbors to meet Your needs
- You have health care needs that cannot be met at the Community for reasons such as licensure, design or staffing
- Your personal physician has determined that You require services not available at the Community
- If Your condition changes so that You are considered a wandering risk or if You are unable to respond to verbal instructions in an emergency

You agree that You will vacate Your apartment upon thirty (30) days' notice, or lesser notice if an emergency exists, if it is determined by Arbors at Our sole discretion that Your physical, mental or psychological condition is no longer appropriate for continued residence.

If at any time Arbors determines at Our sole discretion that a change in Your physical, mental, or psychological condition requires You to have nursing, personal care, or companion assistance beyond that which Arbors provides, You agree that Arbors may obtain such care or assistance at Your expense until other appropriate ongoing arrangements can be made.

If You are considered a wandering risk, Arbors may move You immediately to another Unit or location for Your safety until ongoing arrangements for Your care in an appropriate environment can be made.

3.4 Vacating the Unit In the event of a Your death, permanent transfer to the health center or another location, or the termination of this Residency Agreement, Your personal property must be removed from the Living Unit within thirty (30) days of vacating the unit at the expense of You or Your estate. You or Your estate will be responsible for the Monthly Service Fee until the personal property is removed and keys are returned. If not removed by thirty (30) days, Arbors will make arrangements for Your personal property to be stored. All expenses relating to the move and storage of Your personal property will be the responsibility of Your Estate. Property left in storage for ninety (90) days or more may be disposed of by Arbors at Your expense. Any damage not consistent with normal wear and tear including, but not limited to pet and/or water damage will be the responsibility of the vacating party. Cost(s) incurred will be deducted from the Entrance Fee Refund.

4. SERVICES

4.1 Prior to Occupancy Arbors agrees to assist You in planning for Your move to Arbors.

4.2 After Occupancy Services and facilities are included in the Monthly Service Fee as described in the "Services & Benefits" Addendum.

4.3 - 4.8 Not Used

4.9 Health Services Provided by Arbors Refer to the "Health Care Benefits" Addendum in this Agreement.

5. <u>FEES</u>

5.1 <u>Entrance Fees</u> You agree to pay an Entrance Fee as indicated in Paragraph 1, Basic Agreement, of this Agreement. Arbors will refund Your Entrance Fee in accordance with the Entrance Fee Addendum of this Agreement.

> **5.1.1 <u>Changes in Entrance Fees</u>** Arbors has the right to change the amount of Entrance Fees and the degree of refundability for all future residents of Arbors.

5.2 <u>Not Used</u>

5.3 <u>Monthly Service Fee</u> The Monthly Service Fee is determined by Arbors based upon our estimate of the cost of providing the services and maintaining the facilities as promised in this Agreement.

> **5.3.1 <u>Changes in Monthly Service Fees</u>** The Monthly Service Fees are intended to be used by us to fund all on-going costs of operating the Community, including capital replacement costs. The Monthly Fee will be adjusted annually to reflect changes in operating costs, inflation during the coming year and the need to maintain working capital, among other items. Changes will be announced in writing to all residents pursuant to this Agreement by February 1. The new Monthly Service Fee will be in effect for the twelve-month (12) period March 1 - February 28 (29). Historical pricing is listed in the Financial Disclosure section of this Agreement.

> **5.3.2 <u>Payment of Monthly Service Fees</u>** The Monthly Service Fees will be billed in advance on the first of the month. All payments received after the 10th of the month will be assessed a late fee on the eleventh (11th) day of the month and will accrue interest at a rate set on February 1 each year and which will not exceed the State of Connecticut's laws on usury.

5.4 <u>Not Used</u>

6. <u>TERMINATION OF AGREEMENT</u>

6.1 <u>Termination by You</u> You may terminate this Agreement based upon the following terms:

6.1.1 <u>Prior to Occupancy, Within Thirty (30) Days</u> After executing this Agreement, You may cancel this Agreement for any reason within thirty (30) days. Arbors must receive written notice of cancellation by registered or certified mail within this thirty (30) day period. You will be entitled to a full refund of all deposits paid excluding the Application Fee. Interest on the deposits will be paid at the prevailing money market rate of interest. No Resident shall be required to move into the facility until after the expiration of the thirty (30) day rescission period.

6.1.2 <u>Prior to Occupancy, Beyond Thirty (30) Days, Due to Death, Injury, Illness or Incapacity</u> You may cancel this Agreement due to death, or on account of illness, injury, or incapacity preventing You from occupying Your Living Unit under the terms of this Agreement. Cancellation under this provision is effective upon our receipt of written notice of cancellation by registered or certified mail. You or Your legal representative shall receive a refund of all deposits less (a) costs specifically incurred by Arbors at Your request, or for Your benefit, as described in the contract, including but not limited to medical evaluations, insurance, administrative costs, unit modifications, etc., and, (b) the Application Fee. Interest on the refunded deposits will be paid at the prevailing money market rates of interest.

In the case of a couple, the Residency Agreement shall be cancelled for the deceased or incapacitated person and the remaining Resident may cancel at his/her option without additional cost.

6.1.3 <u>Prior to Occupancy, Beyond Thirty (30) Days, for Any Other Reason</u> Should You provide written notice of cancellation of this Agreement by registered or certified mail prior to residency for any other reason, Arbors of Hop Brook shall refund to You the deposit less those costs specifically incurred by Arbors at Your request or for Your benefit, (including the Application Fee) as described in the contract, and a service charge of $3,000. No interest on the deposits will be paid.

6.1.4 <u>Subsequent to Occupancy, Rights of a Couple</u> If the Resident who executes this Agreement, is a couple, should one of You terminate the Agreement for any reason, then the remaining Resident shall have the right to continue to occupy Your Living Unit under the terms of this Agreement.

6.1.5 <u>Subsequent to Occupancy, Due to Death</u> In the event that this Agreement is terminated due to the death of the Resident (both of You if You are a couple), Your designated beneficiary (or estate if no beneficiary assigned) will receive a refund in accordance with the Entrance Fee Addendum of this Agreement, less any unpaid expenses incurred by You, pursuant to the “Entrance Fee Addendum”, of this Agreement. In the event of the death of one of You, the other Resident assuming the surviving Occupant can live independently, may continue to reside in the Living Unit by paying the single occupancy Monthly Service Fee. The surviving Occupant may terminate this Agreement within one hundred and twenty (120) days of the death of a spouse, in which event Arbors will refund the Entrance Fee in accordance with the Entrance Fee Addendum of this Agreement. All rights and benefits specified in this contract including but not limited to, dinner services, housekeeping, the use of the common areas and transportation and emergency monitoring will be rescinded upon Your death.

6.1.6 <u>Subsequent to Occupancy, For Any Other Reason</u> If You (both if You are a couple) terminate this Agreement for any reason other than death, termination shall be evidenced in writing, signed by You (both if You are a couple) and delivered to Arbors by registered or certified mail at least one hundred and twenty (120) days prior to the termination date. You will be required to pay the Monthly Service Fee for Your Unit until the termination date. In the event that a new Resident occupies Your Unit prior to the termination date, You will not be charged the Monthly Service Fee for the days of overlap. Arbors will refund the Entrance Fee in accordance with the Entrance Fee Addendum of this agreement.

If only one of You is terminating this Agreement, then the remaining Resident will be allowed to reside in the Living Unit. The single occupancy Monthly Service Fee will be charged to the remaining Resident. There will be no refund of any of the Entrance Fee at this time.

6.2 <u>Termination by Arbors</u> Arbors may terminate this Agreement for any cause which, in its judgment, is in the best interest of the Residents or Arbors, including, but not limited to:

6.2.1 Inability, in our sole judgment, of You to live independently in the Living Unit, prior to occupancy;

6.2.2 An adverse change in Your financial condition, prior to or after occupancy, except as provided for in Paragraph 7, Limitation on Termination Rights for Financial Inability;

6.2.3 Material misstatement or omission of fact in the Confidential Application, Confidential Disclosure Form, or Medical Evaluation;

6.2.4 Your failure or refusal to fulfill any of Your obligations and promises as set forth in this Agreement, including but not limited to Your failure to comply with Our rules, or if continued occupancy by You becomes inappropriate under <u>Section 3.3, Resident's Right to Stay in the Living Unit</u> of this Agreement, or if Your continued residence poses a threat to the health, safety, or welfare of other residents.

6.2.5 Gifts or other transfers of assets which jeopardize Your financial obligations under this Agreement;

6.2.6 Except as set forth below, the failure to pay the Monthly Service Fee or other charges as required by this Agreement. If the Residency Agreement is canceled due to the failure to pay the Monthly Service Fee or other charges associated with living at Arbors, then the refundable portion of the Entrance Fee will be reduced by any of Your outstanding obligations;

6.2.7 If You should become infected with a dangerous and/or contagious disease or become mentally or emotionally disturbed, and Arbors determines that Your condition is detrimental to the health, safety, or welfare of others and Your condition cannot be cared for at Manchester Manor Health Care Center.

6.2.8 If You refuse medical treatment, which in the opinion of Your physician or Arbors is medically required for Your health or the health or safety of others;

6.2.9 In the event of termination under this section, You will be responsible for the Monthly Service Fee until the Living Unit is vacated;

6.2.10 In the event of termination under this section, the final termination decision will be made by Arbors of Hop Brook Limited Partnership upon the advice of the Management Committee (The Management Committee is composed of the Managing Partner, one other Partner, and the CCRC's Director). This notice of termination will be served to You in writing by certified mail.

In the event of termination by Arbors, You may file a formal appeal aggrieving such action. Such an appeal must be filed in writing, with the Director of Arbors, within five (5) days of receipt of the notice of termination. Upon receipt of an appeal, the Director will convene a committee including two (2) members of the Arbors' senior management staff to consider the grievance. The Director will report the committee's findings to the Managing Partner. The Managing Partner's decision on the appeal will be final.

7. <u>LIMITATION ON TERMINATION RIGHTS FOR FINANCIAL INABILITY</u>

7.1 <u>Prepayment of Refundable Entrance Fee (not applicable for Declining Balance Plans)</u> If You experience financial difficulties which are beyond Your control, and not due to gifts or other transfers of assets, Arbors will allow You to maintain residence within the Community and enjoy all the rights pursuant to this Agreement. To the extent You are unable to pay, Your Monthly Service Fee or per diem rate in the Health Center, if applicable, will be deducted from Your Refundable Entrance Fee by Us, for as long as You establish the facts to justify prepayment, and Arbors believes deferral will not adversely affect our ability to meet the obligations to operate on a sound financial basis.

7.2 Cost Above Prepayment of Refundable Entrance Fee In the event the prepayment exceeds the refundable portion of the Refundable Entrance Fee, You (or Your estate) will remain liable for the excess amount. If termination is due to death, this paragraph will apply whether or not You are in residence at Arbors at the time of death.

8. REFUNDS OF ENTRANCE FEE

8.1 Termination of Residency Any refund due to the resident will be delivered to the resident or the resident's estate not later than three years from the date the contract is terminated or when conditions for releasing the refund have been met, whichever occurs first.

9. HEALTH CENTER TRANSFER

9.1 Transfer to the Health Center You will continue to pay Your Monthly Service Fee and any other charges incurred at Arbors until You release the Unit. You may release the Unit by providing written notice to Us indicating your decision to permanently release the Unit. You must vacate the Unit per Section 3.4, Vacating the Unit in this Agreement. Upon vacating the unit, the Monthly Service Fee will be suspended and the resident will be responsible for the Daily Health Center Fee.

9.1.1. Not Used

9.1.2. Not Used

9.1.3. Not Used

9.1.4. Releasing Your Unit, in Case of Couples In the case of permanent transfer of one of a participating Resident couple, the surviving participating party retains all rights under this Agreement including the right to reside in the same Living Unit. The first person single occupancy Monthly Service Fee will be charged for the unit upon Our written notice of Your intent of permanent transfer of one of You.

10. SPECIAL OCCUPANCY

10.1 Separation or Divorce of a Resident Couple If, after becoming residents, the joint Residents become separated or divorced:

(a) In the event each party desires a separate living unit and one remains in the Living Unit, no refund is given and a new Residency Application must be submitted for Arbors' approval for the second Living Unit if available. If approved, a Residency Agreement must be signed and a Entrance Fee paid for the second Living Unit. The first person Monthly Service Fee will be charged for each Living Unit.

(b) In the event one party desires to terminate residency, the remaining party retains full rights as a Resident. The first person Monthly Service Fee will be charged, but there is no refund of the Entrance Fee to either party.

(c) In the event both parties desire to cancel the Residency Agreement, the refund provisions of the Entrance Fee Addendum of this Agreement apply.

10.2 Marriage of Residents and Non-Residents

(a) If You and a non-resident marry and desire to reside in the Resident's Living Unit, the non-resident party must submit a Residency Application. If accepted by Arbors, a new Residency Agreement must be signed by the couple and the difference between the double occupancy second person entrance fee and applicable double occupancy monthly service fee must be paid. The Residents and non-participating occupant will be charged the applicable first and second person Monthly Service Fees.

(b) If two Residents with separate Living Units marry, they may either release one Living Unit and reside together in the other, or release both Living Units and move into another Living Unit.

(c) If the Residents release one Living Unit and reside together in the other Unit, a new Residency Agreement must be executed by the couple. A double occupancy second person entrance fee and the applicable double occupancy monthly service fee must be paid. A refund in accordance with the Entrance Fee Addendum of this agreement will be paid.

(d) If the Residents elect to release both Living Units and move into another Living Unit, a new Residency Agreement for the new Living Unit must be executed by the couple. The current Entrance Fee for the new Living Unit will be charged. A refund in accordance with the Entrance Fee Addendum of this agreement will be paid.

In either case, You will be charged the applicable first and second person Monthly Service Fees upon joint residency in the single Unit.

10.3 **Joint Residency - Unrelated Persons** When two unrelated persons intend to live in one Living Unit, the following conditions will apply:

(a) Evidence of prior long-term compatibility of the Residents must be demonstrated to Arbors,

(b) Each person desiring to live in a Unit shall apply for residency and if accepted sign a Residency Agreement,

(c) Cancellation rights and surviving Resident rights are the same as outlined in this Agreement.

10.4 **Not Used**

10.5 **Transfer to a Different Living Unit** If You elect to transfer to another Unit, You will be charged a refurbishment fee at the time of the move to cover the cost of renovating and preparing the vacated Unit for new occupancy.

(a) **Larger or Same Size Unit** If You desire to move to a comparable Unit or larger, the new Entrance Fee will be based on the difference between the Entrance Fee refund amount for your current Unit (if any) and the new Entrance Fee, amortized by the same percentage as that of the Entrance Fee for your current Unit, at your time of transfer. You will be required to pay the difference between the Entrance Fees at the time of your transfer. In order to upgrade residences, you must satisfy the financial criteria set forth by Arbors.

(b) <u>Smaller Unit</u> If You desire to move to a smaller Unit than your existing Unit, the new Entrance Fee will be based on the difference between the Entrance Fee refund amount for your current Unit (if any) and the current Entrance Fee for the new Unit, prorated by the same percentage as that of the Entrance Fee refund to which you are entitled for your current Unit. Any refunds to You will be issued as a credit to Your Monthly Service Fee over a twelve (12) month period.

(c) <u>Transfer Charge</u> You will be charged a transfer charge to cover the cost of painting and cleaning the vacated unit. Any moving expenses will be Your responsibility.

11. <u>OTHER PROVISIONS</u>

11.1 <u>Absence from the Community</u> You must inform the Front Desk if you will not be staying in your apartment overnight.

11.2 <u>Residents' Association</u> A Residents' Association is established for the benefit of all residents of Arbors. The purpose of the Association will be to foster communication between the residents and Arbors, to promote an understanding of the nature of life at Arbors, and to facilitate the participation of the residents in the development of the Community's policies, procedures and activities. The Association will elect its own officers according to an established set of by-laws. The Association will work in cooperation with Arbors to establish rules and regulations for the purpose of maintaining and improving the services and quality of life at Arbors.

11.3 <u>Gratuities</u> No individual gratuities are allowed. Employees who accept them will be subject to discharge. Residents may wish to establish an employee appreciation fund to be paid to employees on a basis determined by the Residents and Arbors.

11.4 <u>Pets</u> Pets will be allowed in designated areas of the Community upon approval by Arbors. Dogs are allowed on first and second floors only. Pets are not permitted to linger in common areas (lobby, hallways). Pets should only be transported via elevator when the elevator is not in use by another resident. Visitors are asked to use the stairwells when transporting their pets. If Arbors determines that the pet is not suitable, for any reason at any time, then permission to keep the pet will be denied or revoked. Pets must be routinely inoculated and registered. You shall be responsible for keeping the pet clean, healthy, obedient and properly restrained at all times, and for cleaning up after the pet. You shall make arrangements for the care of the pet in the event of Your death or disability. You shall notify Arbors of such arrangements. Generally pets should be no larger than 20 pounds. A deposit for pet-related damages may be required upon move in.

11.5 <u>Guests and Visitors</u> Guests and visitors are welcome at Arbors. Overnight guests may stay in Your Living Unit for a period of up to four (4) weeks cumulatively. If the stay of the same guest exceeds four (4) weeks cumulatively, then written approval must be obtained from Arbors and the applicable fees may be billed to the Resident for all days beyond four (4) weeks.

11.6 <u>Reserve Policy</u> It will be the policy of Arbors to maintain reserve funds as required by Connecticut law and any others that Arbors believes are consistent with sound financial management.

11.7 <u>Smoking Policy</u> Smoking is not permitted anywhere on the premises (premises include the Arbors and Manchester Manor building and the exterior grounds determined by the property boundaries). All areas of the building are smoke-free, with the exception of residents occupying their apartments prior to November 19, 2009. Any damage caused by smoking, including but not limited to: discoloration of walls, ceilings, carpets, cabinetry and window dressings or carpet burns or contamination of heating venting and air conditioning systems or the creation of a pervasive malodorous environment will be considered non-ordinary wear and tear.

11.8 <u>Photograph and Video Release</u> From time to time, We may wish to take Community photographs/footage which include You or other residents. Your image may be used, exhibited, or published in general media. You waive any right to royalties or other compensation arising or related to the use of Your image or recording.

12. <u>MISCELLANEOUS LEGAL PROVISIONS</u>

12.1 <u>Tax Consequences</u> Since execution of this Agreement may result in significant tax consequences, Arbors advises that each person consult with his/her tax advisor prior to Entering into this Agreement.

12.2 <u>Governing Law</u> This agreement will be interpreted according to the laws of the State of Connecticut.

12.3 Indemnity Arbors shall not be liable for, and You agree to indemnify, defend and hold Arbors harmless from claims, damages, and expenses, including attorney's fees and court costs resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with Our negligent or intentional act or omission.

12.4 Subordination Except to the extent prohibited by law, all rights under this Agreement are subordinate to first mortgage loans or other long-term financing secured by liens. Upon request, You agree to execute and deliver any documents requested by Arbors evidencing such subordination.

12.5 Agreement Not a Lease This Agreement is not a lease and does not transfer or grant to You any interest in real property. The rights and benefits under this Agreement are not assignable and will not inure to the use or benefit of the heirs, legatees, assignees, or representatives of the Resident. This Agreement grants You a revocable license to occupy and use space in Arbors of Hop Brook.

12.6 Appointment of Conservator If You are unable to continue to care for himself or herself or his or her property, and has made no designation of a conservator or trustee, Arbors is authorized to institute proceedings for appointment of a person or entity to serve as conservator for You. You or Your estate will be responsible for any costs associated with the appointment.

12.7 Change in Law If changes are made in any of the laws, statutes or regulations applicable to this Agreement, then Arbors shall have the right to amend this Agreement to conform to such changes or may terminate this Agreement.

12.8 Separability The invalidity of any restriction, condition, or provision of this Agreement, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

12.9 Ownership Transfers Arbors may issue additional interests in the Community, or Arbors may sell the Community, provided that any future buyer accept all the current contracts.

12.10 Residents If this Agreement has been signed by more than one person, it is understood that all responsibilities and obligations under this contract are joint and several, except as the specific context may otherwise require.

12.11 <u>Resident's Representations</u> You have executed this Agreement representing and warranting that You possess the ability to live independently (without the assistance of another person), free of any contagious and/or communicable disease, have assets and income which are sufficient to satisfy the obligations of this Agreement and after payment of these obligations can satisfy Your customary living expenses after occupancy, and that all Your representations or those made on Your behalf are true.

12.12 <u>Confirmation of Receipt of Documents and Inspection of the Community</u> You certify that You have received a copy of this Agreement, a copy of the latest disclosure statement and physically inspected the Community on or before this date. Further, these materials or inspections have been reviewed by You or Your representatives to satisfy You as to their truth and validity prior to signing this Agreement.

12.13 <u>Notices</u> All notices given pursuant to this Agreement shall be in writing and shall be mailed by certified mail, postage prepaid and shall be deemed given on the date mailed. The addresses to which any such notice shall be sent are as set forth here, unless a different address is specified in writing by either party:

To: Director
Arbors
403 West Center Street
Manchester, CT 06040-4738

To: Resident
Address listed on Application for Residency

13. SERVICES & BENEFITS ADDENDUM

13.1 Services and facilities within the Unit

- Complete kitchen facilities including refrigerator with frost-free freezer, electric range with oven, microwave over the range, garbage disposal, hood range (venting to outside), oak cabinets, and ground fault outlets at counter height
- Weekly bedroom linen (excluding towels) and changing service
- Biweekly (every two weeks) housekeeping services
- Heat or air-conditioning
- Individually controlled heat or air-conditioning thermostat
- Hot water heater
- Cable Television
- Pre-wired hookups (not service) for telephone
- Repair and maintenance of all Unit appliances and systems
- Real estate property taxes
- General liability and casualty insurance (excluding Resident's personal property and liability insurance)
- Water, sewer, sewer fees and trash removal
- Storage facilities for personal property, if available
- Centrally monitored smoke detectors
- Emergency call-for-aid (kitchens, bathrooms, and one bedroom)
- Sprinkler
- Forced fresh air (from outside)
- Bathroom fan exhaust (to outside)
- Wall-to-wall carpeting
- Sheer draperies
- Electronic courtesy check-in
- Postal box (lobby)
- Emergency generator supplying heat and foyer light

13.2 Additional Services Requiring Additional Charges

Additional services to You on an extra charge basis include:

- Telephone, Living Unit electricity (excluding air-conditioning and heat)
- Beautician, barber services, manicurist
- Guest room (hospitality suite), if and when available
- Guest meals/additional meal points outside meal plan
- Housekeeper services in addition to the normal bi-weekly (every other week) service provided under the Residency Agreement

- Personal care services and assisted living services
- Private-room accommodations in Health Center, if available
- Co-payment charges/gaps in coverage not covered by insurance
- Onsite Physicians visit/services
- Special activity event charges
- Catering charges for personal functions
- Special gardening requirements
- Unit modifications
- Transportation out of town/personal livery service
- Individual or small group (less than 5 residents) transportation, if available
- Durable medical equipment specified by Arbors, e.g., walkers, canes and wheel chairs, etc.
- Personal emergency call pendants
- Personal concierge service

Note: Electricity usage is metered separately for each living unit and is billed to and paid by the Residents. Electricity usage within the living unit is for all power requirements except air conditioning and heat, which is provided by Arbors.

13.3 <u>Services and Facilities Outside of the Unit</u>

The following common areas are available for use and include an intra-building communication system including emergency call:

- Lobby w/Fireplace
- Library w/Fireplace
- Beauty Parlor/Barber Shop
- Club Room
- All-Purpose Room w/Fireplace
- Private Dining Room w/Fireplace
- Art Room
- Wellness Center
- General Store
- Activities Center
- Gathering Center
- Auditorium
- Elevators (2)
- Laundry Room per floor (free of charge)
- Emergency generator supplying heat and light
- Communication Center

13.4 Dining Service

Points equivalent to one dinner per day or breakfast and lunch each day with choices of entree and waited table service; and tray service when medically required and approved by the Director of Resident Services.

13.5 Security Services

Centrally monitored electronic security system monitored 24 hours a day.

13.6 Social, Educational and Recreational Activities

Activities Coordinator on staff for the purpose of scheduling of events.

13.7 Transportation

Scheduled transportation according to Arbors' policy to shopping, banking, social activities, religious services and physician's visits within Manchester, Vernon, Glastonbury, East Hartford and South Windsor. There is a nominal charge for out of town transportation that will be added to Your monthly service fee. At the discretion of the administration, individual/small group (less than five (5) residents) transportation *may* be arranged in the event scheduled transportation is unavailable or inconvenient. Surface parking for residents and guests is provided.

Modifications to Services Arbors reserves the right to add or delete services and facilities as may be necessary from time to time. Arbors will provide You with thirty (30) days notice prior to effecting the change.

14. HEALTH CARE BENEFITS ADDENDUM

Arbors offers several levels of care. You will have priority access to all levels of care and health care Services. While you reside in your apartment, you may request the help of our Nursing staff to make arrangements necessary to meet your health care needs.

In addition to our Nursing staff, there are medical professionals on site that you may use, or you may elect to continue to have your own physicians and other healthcare professionals in the community.

Health Care Services at Arbors include:

(a) 24-hour a day emergency alert monitoring,

(b) Daily check-in service,

(c) Nursing Services/Care Coordination. These services include nursing services provided by a registered nurse or licensed practical nurse. The Nurse is "on call" when not on site.

Additional Health Care Services at Arbors are available at an additional charge:

(a) ALSA Aide/Homemaker Services provided to residents in their apartment to assist residents to live independently.

(b) Other health care providers are available onsite. This may include Physicians, Podiatrists, Physical Therapists or other healthcare professionals. You may elect to continue to have your own physicians and other healthcare professionals in the community.

14.1 Health Services Provided by Manchester Manor Health Care Center

(a) Manchester Manor Health Care Center will provide a range of skilled nursing care to Residents of Arbors. Based upon the recommendation of the Resident's attending physician, in consultation with the Resident, Resident's spouse or family, legal representative, Director of Resident Services, Health Center's Medical Director and the Director of Admissions, the Resident will be provided priority access to the Health Center. Manchester Manor provides skilled nursing therapy, rehabilitation, and/or long term care.

For the Resident

___________________________________ ________________________________

Resident **Witness**

___________________________________ ________________________________

Resident **Witness**

Living Unit # ___________ and Type ________________

Executed this _____ day of _______________, 20___, at

______________________, Connecticut.

For Arbors of Hop Brook Limited Partnership

By ________________________________
(Signature)

Paul T. Liistro

Its Managing Partner
(Title)

Executed this ________ day of __________________, 20___, at

___________________,Connecticut.

Resident Name(s): Name
Refund Type: *50%*
Unit Number:
Type:
Date Executed: **/**/20**

ENTRANCE FEE ADDENDUM 50%

The purpose of the Addendum is to set forth Your duties of this Agreement and to delineate the Entrance Fee terms under your residency agreement with Arbors of Hop Brook.

Parties This Agreement is made and entered into by and between **Name** (collectively, "You"), and Arbors of Hop Brook Limited Partnership (Arbors).

1.1 Entrance Fee Amount
You agree to pay Arbors a total Entrance Fee of **$ _____** ,
consisting of a first person Entrance Fee of **$ ____,** and a
second person Entrance Fee of **$ ____**
for the right of residency in Living Unit Number, _____ Type ___ Unit.

1.2 Entrance Fee Refund You have chosen to participate in a 50% Refundable Entrance Fee plan. Arbors will collect the Entrance Fee listed and will retain from Your refund an amount equal to two percent (2%) of Your Entrance Fee for each month. At the 25th month of residency, the amount of Your refund will remain at 50% of the total Entrance Fee of **$ ____** for a maximum return of **$ ____** upon the 25th month of residency or after. If you leave the Community prior to that time, Your Refund amount will be prorated by 2% each month of residency. For example, if You leave the community after three (3) months of residency, You or Your estate would be entitled to ninety four percent (94%) of Your Entrance Fee paid, Arbors would retain a total of six percent (6%) of the Entrance Fee in that example.

1.3 Deductions from Entrance Fee Health expenses, including but not limited to health costs incurred at the Health Center, and/or Assisted Living care provided by Us may be deducted from the refundable portion of the Entrance Fee, upon your request. Otherwise, these expenses will appear on your Monthly Service Fee. Health expenses which exceed the Refundable portion of the Entrance Fee will be added to the Monthly Service Fee.

1.4 **<u>Liabilities Prior to Refund</u>** Delinquent Monthly Service Fees, unpaid Apartment Renovation costs, or other charges incurred for the benefit of the Resident will be deducted from the refundable portion of the Entrance Fee. You (or Your estate) will remain liable for any excess amount.

1.5 **<u>Termination of Residency/Repayment of Entrance Fee</u>** In the event of termination of this Residency Agreement, we shall refund a maximum of 50% of the Entrance Fee paid by You without interest upon your departure from the Community (Arbors and/or Manchester Manor Health Care Center). Such refund will be paid to you (or your designated beneficiary) within sixty (60) days of reoccupancy of your Living Unit. As used in this paragraph, the term "designated beneficiary" shall mean the person(s) or entity designated by you to receive such refund in the event of termination of this Residency Agreement as a result of your death. No such designation of beneficiary shall be effective unless the same is filed with Arbors of Hop Brook Limited Partnership prior to your death. In the event you do not effectively designate a beneficiary to receive the refund provided under this Agreement, such refund shall be paid to your estate.

For the Resident

_________________________________ _____________________________________
Resident **Witness**

__________________________________ _______________________________________
Resident **Witness**

Living Unit # ___________ and Type _________________

Executed this _____ day of _______________, 20___, at ______________________, Connecticut.

For Arbors of Hop Brook Limited Partnership

By ________________________________
(Signature)

Paul T. Liistro

Its Managing Partner
(Title)

Executed this ________ day of ________, 20___, at _________________,Connecticut.

Resident Name(s): Name
Refund Type: *90%*
Unit Number:
Type:
Date Executed: **/**/20**

ENTRANCE FEE ADDENDUM 90%

The purpose of the Addendum is to set forth Your duties of this Agreement and to delineate the Entrance Fee terms under your residency agreement with Arbors of Hop Brook.

Parties This Agreement is made and entered into by and between **Name** (collectively, “You"), and Arbors of Hop Brook Limited Partnership (Arbors).

1.1 Entrance Fee Amount
You agree to pay Arbors a total Entrance Fee of **$____**, consisting of a first person Entrance Fee of **$____,** and a second person Entrance Fee of **$____** for the right of residency in Living Unit Number____.

Entrance Fee Refund You have chosen to participate in a 90% Refundable Entrance Fee plan. Arbors will collect the Entrance Fee listed and will retain from Your refund an amount equal to two percent (2%) of Your Entrance Fee for each month. At the 5th month of residency, the amount of Your refund will remain at 90% of the total Entrance Fee of $_____**,** for a maximum return of $____ upon the 5th month of residency or after. If you leave the Community prior to that time, Your Refund amount will be prorated by 2% each month of residency. For example, if You leave the community after three (3) months of residency, You or Your estate would be entitled to ninety four percent (94%) of Your Entrance Fee paid, Arbors would retain a total of six percent (6%) of the Entrance Fee in that example.

1.2 Deductions from Entrance Fee Health expenses, including but not limited to health costs incurred at the Health Center and/or Assisted Living care provided by Us may be deducted from the refundable portion of the Entrance Fee, upon your request. Otherwise, these expenses will appear on your Monthly Service Fee. Health expenses which exceed the Refundable portion of the Entrance Fee will be added to the Monthly Service Fee.

1.3 <u>Liabilities Prior to Refund</u> Delinquent Monthly Service Fees, unpaid Apartment Renovation costs, or other charges incurred for the benefit of the Resident will be deducted from the refundable portion of the Entrance Fee. You (or Your estate) will remain liable for any excess amount.

1.4 <u>Termination of Residency/Repayment of Entrance Fee</u> In the event of termination of this Residency Agreement, we shall refund a maximum of 90% of the Entrance Fee paid by You without interest upon your departure from the Community (Arbors and/or Manchester Manor Health Care Center). Such refund will be paid to you (or your designated beneficiary) within sixty (60) days of reoccupancy of your Living Unit. As used in this paragraph, the term "designated beneficiary" shall mean the person(s) or entity designated by you to receive such refund in the event of termination of this Residency Agreement as a result of your death. No such designation of beneficiary shall be effective unless the same is filed with Arbors of Hop Brook Limited Partnership prior to your death. In the event you do not effectively designate a beneficiary to receive the refund provided under this Agreement, such refund shall be paid to your estate.

For the Resident

______________________________ ________________________________

Resident **Witness**

_______________________________ ________________________________

Resident **Witness**

Living Unit # __________ and Type _______________

Executed this _____ day of _______________, 20___, at _____________________, Connecticut.

For Arbors of Hop Brook Limited Partnership

By _____________________________

(Signature)

Paul T. Liistro

Its Managing Partner

(Title)

Executed this _______ day of ___________, 20___, at ___________,Connecticut.

Resident Name(s):
Refund Type:
Unit Number:
Type:
Date Executed:

ENTRANCE FEE ADDENDUM DECLINING BALANCE

The purpose of the Addendum is to set forth Your duties of this Agreement and to delineate the Entrance Fee terms under Your residency agreement with Arbors of Hop Brook.

Parties This Agreement is made and entered into by and between (collectively, "You"), and Arbors of Hop Brook Limited Partnership (Arbors).

1.1 Entrance Fee Amount
You agree to pay Arbors a total Entrance Fee of **$_________** ,
consisting of a first person Entrance Fee of **$_________ ,** and a
second person Entrance Fee of **$________**
for the right of residency in Living Unit ____ , Type _____ .

1.2 Entrance Fee Refund You have elected to participate in a Declining Balance refund plan Consisting of a maximum refund amount of **$_________.** Arbors shall retain from Your refund an amount equal to two percent (2%) of Your Entrance Fee for each month since the full Entrance Fee was paid. For example, this means that if You reside in the Community for fifty (50) months or longer, You or Your estate would not be entitled to any refund of Your Entrance Fee; if You reside in the Community for twenty five (25) months, You or Your estate would be entitled to fifty percent (50%) of Your Entrance Fee.

1.3 Not Used

1.4 Liabilities Prior to Refund Delinquent Monthly Service Fees, unpaid Apartment Renovation costs, or other charges incurred for the benefit of the Resident will be deducted from the refundable portion of the Entrance Fee. You (or Your estate) will remain liable for any excess amount.

1.5 Termination of Residency/Repayment of Entrance Fee In the event of termination of this Residency Agreement, we shall refund all of the refundable balance of Entrance Fee paid by You upon your departure from the Community (Arbors and/or Manchester Manor Health Care Center). This amount is not subject to interest earnings. Such refund will be paid to you (or your designated beneficiary) within sixty (60) days of reoccupancy of Your Living Unit. As used in this paragraph, the term "designated beneficiary" shall mean the person(s) or entity designated by You to receive such refund in the event of termination of this Residency Agreement as a result of Your death. No such designation of beneficiary shall be effective unless the same is filed with Arbors of Hop Brook Limited Partnership prior to Your death. In the event You do not effectively designate a beneficiary to receive the refund provided under this Agreement, such refund shall be paid to Your estate.

For the Resident

______________________________	______________________________
Resident	**Witness**
______________________________	______________________________
Resident	**Witness**

Living Unit # __________ and Type _______________

Executed this _____ day of ______________, 20___, at ____________________, Connecticut.

For Arbors of Hop Brook Limited Partnership

By ____________________________
(Signature)

Paul T. Liistro

Its Managing Partner
(Title)

Executed this _______ day of ________________, 20___, at __________________,Connecticut.

Financial and Actuarial Statement

Arbors of Hop Brook Limited Partnership

Results of operations from Independent living and Health center activities

Statement of Income and Expenses

FY 2017 Actual Results vs. Pro Forma forecast

	Actual Results	Pro Forma	Variance $	%
Revenues:				
Net Patient service revenue	$ 13,366,418	$ 13,295,579	$ 70,839	0.53%
Provision for uncollectable accounts	$ (57,813)	not reported	$ -	-
Resident Fees	$ 4,109,840	$ 4,046,152	$ 63,688	1.57%
Earned Entrance Fee	$ 415,987	$ 159,728	$ -	0.00%
Total Revenue	$ 17,834,432	$ 17,501,459	$ 332,973	1.90%
Expenses:				
Administrative and general	$ 2,063,015	$ 1,944,996	$ 118,019	6.07%
Employee benefits	$ 1,664,340	$ 1,767,368	$ (103,028)	-5.83%
Plant operations and maintenance	$ 1,787,434	$ 1,804,381	**$ (16,947)**	-0.94%
Nursing	$ 5,815,747	$ 5,849,292	$ (33,545)	-0.57%
Activities	$ 246,978	$ 239,680	**$ 7,298**	3.04%
Food service	$ 1,731,226	$ 1,736,294	$ (5,068)	-0.29%
Laundry	$ 83,888	$ 123,609	$ (39,721)	-32.13%
Housekeeping	$ 370,652	$ 366,470	**$ 4,182**	1.14%
Medicare	$ 271,851	$ 407,653	$ (135,802)	-33.31%
Rehabilitative Service	$ 1,020,718	$ 1,053,922	**$ (33,204)**	-3.15%
Other Service	$ 465,919	$ 541,513	$ (75,594)	-13.96%
Depreciation and amortization	$ 632,553	$ 948,951	$ (316,398)	-33.34%
Insurance	$ 114,449	$ 109,034	**$ 5,415**	4.97%
Interest Expense	$ 97,849	$ 73,486	$ 24,363	33.15%
Total Expenses	$ 16,366,619	$ 16,966,648	$ (600,029)	-3.54%
Income (loss) from operations	$ 1,467,813	$ 534,811	$ 933,002	-74.45%
Other Income				
Realized gains (losses) on disposal of equipment	$ 44,349	not reported	$ -	-
Investment Income	$ 155,155	$ 183,195	$ (28,040)	115.31%
Gain on sale of property and equipment	$ -	$ -		
Realized gains on marketable securities	$ 149,224	$ 60,000	$ 89,224	-48.71%
Total non-operating revenue	$ 348,728	$ 243,195	$ 105,533	43.39%
Net income	$ 1,816,541	$ 778,006	$ 1,038,535	133.49%

Arbors of Hop Brook Limited Partnership
Management's Explanation of Results of Operations
FY 2017

The year opened with enthusiasm over the pro-business agenda of the new Trump administration, but uncertainty surrounding trade and immigration policies remained. Emerging markets benefited from both the synchronized global growth environment and the secular growth trade. Stock market volatility was historically low, especially in the U.S.

Measures of business and consumer confidence hit record high levels during the year. Technology-related names Amazon, Facebook, Apple, Microsoft and Alphabet were leading contributors on the secular growth trade. Bank stocks were also strong performers, benefitting from higher interest rates, deregulation and the prospect of tax reform. The US economy gained some additional momentum at the end of 2017. 2018 is likely be another good year for the US economy as tax cuts/fiscal policy stimulus go into effect and people (and companies) see additional money in their pockets, thus boosting consumer confidence and overall spending.

Arbors of Hop Brook posted operating revenue of $17,834,432 which was in line with anticipated revenues of $17,501,459.

Arbors actual expenses were lower than estimated proforma expenses and posted $600,029 (3.54%) less than anticipated. Administrative and general expenses were 6.07% higher than expected due to unanticipated legal fees stemming from business name/copyright issues as we safeguarded the use of our business name in the marketplace, new health care software purchases, and the addition of staff at our business office.

Employee Benefits costs were 5.83% lower than expected thanks to lower Workers' Compensation rates and a change in health insurance providers, resulting in lower premium costs. Laundry expenses were lower than expected due to the reduction of one part-time employee. Medicare expenses were greatly reduced by $135,802 (32.13%) primarily due to a new contract with our pharmacy provider at the health center. This, along with the reclassification of some salaries from social services to administrative payroll, also brought the Other Services line item down by 13.96%. Depreciation and amortization were $316,398 or 33.34% lower than expected due to the selling of both passenger vehicles held by the company and experiencing full building depreciation at our Independent Living center. The additional $24,363 or 33.15% in interest expense is attributed to the variable rate mortgage tied to the increasing LIBOR rates for the year.

In closing, we saw strong occupancy rates for all of FY 2017, including wait lists for a number of apartment styles.

Respectfully Submitted,

Paul T. Liistro
Managing Partner
February 2018

ARBORS OF HOP BROOK LIMITED PARTNERSHIP AND AFFILIATES

Consolidated Financial Statements
with Supplementary Information

September 30, 2017 and 2016

CJLC LLC
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

225 Pitkin Street
East Hartford
Connecticut 06108

860.610.9009 (t)
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Independent Auditor's Report

To the Partners
Arbors of Hop Brook Limited Partnership

Report on Financial Statements

We have audited the accompanying consolidated financial statements of Arbors of Hop Brook Limited Partnership and Affiliates (the Partnership), which comprise the consolidated balance sheet as of September 30, 2017 and 2016, and the related consolidated statement of income and comprehensive income (loss), changes in equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on those consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for out audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Partnership as of September 30, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 27 to 33 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CJLC LLC

CJLC, LLC
February 27, 2018

Arbors of Hop Brook Limited Partnership and Affiliates

Consolidated Balance Sheets

September 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,825,712	$ 1,436,033
Accounts receivable, net	1,225,202	886,633
Entrance fees receivable	311,039	480,236
Resident funds	9,183	9,183
Prepaid expenses	72,945	39,245
Total current assets	3,444,081	2,851,330
Investments		
Investments available-for-sale	6,697,239	5,756,488
Non-marketable equity securities	550,000	350,000
Total investments	7,247,239	6,106,488
Property and equipment		
Land and improvements	1,583,757	1,574,113
Building and improvements	19,802,867	19,401,177
Equipment	5,126,587	5,072,771
Automotive equipment	70,477	213,333
Total property and equipment	26,583,688	26,261,394
Less accumulated depreciation	(18,994,532)	(18,568,278)
Net property and equipment	7,589,156	7,693,116
Other long-term assets		
Due from related party	241,074	241,074
Restricted funds	1,059,839	959,633
Total other long-term assets	1,300,913	1,200,707
Total assets	$ 19,581,389	$ 17,851,641

Arbors of Hop Brook Limited Partnership and Affiliates

Consolidated Balance Sheets (Continued)

Years Ended September 30, 2017 and 2016

	2017	2016
LIABILITIES AND EQUITY		
Current liabilities		
Current portion of long-term debt	$ 210,000	$ 210,000
Accounts payable	1,188,346	796,579
Resident funds	9,183	9,183
Line of credit	–	–
Other current liabilities	645,956	561,227
Total current liabilities	2,053,485	1,576,989
Long-term liabilities		
Long-term debt, less current portion	2,712,500	2,922,500
Deferred costs, net	(32,165)	(40,378)
Entrance fees	8,060,777	8,529,377
Total liabilities	12,794,597	12,998,488
Equity		
Partners' capital		
Capital	5,012,114	4,402,272
Accumulated other comprehensive income (loss)	1,644,358	814,141
Total partners' capital	6,656,472	5,216,413
Noncontrolling interest	130,320	(353,260)
Total equity	6,786,792	4,863,153
Total liabilities and members' equity	$ 19,581,389	$ 17,851,641

The accompanying notes are an integral part of these financial statements.

Arbors of Hop Brook Limited Partnership and Affiliates
Consolidated Statements of Income

Years Ended September 30, 2017 and 2016

	2017	2016
Revenues		
Patient service revenue	$ 13,366,418	$ 12,858,242
Provision for uncollectible accounts	(57,813)	(106,551)
Net patient service revenue	13,308,605	12,751,691
Resident fees	4,109,840	4,078,609
Earned entrances fees	415,987	429,536
Total revenues	17,834,432	17,259,836
Expenses		
Administrative and general	2,063,015	2,106,234
Employee benefits	1,664,340	1,731,156
Plant operations and maintenance	1,787,434	1,761,045
Nursing	5,815,747	5,573,770
Activities	246,978	241,014
Food service	1,731,226	1,838,964
Laundry	83,888	102,871
Housekeeping	370,652	337,180
Medicare	271,851	390,371
Rehabilitative services	1,020,718	1,065,599
Other services	465,919	505,958
Depreciation and amortization	632,553	868,367
Insurance	114,449	100,061
Interest expense	97,849	86,978
Total expenses	16,366,619	16,709,568
Loss from operations	1,467,813	550,268
Other income		
Realized gains (losses) on disposal of equipment	44,349	–
Investment income	155,155	127,062
Realized gains (losses) on marketable securities	149,224	(574,416)
Total other income	348,728	(447,354)
Consolidated net income	1,816,541	102,914
Less net income attributable to noncontrolling interest	483,580	484,108
Net income (loss) attributable to the Partnership	$ 1,332,961	$ (381,194)

Arbors of Hop Brook Limited Partnership and Affiliates

Consolidated Statements of Income (Continued)

Years Ended September 30, 2017 and 2016

	2017	2016
Consolidated net income	$ 1,816,541	$ 102,914
Other comprehensive income		
Unrealized holding gains (losses) arising during the period	979,441	245,950
Less reclassification adjustment for gains included in net income	(149,224)	574,416
Total other comprehensive income (loss)	830,217	820,366
Comprehensive income (loss)	2,646,758	923,280
Less comprehensive income attributable to noncontrolling interest	483,580	484,108
Comprehensive income (loss) attributable to the Partnership	$ 2,163,178	$ 439,172

The accompanying notes are an integral part of these financial statements.

Arbors of Hop Brook Limited Partnership and Affiliates

Consolidated Statements of Changes in Members' Equity

Years Ended September 30, 2017 and 2016

	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
Balance, September 30, 2015	$ 4,956,438	$ (6,225)	$ (837,368)	$ 4,112,845
Net income	(381,194)	–	484,108	102,914
Other comprehensive loss	–	820,366	–	820,366
Capital contributions	1,152,418	–	–	1,152,418
Capital distributions	(1,325,390)	–	–	(1,325,390)
Balance, September 30, 2016	4,402,272	814,141	(353,260)	4,863,153
Net income	1,332,961	–	483,580	1,816,541
Other comprehensive loss	–	830,217	–	830,217
Capital contributions	662,324	–	–	662,324
Capital distributions	(1,385,443)	–	–	(1,385,443)
Balance, September 30, 2017	$ 5,012,114	$ 1,644,358	$ 130,320	$ 6,786,792

The accompanying notes are an integral part of these financial statements.

Arbors of Hop Brook Limited Partnership and Affiliates

Consolidated Statements of Cash Flows

Years Ended September 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Excess of revenues over expenses	$ 1,816,541	$ 102,914
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	640,765	876,579
Earned entrance fees	(415,987)	(429,536)
Net realized losses (gains) on investments available-for-sale	(149,224)	574,416
Accounts receivable	(338,569)	210,737
Due from related party	–	–
Entrance fees receivable	169,197	595,705
Prepaid expenses	(33,700)	21,410
Accounts payable	391,767	(680,728)
Due to related party	–	–
Other current liabilities	84,730	(89,034)
Net cash provided by operating activities	2,165,520	1,182,463
Cash flows from investing activities		
Change in restricted funds	(100,206)	(84,182)
Purchases of property and equipment	(528,593)	(569,552)
Proceeds from sales of investments available-for-sale	(634,963)	1,570,402
Purchases of investments available-for-sale	454,203	(30,000)
Net cash used in investing activities	(809,559)	886,668

Arbors of Hop Brook Limited Partnership and Affiliates

Consolidated Statements of Cash Flows (Continued)

Years Ended September 30, 2017 and 2016

	2017	2017
Cash flows from financial activities		
Capital contributions	$ 662,324	$ 1,152,418
Capital distributions	(1,385,443)	(1,325,390)
Proceeds from resident entrance fees	941,650	1,435,084
Proceeds from (payments on) line of credit	–	(1,250,000)
Refunds of resident entrance fees	(974,813)	(928,105)
Payments on capital lease obligations	–	–
Payments on long-term debt	(210,000)	(210,000)
Net cash provided by financial activities	(966,282)	(1,125,993)
Net change in cash and cash equivalents	389,679	943,138
Cash and cash equivalents, beginning of year	1,436,033	492,895
Cash and cash equivalents, end of year	$ 1,825,712	$ 1,436,033

The accompanying notes are an integral part of these financial statements.

Note 1: Summary of Significant Accounting Policies

The accompanying consolidated financial statements were prepared for the purpose of presenting, in a consolidated format, the financial position and results of operations of the following commonly owned, inter-related entities:

Arbors of Hop Brook Limited Partnership and Affiliates (the Partnership) was formed to operate a health center and independent living center as a Continuing Care Retirement Community according to Chapter 19 of the Connecticut General Statutes 17b-520. It is a comprised of a 112-unit independent living center and Manchester Manor Health Care Center, a 126-bed skilled nursing center.

In 1992, Manchester Manor Realty, LLP (Realty), a limited liability partnership, was formed to rent health care facilities to Manchester Manor Health Care Center for its operations. The partners' liability with regard to the limited liability company is limited to their capital accounts.

Principles of Consolidation

These entities are collectively referred to herein as the "Company". All significant intercompany transactions and account balances have been eliminated in consolidation.

Variable Interest Entities

The Company has evaluated its relationship with Realty and has determined that the entity is a variable interest entity, which has been consolidated in the Company's financial statements. Based on a qualitative and quantitative assessment performed, it was determined that the Company is the primary beneficiary of this entity because it has the power over the activities that most significant impact the entity's economic performance. Accordingly, it has been consolidated into the Company's consolidated financial statements. In addition, the Company is obligated to absorb their losses and has the ability to benefit from profits.

The following table summarizes the assets and liabilities of Realty included in the consolidated balance sheets as of September 30:

	2017	2016
Assets		
Cash	$ 1,128,365	$ 730,618
Accounts receivable	–	–
Due from related party	241,074	241,074
Total assets	$ 1,369,439	$ 596,657

Note 1: Summary of Significant Accounting Policies (Continued)

	2017	2016
Liabilities		
Current portion of long-term debt	$ 90,000	$ 90,000
Deferred costs, net	(15,069)	(18,917)
Other current liabilities	1,690	1,370
Long-term debt, less current portion	1,162,500	1,252,500
Total liabilities	$ 1,239,121	$ 1,324,953

In addition, the Company has evaluated its relationship with Vernon Manor Health Care Center, LLC and Arrowwood Group, LLC, both of which are related to the Company through common ownership, and determined that they are not required to consolidate these entities into its consolidated financial statements because the Company is not the primary beneficiary of either affiliate.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Restricted Funds

The State of Connecticut requires that continuing care retirement communities maintain a reserve fund, which consists of one year's debt service or lease obligation requirements plus one month's operating costs. These funds are not available for current operating purposes.

Restricted funds as of September 30, 2017 and 2016 were $1,059,839 and $959,633, respectively.

Concentrations

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and patient service receivables and revenue.

Note 1: Summary of Significant Accounting Policies (Continued)

The Company maintains its cash and cash equivalents with high-credit quality financial institutions. At time, such amounts may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. As of September 30, 2017, the Company had cash and cash equivalents in excess of Federally insured limits in the amount of approximately $1,385,000.

Patient Service Receivables

The collection of receivables from third-party payors and patients is the Company's primary source of cash for operations and is critical to its operating performance. Patient service receivables and revenue are recorded when patient services are performed. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding. Patient service receivables from third-party payors are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments provided to third-party payors.

Receivables due directly from patients are carried at the original charge for the service performed, less amounts covered by third-party payors and an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Company does not charge interest on past due accounts.

The provision for uncollectible accounts is increased when patient service receivables are deemed uncollectable. Recoveries of receivables previously written off are recorded as a reduction of the provision for uncollectable accounts when received.

Investments

Investments available-for-sale primarily consists of certain equity securities not classified as trading securities or as securities to be held-to-maturity. They may be sold at any time at management's option in response to changes in interest rates, liquidity needs, and for other purposes. Securities available-for-sale are reported at fair value with unrealized gains and losses reported as accumulated other comprehensive income in the equity section of the consolidated balance sheets. Accumulated realized gains and losses, based on the adjusted cost of the specific security sold, are included in other income and, when applicable, are reported as a reclassification adjustment in other comprehensive income.

Note 1: Summary of Significant Accounting Policies (Continued)

The Company has also invested in a limited liability company (LLC) of $150,000 and real estate investment trust (REIT) of $400,000 as of September 30, 2017. These investments had a balance of $150,000 and $200,000 respectively as of September 30, 2016. These investments are deemed to be non-marketable equity securities, which are recorded at historical cost because the Company does not have significant influence over the underlying investees. These investments are subject to a periodic impairment review. To the extent any impairment is considered other-then-temporary, the investment is written down to its fair value and the loss is recorded as a component of investment income.

The Company uses the specific identification method to determine the cost of securities sold.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided using straight-line method over the useful lives of the respective assets ranging from five to thirty-nine years. Assets acquired through capital leases are amortized over the shorter of the lease term or estimated useful life.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset accounts and related accumulated depreciation accounts are relieved, and any gain or loss is included in other income.

Deferred Costs

Loan closing costs incurred for debt restructuring have been capitalized and are being amortized using the interest method over the term of the loans. Deferred cost amortization is included in interest expense in the consolidated statements of income and comprehensive income.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the assets to the future net undiscounted cash flow expected to be generated by the assets and any estimated proceeds from the eventual disposition of the assets. If the assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the assets exceeds the fair value of such property. There were no impairment losses recognized in 2017 and 2016.

Note 1: Summary of Significant Accounting Policies (Continued)

Resident Funds

At September 30, 2017 and 2016, the Company maintained $9,183 of resident funds for future services to be provided by the Company. These funds are maintained in individual insured interest being accounts at a bank and are recorded as resident funds on the consolidated balance sheets.

Patient Service Revenue

The Company has agreements with third-party payors that provide for payments to the Company at amounts different from its established rates. Payment arrangements include predetermined fee schedules and discounted charges. Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and other for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors, which are subject to the audit by administrating agencies. These adjustments are accrued on an estimated basis and the adjusted in future periods as final settlements are determined.

Skilled nursing facilities are reimbursed under a Prospective Payment System for Medicare Part A services that establishes an all-inclusive per diem payment rate, based on resident activity, which covers routine, ancillary and capital related costs. The all-inclusive per diem rate encompasses many non-physicians Part B services billed during a Part A stay. Skilled nursing facilities are required to pay for services provided by outside suppliers.

The Company provides care to certain patients under Medicaid and Medicare payments arrangements. Laws and regulations governing the Medicaid and Medicare programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action.

Comprehensive Income

Comprehensive income consists of two components: net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) refers to revenue, expenses, gains and losses that, under accounting principles generally accepted in the United States of America, are recorded as an element of equity but are excluded from net income (loss). The Company's other comprehensive income (loss) and accumulated other comprehensive income are comprised of unrealized gains on marketable securities categorized as available-for-sale.

Income Taxes

The partners have elected to have the Company treated as a partnership. Under such treatment, the Company's Federal and state taxable income or loss is passed through to the individual partners. Accordingly, no tax provisions are included in the consolidated financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

The Company has no unrecognized tax benefits at September 30, 2017 and 2016. The Company's Federal and state income tax returns prior to fiscal year 2014 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the Company would recognize interest and penalties associated with tax matters as part of expenses in the consolidated statements of income and comprehensive income and include accrued interest and penalties in accrued expenses in the consolidated balance sheets. The Company did not recognize any interest or penalties associated with tax matters for the years ended September 30, 2017 and 2016.

Entrance Fees

Independent living center residents pay an entrance fee upon entering into a continuing care contract. Effective during fiscal year 2014, residents will pay an entrance fee that declines to either 90%, 50% or 0% (depending on the declining balance refund plan chosen by the resident) upon death or withdrawal after their independent living unit is reoccupied. Prior to fiscal year 2014, residents paid an entrance fee upon move-in that was either 80% (post fiscal year 2004) or 90% (pre fiscal year 2005), refundable upon death or withdrawal after their independent living unit was reoccupied. An additional monthly service fee is charged to residents, which entitles them to the lifetime use and privileges of the facilities. Residents do not acquire any interest in the real estate property.

The Partnership annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balances of unamortized deferred revenues from advanced fees and expected revenues from investment income and monthly fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advanced fees and expected future revenues, a liability will be recorded with a corresponding charge to income. No obligation was required as the present value, at a discount rate of 5.5%, the expected revenues and unamortized deferred revenues from advanced fees exceeded the net cost of future services and use of the facilities.

Advertising

The Company follows the policy of charging costs of advertising to expenses as incurred. Advertising expenses were $185,378 and $214,901 for the years ended September 30, 2017 and 2016.

Note 1: Summary of Significant Accounting Policies (Continued)

Retirement Benefits

The Company sponsors a 401(k) retirement plan covers substantially all employees who have at least one year of service and have attained the age 21. The plan allows for employer contributions and employee salary deferrals. The contribution expense for the years ended September 30, 2017 and 2016 were $94,352 and $87,400, respectively.

New Accounting Standards

In 2017, the Company adopted new FASB guidance regarding the presentation on the statement of financial position of the costs of issuance of debt and related amortization expense in the statement of operations. The new guidance requires presenting such unamortized costs as a direct deduction from the face amount of the debt (see Note 6, Long-Term Debt). Amortization is required to be included with interest expense in the statement of operations.

Previously, the Company reflected unamortized debt issuance costs as deferred charges in the balance sheet, and has retroactively reclassified 2016 amounts to accord with the new debt deduction presentation. The reclassifications reduced total assets and debt at December 31, 2016 by $40,378 with no effect on member's equity.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

Subsequent Events

The Company has evaluated events and transactions for potential recognition or disclosures through February 27, 2018, which is the date the consolidated financial statements were available to be issued.

Note 2: Patient Service Receivables, Net

The Company grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors were as follows as of September 30:

	2017	2016
Medicaid	$ 846,147	$ 584,399
Medicare	335,074	321,260
Other third-party payors	132,085	123,790
Private	139,309	96,974
	1,449,615	1,126,423
Less allowance for doubtful accounts	224,413	239,790
	$ 1,225,202	$ 886,633

Patient service receivables are reduced by an allowance for doubtful accounts. In evaluating the collectability of patient service receivables, the Company analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Company analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not year paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Company records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates provided by the Company's policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts.

The Company's allowance for doubtful accounts was 16% and 21% of patient service receivables as of September 30, 2017 and 2016, respectively.

Note 3: Marketable Securities

The Company's investments, (including restricted funds) which are reported at fair value, are primarily in marketable equity securities and are classified as available-for-sale. They may be sold at any time, at management's option in response to changes in interest rates, liquidity needs and for other purposes.

A summary of these investments at September 30, 2017 is as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$ 193,544	$ –	$ –	$ 193,544
Common stocks	1,467,609	1,154,310	(2,234)	2,619,685
Mutual funds	1,424,414	232,310	(4,038)	1,652,686
EFTs/Closed End Funds	3,024,498	267,572	(906)	3,291,164
	$ 6,110,065	$1,654,192	$ (7,178)	$ 7,757,079

Information pertaining to securities with gross unrealized losses at September 30, 2017, aggregated by length of time individual securities have been in a continuous loss position, is as follows:

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Common stocks	$ 26,276	$ (2,018)	$ 4,465	$ (216)	$ 30,741	$ (2,234)
Mutual fund	–	–	$ 216,253	$ (4,038)	$ 216,253	$ (4,038)
ETFs/CEF	98,550	(906)	–	–	98,550	(906)
	$ 124,826	$ (2,924)	$ 220,718	$ (4,254)	$ 345,544	$ (7,178)

A summary of these investments at September 30, 2016 is as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$ 3,260,630	$ –	$ –	$ 3,260,630
Common stocks	966,034	730,087	(14,499)	1,681,622
Mutual funds	1,672,151	102,633	(913)	1,773,871
	$ 5,898,815	$ 832,720	$ (15,412)	$ 6,716,123

Note 3: Marketable Securities (Continued)

Information pertaining to securities with gross unrealized losses at September 30, 2016, aggregated by length of time individual securities have been in a continuous loss position, is as follows:

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Common stocks	$ 133,943	$ (5,013)	$ 50,146	$ (9,486)	$ 184,089	$ (14,499)
Mutual fund	191,759	(913)	–	–	191,759	(913)
	$ 325,702	$ (5,926)	$ 50,146	$ (9,486)	$ 375,848	$ (15,412)

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. The Company does not consider these investments to be other than temporarily impaired at September 30, 2017 and 2016.

Note 4: Fair Value Measurements

The Company values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three board levels, which are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access. The fair value hierarchy gives the highest priory to Level 1 inputs.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Note 4: Fair Value Measurements (Continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2017 and 2016.

Money market funds: valued using significant observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

Mutual funds: valued at the quoted net asset value of shares held by the Company at year end (Level 1).

Common stocks: Valued at the quoted price in active markets of shares held by the Company at year end (Level 1).

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Company evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to the total investments. There were no transfers during the years ended September 30, 2017 and 2016.

Note 4: Fair Value Measurements (Continued)

The following tables set forth by level, within the fair value hierarchy, the Company's assets at fair value as of September 30, 2017 and 2016:

2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market funds	$ –	$ 193,544	$ –	$ 193,544
Common stocks:				
Basic materials	24,706	–	–	24,706
Consumer goods	419,082	–	–	419,082
Financial	137,659	–	–	137,659
Healthcare	65,124	–	–	65,124
Industrial goods	34,629	–	–	34,629
Services	509,551	–	–	509,551
Technology	1,408,984	–	–	1,408,984
Utilities	19,949	–	–	19,949
Mutual funds:				
Diversified municipal	216,253	–	–	216,253
Emerging markets	29,364	–	–	29,364
Foreign large blend	540,146	–	–	540,146
International small cap	56,215	–	–	56,215
Large blend	239,801	–	–	239,801
Mid-cap growth	28,434	–	–	28,434
Mid-cap value	26,684	–	–	26,684
Moderate Allocation	489,342	–	–	489,342
Small Cap	26,447	–	–	26,447
EFTs/Closed End Funds:				
Consumer Goods	–	98,550	–	98,550
Financial	–	1,378,592	–	1,378,592
Foreign	–	336,056	–	336,056
Industrial goods	–	121,607	–	121,607
Large blend	–	1,300,794	–	1,300,794
Mid-cap blend	–	55,566	–	55,566
Total	$ 4,272,370	$ 3,484,709	$ –	$ 7,757,079

Note 4: Fair Value Measurements (Continued)

2016	Level 1	Level 2	Level 3	Total
Money market funds	$ –	$ 3,260,630	$ –	$3,260,630
Common stocks:				
Basic materials	37,443	–	–	37,443
Consumer goods	334,180	–	–	334,180
Financial	242,234	–	–	242,234
Healthcare	51,577	–	–	51,577
Industrial goods	19,690	–	–	19,690
Services	78,663	–	–	78,663
Technology	896,443	–	–	896,443
Utilities	21,392	–	–	21,392
Mutual funds:				
Diversified municipal	191,759	–	–	191,759
Emerging markets	24,440	–	–	24,440
Foreign large blend	447,917	–	–	447,917
International small cap	47,038	–	–	47,038
Large blend	573,177	–	–	573,177
Mid-cap growth	22,275	–	–	22,275
Mid-cap value	22,678	–	–	22,678
Moderate Allocation	421,845	–	–	421,845
Small Cap	22,742	–	–	22,742
Total	$ 3,455,493	$ 3,260,630	$ –	$ 6,716,123

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Note 5: Related Party Transactions

Due from Related Party

Represents amounts due to Arrowwood Group, LLC. The loan is noninterest bearing and is expected to be repaid.

Note 6: Long-Term Debt

Arbors of Hop Brook

On August 31, 2011, the Company entered into two loan agreements with People's United Bank. A summary of these agreements follows:

First Mortgage Loan

$2,400,000 promissory note, interest payable at one (1) month LIBOR rate (1.235% at September 30, 2016) plus 2.0%. The loan matures on September 1, 2021. Proceeds from the loan were used to retire an existing first mortgage and for closing costs. The loan is secured by a first mortgage on real estate. The outstanding balance on the First Mortgage loan was $1,670,000 and $1,790,000 at September 30, 2017 and 2016, respectively.

Manchester Manor Realty, LLP

On August 23, 2011, the Company entered into three loan agreements with People's United Bank. A summary of these agreements follows:

First Mortgage Loan

$1,800,000 promissory note, interest payable at one (1) month LIBOR rate plus 2.0%. The loan matures on September 1, 2021. Proceeds from the loan were used to retire an existing first mortgage and for closing costs. The loan is secured by a first mortgage on real estate. The outstanding balance on the First Mortgage loan at September 30, 2017 and 2016 was $1,252,500 and $1,342,500, respectively.

The debt agreements of Manchester Manor Realty, LLP include certain restrictions requiring maintenance of certain financial ratios.

Long-term debt obligations are as follows as of September 30, 2017 and 2016:

	2016	**2015**
Long-term debt	$ 2,922,500	$ 3,312,500
Less current maturities	210,000	210,000
	$ 2,712,500	$ 2,922,500

Note 6: Long-Term Debt (Continued)

Principal maturities of notes payable for the five years subsequent to September 30, 2017 and thereafter are scheduled as follows:

Year Ending September 30	Amount
2018	$ 210,000
2019	210,000
2020	210,000
2021	210,000
2022	210,000
Thereafter	1,872,500
	$2,922,500

Interest on the long-term debt and capital lease obligations amounted to $97,849 and $86,979 for the years ended September 30, 2017 and 2016, respectively.

Note 7: Patient Service Revenue, Net

The Company recognizes patient service revenue associated with services provided to patients who have Medicaid, Medicare and third-party payor coverage on the basis of contractual rates for services rendered. For uninsured self-pay patients, the Company recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Company's uninsured patients will be unable or unwilling to pay for services provided. Thus, the Company records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided.

Patient service revenue recognized in 2017 and 2016 from these major payor sources is as follows:

	2017	2016
Medicaid	$ 5,181,586	$ 4,794,738
Medicare	3,313,828	3,972,496
Other third-party payors	1,789,939	1,583,123
Private	3,081,064	2,507,885
	$ 13,366,417	$ 12,858,242

Medicaid and Medicare revenue is reimbursed to the Company at the net reimbursement rates determined by each program. Reimbursement rates are subject to revisions under the provision of reimbursement regulations. Adjustments for such revisions are recognized in the fiscal year incurred.

Note 8: Entrance Fees

Entrance fees at September 30, 2017 and 2016 are as follows:

	2017	2016
Nonrefundable	$ 1,724,834	$ 1,895,911
Refundable (liability)	6,335,943	6,633,466
Refundable (deferred revenue)	–	–
	$ 8,060,777	$ 8,529,377

Nonrefundable fees are amortized into income over the estimated life expectancy of the resident. Entrance fees refundable upon reoccupancy (not limited to the proceeds of reoccupancy) are accounted for as a liability in the consolidated balance sheet. Entrance fees refundable upon reoccupancy (limited to the proceeds of reoccupancy) are accounted for a deferred revenue and amortized into income or expense based upon the remaining useful life of the facility, both on the straight-line method. Entrance fees amortized and reported in revenues totaled $435,436 and $429,536 for the years ended September 30, 2017 and 2016, respectively.

Note 9: Vendor Concentrations

The Company is dependent on one vendor that supplies therapeutic services. Purchases from this vendor totaled $1,008,340 and $1,052,330 for the years ended September 30, 2017 and 2016, respectively.

Note 10: Medical Malpractice Insurance

The Company maintains claims made medical malpractice insurance coverage providing coverage limits of $1,000,000 per claim and a $3,000,000 annual aggregate.

Note 11: Health Care Industry

Commitments and Contingencies

The health care industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. While no material regulatory inquires have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Arbors of Hop Brook Limited Partnership and Affiliates

Consolidating Balance Sheets

September 30, 2017 and 2016

	2017				
	The Arbors	Manchester Manor	Manchester Manor Realty	Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	$ 984	$ 696,363	$ 1,128,365	$ –	$ 1,825,712
Accounts receivable, net	2,526	1,222,676	–	–	1,225,202
Entrance fees receivable	311,039	–	–	–	311,039
Resident funds	–	9,183	–	–	9,183
Prepaid expenses	–	72,945	–	–	72,945
Total current assets	314,549	2,001,167	1,128,365		3,444,081
Investments available-for-sale	6,349,309	347,930	–	–	6,697,239
Non-marketable securities	550,000	–	–	–	550,000
Due from related party	20,851	–	241,074	(20,851)	241,074
Restricted funds	1,059,839	–	–	–	1,059,839
Property and equipment, net	3,018,848	4,570,308	–	–	7,589,156
Total assets	$11,313,396	$ 6,919,405	$ 1,369,439	$ (20,851)	$19,581,389
LIABILITIES AND MEMBERS' EQUITY					
Current liabilities					
Current portion of long-term debt	$ 120,000	$ –	$ 90,000	$ –	$ 210,000
Accounts payable	155,270	1,033,076	–	–	1,188,346
Resident funds	–	9,183	–	–	9,183
Line of credit	–	–	–	–	–
Other current liabilities	307,626	336,640	1,690	–	645,956
Total current liabilities	582,896	1,378,899	91,690	–	2,053,485
Long-term liabilities					
Long-term debt, less current portion	1,550,000	–	1,162,500	–	2,712,500
Deferred costs, net	(17,096)	–	(15,069)	–	(32,165)
Due to related party	–	20,851	–	(20,851)	–
Entrance fees	8,060,777	–	–	–	8,060,777
Total liabilities	10,176,577	1,399,750	1,239,121	(20,851)	12,794,597
Members' equity	1,136,819	5,519,655	130,318	–	6,786,792
Total liabilities and members' equity	$11,313,396	$ 6,919,405	$ 1,369,439	$ (20,851)	$19,581,389

See independent Auditor's Report.

Arbors of Hop Brook Limited Partnership and Affiliates

Consolidating Balance Sheets (Continued)

September 30, 2017 and 2016

	2016				
	The Arbors	Manchester Manor	Manchester Manor Realty	Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	$ 984	$ 704,431	$ 730,618	$ –	$ 1,436,033
Accounts receivable, net	10,707	875,926	–	–	886,633
Entrance fees receivable	480,236	–	–	–	480,236
Resident funds	–	9,183	–	–	9,183
Prepaid expenses	–	39,245	–	–	39,245
Total current assets	491,927	1,628,785	730,618	–	2,851,330
Investments available-for-sale	5,490,326	266,162	–	–	5,756,488
Non-marketable securities	350,000	–	–	–	350,000
Due from related party	–	–	241,074	–	241,074
Restricted funds	959,633	–	–	–	959,633
Property and equipment, net	3,071,470	4,621,646	–	–	7,693,116
Total assets	$10,363,356	$ 6,516,593	$ 971,692	$ –	$17,851,641
LIABILITIES AND MEMBERS' EQUITY					
Current liabilities					
Current portion of long-term debt	$ 120,000	$ –	$ 90,000	$ –	$ 210,000
Accounts payable	145,450	651,129	–	–	796,579
Resident funds	–	9,183	–	–	9,183
Line of credit	–	–	–	–	–
Other current liabilities	245,974	313,882	1,370	–	561,226
Total current liabilities	511,424	974,194	91,370	–	1,576,988
Long-term liabilities					
Long-term debt, less current portion	1,670,000	–	1,252,500	–	2,922,500
Deferred costs, net	(21,461)	–	(18,917)	–	(40,378)
Due to related party	–	–	–	–	–
Entrance fees	8,529,377	–	–	–	8,529,377
Total liabilities	10,689,340	974,194	1,324,953	–	12,988,487
Members' equity	(325,984)	5,542,399	(353,261)	–	4,863,154
Total liabilities and members' equity	$10,363,356	$ 6,516,593	$ 971,692	$ –	$17,851,641

See independent Auditor's Report.

Arbors of Hop Brook Limited Partnership and Affiliates

Consolidating Statements of Income

Years Ended September 30, 2017 and 2016

	2017				
	The Arbors	Manchester Manor	Manchester Manor Realty	Eliminations	Consolidated
Revenues					
Patient service revenues	$ –	$13,570,200	$ –	$ (203,782)	$13,366,418
Provision for uncollectible accounts	–	(57,813)	–	–	(57,813)
Net patient service revenue	–	13,512,387	–	(203,782)	13,308,605
Resident fees	4,109,840	–	–	–	4,109,840
Earned entrances fees	415,987	–	–	–	415,987
Rental income	–	–	530,498	(530,498)	–
Total revenues	4,525,827	13,512,387	530,498	(734,280)	17,834,432
Expenses					
Direct costs	3,212,181	10,620,610	42,042	(203,782)	13,671,051
General and administrative	778,230	1,279,909	4,876	–	2,063,015
Depreciation and amortization	311,217	321,336	–	–	632,553
Rent	–	530,498	–	(530,498)	–
Total expenses	4,301,628	12,752,353	46,918	(734,280)	16,366,619
Income (loss) from operations	224,199	760,034	483,580	–	1,467,813
Other income					
Realized losses on disposal of equipment	41,349	3,000	–	–	44,349
Investment income	138,698	16,457	–	–	155,155
Realized gains (losses) on marketable securities	159,175	(9,951)	–	–	149,224
Net income (loss)	$ 563,421	$ 769,540	$ 483,580	$ –	$ 1,816,541

See independent Auditor's Report.

Arbors of Hop Brook Limited Partnership and Affiliates

Consolidating Statements of Income (Continued)

Years Ended September 30, 2017 and 2016

	2016				
	The Arbors	**Manchester Manor**	**Manchester Manor Realty**	**Eliminations**	**Consolidated**
Revenues					
Patient service revenues	$ –	$13,858,255	$ –	$ (1,000,013)	$12,858,242
Provision for uncollectible accounts	–	(106,551)	–	–	(106,551)
Net patient service revenue	–	13,751,704	–	(1,000,013)	12,751,691
Resident fees	4,078,609	–	–	–	4,078,609
Earned entrances fees	429,536	–	–	–	429,536
Rental income	–	–	522,144	(522,144)	–
Total revenues	4,508,145	13,751,704	522,144	(1,522,157)	17,259,836
Expenses					
Direct costs	3,955,842	10,741,561	37,578	(1,000,013)	13,734,968
General and administrative	868,214	1,237,562	458	–	2,106,234
Depreciation and amortization	550,741	317,626	–	–	868,367
Rent	–	522,144	–	(522,144)	–
Total expenses	5,374,797	12,818,893	38,036	(1,522,157)	16,709,569
Income (loss) from operations	(866,652)	932,811	484,108	–	550,267
Other income					
Realized losses on disposal of equipment	–	–	–	–	–
Investment income	112,916	14,146	–	–	127,062
Realized gains (losses) on marketable securities	(447,363)	(127,053)	–	–	(574,416)
Net income (loss)	$ (1,201,099)	$ 819,904	$ 484,108	$ –	$ 102,913

See independent Auditor's Report.

Arbors of Hop Brook Limited Partnership and Affiliates

Consolidating Statements of Cash Flows

Years Ended September 30, 2017 and 2016

	2017				
	The Arbors	Manchester Manor	Manchester Manor Realty	Eliminations	Consolidated
Cash flows from operating activities					
Excess of revenues over expenses	$ 563,421	$ 769,540	$ 483,580	$ –	$ 1,816,541
Adjustments to reconcile change in net assets to net cash provided by operating activities					
Depreciation and amortization	315,582	321,336	3,847	–	640,765
Earned entrance fees	(415,987)	–	–	–	(415,987)
Net realized losses (gains) on investments available-for-sale	(159,175)	9,951	–	–	(149,224)
Accounts receivable	8,181	(346,750)	–	–	(338,569)
Due from related party	(20,851)	–	–	20,851	–
Entrance fees receivable	169,197	–	–	–	169,197
Prepaid expenses	–	(33,700)	–	–	(33,700)
Accounts payable	9,820	381,947	–	–	391,767
Due to related party	–	20,851	–	(20,851)	–
Other current liabilities	61,652	22,758	320	–	84,730
Net cash provided by operating activities	531,840	1,145,933	487,747	–	2,165,520
Cash flows from investing activities					
Change in restricted funds	(100,206)	–	–	–	(100,206)
Purchases of property and equipment	(258,595)	(269,998)	–	–	(528,593)
Proceeds from sales of investments available-for-sale	(665,018)	30,055	–	–	(634,963)
Purchases of investments available-for-sale	577,803	(123,600)	–	–	454,203
Net cash used in investing activities	(446,016)	(363,543)	–	–	(809,559)
Cash flows from financial activities					
Capital contributions	662,324	–	–	–	662,324
Capital distributions	(594,985)	(790,458)	–	–	(1,385,443)
Proceeds from resident entrance fees	941,650	–	–	–	941,650
Proceeds from (payments on) line of credit	–	–	–	–	–
Refunds of resident entrance fees	(974,813)	–	–	–	(974,813)
Payments on capital lease obligations	–	–	–	–	–
Payments on long-term debt	(120,000)	–	(90,000)	–	(210,000)
Net cash provided by financial activities	(85,824)	(790,458)	(90,000)	–	(966,282)
Net change in cash and cash equivalents	–	(8,068)	397,747	–	389,679
Cash and cash equivalents, beginning of year	984	704,431	730,618	–	1,436,033
Cash and cash equivalents, end of year	$ 984	$ 696,363	$ 1,128,365	$ –	$ 1,825,712

See independent Auditor's Report.

Arbors of Hop Brook Limited Partnership and Affiliates

Consolidating Statements of Cash Flows (Continued)

Years Ended September 30, 2017 and 2016

	2016				
	The Arbors	Manchester Manor	Manchester Manor Realty	Eliminations	Consolidated
Cash flows from operating activities					
Excess of revenues over expenses	$(1,201,099)	$ 819,904	$ 484,108	$ –	$ 102,913
Adjustments to reconcile change in net assets to net cash provided by operating activities					
Depreciation and amortization	555,106	317,626	3,847	–	876,579
Earned entrance fees	(429,536)	–	–	–	(429,536)
Net realized losses (gains) on investments available-for-sale	447,363	127,053	–	–	574,416
Accounts receivable	(2,532)	213,269	174,012	(174,012)	210,737
Due from related party	1,260,389	–	–	(1,260,389)	–
Entrance fees receivable	595,705	–	–	–	595,705
Prepaid expenses	–	21,414	–	–	21,414
Accounts payable	(167,083)	(687,657)	–	174,012	(680,728)
Due to related party	–	(1,260,389)	–	1,260,389	–
Other current liabilities	(24,558)	(64,322)	(156)	–	(89,036)
Net cash provided by operating activities	1,033,755	(513,102)	661,811	–	1,182,464
Cash flows from investing activities					
Change in restricted funds	(84,182)	–	–	–	(84,182)
Purchases of property and equipment	(425,398)	(144,154)	–	–	(569,552)
Proceeds from sales of investments available-for-sale	879,610	690,792	–	–	1,570,402
Purchases of investments available-for-sale	(30,000)	–	–	–	(30,000)
Net cash used in investing activities	340,030	546,638	–	–	886,668
Cash flows from financial activities					
Capital contributions	372,076	780,342	–	–	1,152,418
Capital distributions	(882,839)	(442,550)	–	–	(1,325,390)
Proceeds from resident entrance fees	1,435,084	–	–	–	1,435,084
Proceeds from (payments on) line of credit	(1,250,000)	–	–	–	(1,250,000)
Refunds of resident entrance fees	(928,105)	–	–	–	(928,105)
Payments on capital lease obligations	–	–	–	–	–
Payments on long-term debt	(120,000)	–	(90,000)	–	(210,000)
Net cash provided by financial activities	(1,373,785)	337,792	(90,000)	–	(1,125,993)
Net change in cash and cash equivalents	–	371,328	571,811	–	943,139
Cash and cash equivalents, beginning of year	984	333,103	158,807	–	492,894
Cash and cash equivalents, end of year	$ 984	$ 704,431	$ 730,618	$ –	$ 1,436,033

See independent Auditor's Report.

Arbors of Hop Brook Limited Partnership and Affiliates

Schedules of Patient Days

Years Ended September 30, 2017 and 2016

Payor Source	**2017**	**2016**
Medicaid	23,029	22,438
Private	13,237	12,937
Medicare	5,144	6,024
Total patient days	41,410	41,399
Occupancy rate	90%	90%

See independent accountant's review report.

Historic Entrance Fees and Monthly Fees 2013, 2014				
		Mar-13		**Mar-14**
Entrance Fees				
Single Occupancy				
Studio	$	115,300	$	115,300
One Bedroom A	$	133,600	$	133,600
One Bedroom B	$	141,100	$	141,100
One Bedroom C	$	146,500	$	146,500
Two Bedroom	$	182,600	$	182,600
Double Occupancy				
Studio		N/A		
One Bedroom A	$	146,100	$	146,100
One Bedroom B	$	153,600	$	153,600
One Bedroom C	$	159,000	$	159,000
Two Bedroom	$	182,600	$	182,600
Monthly Fees				
Single Occupancy				
Studio	$	2,100	$	2,340
One Bedroom A	$	2,420	$	2,640
One Bedroom B	$	2,460	$	2,940
One Bedroom C	$	2,560	$	2,960
Two Bedroom	$	3,495	$	3,740
Dbl Occp (2nd Pers)				
Studio		N/A		N/A
One Bedroom A	$	900	$	900
One Bedroom B	$	900	$	900
One Bedroom C	$	900	$	900
Two Bedroom	$	200	$	900
Entrance Fees - Double Occupancy fee is $12,500 for Studios and 1 Bedrooms				

Please note, the fees above are based on an 80% Entance Fee Refund plan. This plan was discontinued in Summer, 2014.

Historic Entrance Fees and Monthly Fees 2015-2017

Entrance Fee	2015 Declining Balance	2016 Declining Balance	2017 Declining Balance
Studio	$ 54,500	$ 54,500	$ 54,500
1 Bedroom "A"	$ 70,500	$ 70,500	$ 70,500
1 Bedroom "B"	$ 73,500	$ 73,500	$ 73,500
1 Bedroom/1.5 Bath "C"	$ 79,500	$ 79,500	$ 79,500
2 Bedroom/2 Bath	$ 105,500	$ 105,500	$ 105,500
Second Person	$ 12,000	$ 12,000	$ 12,000

Entrance Fee	2015 50% Refundable	2016 50% Refundable	2017 50% Refundable
Studio	$ 84,475	$ 84,475	$ 84,475
1 Bedroom "A"	$ 109,275	$ 109,275	$ 109,275
1 Bedroom "B"	$ 113,925	$ 113,925	$ 113,925
1 Bedroom/1.5 Bath "C"	$ 123,225	$ 123,225	$ 123,225
2 Bedroom/2 Bath	$ 163,525	$ 163,525	$ 163,525
Second Person	$ 12,000	$ 12,000	$ 12,000

Entrance Fee	$ 2,015 90% Refundable	$ 2,016 90% Refundable	$ 2,017 90% Refundable
Studio	$ 164,726	$ 164,726	$ 164,726
1 Bedroom "A"	$ 213,086	$ 213,086	$ 213,086
1 Bedroom "B"	$ 222,154	$ 222,154	$ 222,154
1 Bedroom/1.5 Bath "C"	$ 240,289	$ 240,289	$ 240,289
2 Bedroom/2 Bath	$ 318,874	$ 318,874	$ 318,874
Second Person	$ 12,000	$ 12,000	$ 12,000

Monthly Fee	2015	2016	2017
Studio	$ 1,850.00	$ 1,960.00	$ 2,020.00
1 Bedroom "A"	$ 2,150.00	$ 2,280.00	$ 2,350.00
1 Bedroom "B"	$ 2,250.00	$ 2,380.00	$ 2,450.00
1 Bedroom/1.5 Bath "C"	$ 2,450.00	$ 2,590.00	$ 2,670.00
2 Bedroom/2 Bath	$ 2,950.00	$ 3,130.00	$ 3,220.00
Second Person	$ 750.00	$ 875.00	$ 900.00

ARBORS OF HOP BROOK LIMITED PARTNERSHIP

BUDGETED THREE YEAR ASSUMPTIONS
STATEMENTS OF CHANGES IN REVENUES AND EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30

	BUDGET 2017	BUDGET 2018	BUDGET 2019
Assumptions for Arbors of Hop Brook			
REVENUE			
Monthly fee increased each year by	3.0%	3.0%	3.0%
Ancilliary revenue increased each year by	4.0%	4.0%	4.0%
CCRC related revenue increased each year by	1.0%	1.0%	1.0%
Earned entrance fee increased by	3.5%	3.5%	3.5%
EXPENSES			
Salaries increased each year by	2.0%	2.0%	2.0%
Employee benefits increased each year by	3.0%	3.0%	3.0%
Non-salary expenses increased each year by	2.0%	2.0%	2.0%
Rent increased each year by	0.0%	0.0%	0.0%
Depreciation increased each year by	8.0%	8.0%	8.0%
Return on investments increased each year by	4.0%	4.0%	4.0%
Percent of occupancy	54.46%	54.46%	54.46%
Units Occupied	61	61	61
Sales of units each year	3.3	3.8	4.0
Assumptions for Manchester Manor Health Care Center			
REVENUE			
Rate Increases:			
Medicaid	0.0%	0.0%	2.0%
Lifecare	4.0%	3.0%	3.0%
Private	4.0%	4.0%	4.0%
Medicare	0.0%	0.0%	2.0%
Managed Care	4.0%	4.0%	4.0%
Patient Day Mix			
Medicaid	43.6%	43.6%	43.6%
Lifecare	5.8%	5.8%	5.8%
Private	12.3%	12.3%	12.3%
Diversions	0.2%	0.2%	0.2%
Medicare	15.8%	15.8%	15.8%
Managed Care	7.2%	7.2%	7.2%
Total occupancy	85.0%	85.0%	85.0%
Vacancy	15.0%	15.0%	15.0%
Total	100.0%	100.0%	100.0%
EXPENSES			
Salaries increased each year by	2.0%	2.0%	2.0%
Employee benefits increased each year by	0.0%	0.0%	0.0%
Non-salary expenses increased each year by	2.0%	2.0%	2.0%
Rent increased each year by	0.0%	0.0%	0.0%
Depreciation increased each year by	8.0%	8.0%	8.0%
Return on investments increased each year by (most of investment is bonds)	4.0%	4.0%	4.0%

ARBORS OF HOP BROOK LIMITED PARTNERSHIP AND AFFILIATE

Balance Sheet

September 30

	ACTUAL 2017	BUDGET 2018	BUDGET 2019	BUDGET 2020
Assets				
Current Assets:				
Cash and cash equivalents	$ 1,825,712	$ 2,020,899	$ 2,109,539	$ 2,205,599
Restricted funds	1,059,839	1,102,233	1,146,322	1,192,175
Accounts receivable	1,225,202	1,274,210	1,325,178	1,378,186
Entrance fees receivable	311,039	323,481	336,420	349,877
Prepaid expenses	72,945	75,863	78,897	82,053
Total current assets	4,494,737	4,796,685	4,996,356	5,207,889
Investments available for sale	7,247,239	8,052,283	8,975,090	10,115,395
Property and equipment:				
Land and improvements	1,583,757	1,583,757	1,583,757	1,583,757
Building and improvements	19,802,867	20,002,867	20,202,867	20,402,867
Equipment	5,126,587	5,526,587	5,926,587	6,326,587
Automotive equipment	70,477	70,477	70,477	70,477
Total property and equipment	26,583,688	27,183,688	27,783,688	28,383,688
Less accumulated depreciation	(18,994,532)	(19,677,689)	(20,415,499)	(21,212,334)
Plus Construction in Progress	-			
Net property and equipment	7,589,156	7,505,999	7,368,189	7,171,354
Long-term assets:				
Loans receivable - affiliates	241,074	241,074	241,074	241,074
Deferred costs, net	32,165	29,919	26,354	23,354
Resident funds	9,183	9,550	9,932	10,330
Deposits	-	-	-	-
Total long-term assets	282,422	280,543	277,360	274,758
Total assets	**$ 19,613,554**	**$ 20,635,510**	**$ 21,616,996**	**$ 22,769,396**
Liabilities and Equity				
Current Liabilities:				
Current portion of long-term debt	$ 210,000	$ 120,000	$ 120,000	$ 120,000
Accounts payable	1,188,346	1,235,880	1,285,315	1,336,728
Other current liabilities	645,956	671,794	698,666	726,613
Line of credit	-	-	-	-
Resident Funds	9,183	9,550	9,932	10,330
Total current liabilities	2,053,485	2,037,224	2,113,913	2,193,670
Long-term liabilities:				
Loans payable - affiliates	-	-	-	-
Obligation under interest rate swap	-	-	-	-
Long-term debt, less current portion	2,712,500	2,592,500	2,472,500	2,352,500
Unearned entrance fees	8,060,777	7,986,225	7,980,249	7,976,624
Total liabilities	12,826,762	12,615,950	12,566,662	12,522,794
Equity:				
Partners' capital				
Capital	5,012,114	5,559,839	5,927,804	6,443,768
Accumulated other comprehensive income (loss)	1,644,358	1,839,402	2,012,209	2,202,514
Total partners' capital	6,656,472	7,399,241	7,940,013	8,646,282
Noncontrolling interest	130,320	620,320	1,110,320	1,600,320
Total equity	6,786,792	8,019,561	9,050,333	10,246,602

ARBORS OF HOP BROOK LIMITED PARTNERSHIP AND AFFILIATE

Statements of Operations and Comprehensive Income (Loss)

September 30

	ACTUAL 2017	BUDGET 2018	BUDGET 2019	BUDGET 2020
Revenues:				
Net patient service revenue	$ 13,308,605	$ 14,055,129	$ 14,128,185	$ 14,521,486
Resident Fees	4,109,840	4,053,787	4,174,972	4,299,780
Earned entrance fes	415,987	183,552	189,976	196,625
Total revenues	17,834,432	18,292,468	18,493,134	19,017,891
Expenses:				
Administrative and general	2,063,015	2,839,472	2,896,262	2,954,187
Employee benefits	1,664,340	1,750,412	1,802,924	1,857,012
Plant operations and maintenance	1,787,434	1,764,381	1,799,668	1,835,662
Nursing	5,815,747	5,771,089	5,886,511	6,004,241
Activities	246,978	242,690	247,544	252,495
Food service	1,731,226	1,681,987	1,715,627	1,749,940
Laundry	83,888	63,144	64,407	65,695
Housekeeping	370,652	372,738	380,193	387,797
Medicare	271,851	254,924	260,022	265,223
Rehabilitative services	1,020,718	1,053,874	1,074,952	1,096,451
Other services	465,919	343,731	350,606	357,618
Depreciation and amortization	632,553	685,403	741,375	799,835
Insurance	114,449	117,497	119,846	122,243
Interest expense	97,849	90,818	86,800	82,782
Total expenses	16,366,619	17,032,160	17,426,737	17,831,179
Income from operations	1,467,813	1,260,307	1,066,397	1,186,712
Other income (expense):				
Investment income	155,155	217,417	241,568	269,253
Gain on sale of property and equipment	44,349			
Net realized gains (losses) on investment securities	149,224	60,000	50,000	50,000
Total other income (expense)	348,728	277,417	291,568	319,253
Net Income (loss)	1,816,541	1,537,725	1,357,965	1,505,965
Less: net income attributable to noncontrolling interest	483,580	490,000	490,000	490,000
Net income (loss) attributable to Arbors of Hop Brook LP	$ 1,332,961	$ 1,047,725	$ 867,965	$ 1,015,965
Comprehensive income (loss):				
Net income (loss)	$ 1,816,541	$ 1,537,725	$ 1,357,965	$ 1,505,965
Other comprehensive income (loss):				
Unrealized holding gains (losses) arising during the period	979,441	208,849	222,807	240,305
Unrealized gain (loss) on derivative financial instrument	-	46,195	-	-
Less: reclassification adjustment for gains (losses) included in net income (loss)	(149,224)	(60,000)	(50,000)	(50,000)
Total other comprehensive income	830,217	195,044	172,807	190,305
Comprehensive income (loss)	2,646,758	1,732,769	1,530,773	1,696,269
Less: comprehensive income attributable to noncontrolling interest	483,580	536,195	490,000	490,000

ARBORS OF HOP BROOK LIMITED PARTNERSHIP AND AFFILIATE

Statements of Changes in Equity

September 30

	ACTUAL 2017	BUDGET 2018	BUDGET 2019	BUDGET 2020
Beginning Balance	$ 4,863,153	$ 6,786,792	$ 8,019,561	$ 9,050,333
Net income (loss)	1,816,541	1,537,725	1,357,965	1,505,965
Other comprehensive income	830,217	195,044	172,807	190,305
Capital contributions	662,324	-	-	-
Capital distributions	(1,385,443)	(500,000)	(500,000)	(500,000)
Ending Balance	$ 6,786,792	$ 8,019,561	$ 9,050,333	$ 10,246,602

ARBORS OF HOP BROOK LIMITED PARTNERSHIP AND AFFILIATE

Statements of Cash Flows

September 30

	ACTUAL 2017	BUDGET 2018	BUDGET 2019	BUDGET 2020
Cash flows from operating activities:				
Net income (loss)	$ 1,816,541	$ 1,537,725	$ 1,357,965	$ 1,505,965
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	640,765	685,403	741,375	799,835
Earned entrance fee (income) expense	(415,987)	(183,552)	(189,976)	(196,625)
Amortization of deferred costs	-			
Net realized (gains) losses on investment securities	(149,224)	(60,000)	(50,000)	(50,000)
Decrease in Resident Funds	-	(367)	(382)	(397)
Deferred Financing Fees	-	-	-	-
(Increase) decrease in:				
Restricted funds	(100,206)	(42,394)	(44,089)	(45,853)
Accounts receivable	(238,363)	(49,008)	(50,968)	(53,007)
Entrance fee receivable	169,197	(12,442)	(12,939)	(13,457)
Prepaid expenses	(33,700)	(2,918)	(3,035)	(3,156)
Deposits	-	-	-	-
Increase (decrease) in:				
Accounts payable	391,767	47,534	49,435	51,413
Other current liabilities	84,729	25,838	26,872	27,947
Resident Funds	-	367	382	397
Net cash provided by operating activities	2,165,519	1,946,187	1,824,639	2,023,060
Cash flows from investing activities:				
Purchase of property and equipment	(528,593)	(600,000)	(600,000)	(600,000)
Net (purchases) sales of investments	(280,966)	(550,000)	(700,000)	(900,000)
Net cash used in investing activities	(809,559)	(1,150,000)	(1,300,000)	(1,500,000)
Cash flows provided by financing activities:				
Capital contributions	662,324	-	-	-
Capital distributions	(1,385,443)	(500,000)	(500,000)	(500,000)
Proceeds from line of credit	-	-	-	-
Proceeds from resident entrance fees	941,650	707,000	822,000	847,000
Refunds of resident entrance fees	(974,813)	(598,000)	(638,000)	(654,000)
Payments on capital lease obligations	-	-	-	-
Proceeds (payments) on long-term debt	(210,000)	(210,000)	(120,000)	(120,000)
Increase (decrease) in loans payable - affiliates	-	-	-	-
Increase in loans receivable - affiliates	-	-	-	-
Net cash used in financing activities	$ (966,282)	$ (601,000)	$ (436,000)	$ (427,000)
Net increase (decrease) in cash and cash equivalents	$ 389,678	$ 195,187	$ 88,639	$ 96,060
Cash and cash equivalents, beginning of year	1,436,034	1,825,712	2,020,899	2,109,539

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February 15, 2018

Ms. Chante Drasdis
Director
Arbors of Hop Brook Limited Partnership
385 West Center Street
Manchester, CT 06040-4797

Re: **Arbors of Hop Brook Limited Partnership**
Future Service Obligation
As of September 30, 2017

Dear Chante:

At the request of management at Arbors of Hop Brook Limited Partnership ("Arbors"), Continuing Care Actuaries, LLC ("Continuing Care Actuaries") performed a calculation of the Obligation to Provide Future Services and the Use of Facilities to Current Residents of Arbors in accordance with Chapter 14 of the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Health Care Organizations (the Audit Guide).

In the course of our study we received the following information from Arbors:

- Current residential fees for entrance fees, monthly service fees and auxiliary fees;
- Prior year and current year budget information as well as the actual (interim financial statement);
- Long term debt schedule;
- Current unit configuration including number, approximate square footage and types of units for independent living and health center units; and
- Last year's audited financial statements.

Our study was conducted in a manner consistent with the Code of Professional Conduct and Qualification Standards of the American Academy of Actuaries and the Standards and Practice of the Actuarial Standards Board.

Background

Arbors provides independent living care at the 112-unit independent living center and skilled nursing at the 126-bed Manchester Manor Health Center. It should be noted that Arbors operates with 2 independent living unit economic vacancies for a true total of 114 units. Moving forward, residents will pay an entrance fee upon move-in that declines to either 90%, 50% or 0% upon death or withdrawal after their independent living unit is reoccupied. Formerly, residents paid an entrance fee upon move-in that was either 80% (Post FY04) or 90% (Pre FY05) refundable. In addition, there is a monthly fee associated with the 112 studios, one bedroom and two bedroom apartments. The new declining contracts offer no healthcare benefit such that residents will pay the private pay rate upon transfer to skilled nursing. If skilled nursing care is needed under the older contracts, the resident will continue to pay their current monthly fee upon transfer to Manchester Manor.

The AICPA released the Audit Guide on September 15, 1996 and provides the Standards for Continuing Care Retirement Communities pertaining to:

- Accounting for refund-reoccupancy and non-refundable entrance fees;
- Determining the future obligation to provide prepaid health services to current residents; and
- Accounting for the cost of acquiring initial CCRC contracts.

Analysis

The assumptions for the number of deaths, transfers to personal care and skilled nursing, and voluntary withdrawals are expressed in terms of the 1983A mortality table. These assumptions are presented in the following table:

Mortality and Morbidity Assumptions
1983A Table Modifiers

	Age			
	Under 75	75-84	85-94	Over 95
ILU Mortality	50%	50%	50%	50%
ILU Transfer to SNF	70	70	70	70
ILU Transfer to PCF	0	0	0	0
PCF Transfer to SNF	0	0	0	0
PCF Mortality	0	0	0	0
SNF Mortality	200	200	200	200

The assumptions used herein represent a single set of assumptions. The use of alternative assumptions may produce results that differ, perhaps materially, from the results presented here.

<u>*Unamortized Deferred Revenue*</u>

The Audit Guide states that nonrefundable entrance fees should be accounted for as deferred revenue. This deferred revenue should be amortized into income over future periods based on the estimated life of the resident or contract term, whichever is shorter. The period of amortization should be adjusted annually based on the actuarially determined estimated remaining life expectancy of each individual or joint and last survivor life expectancy of each group of residents occupying the same unit.

Continuing Care Actuaries' LifeCalc software was used to determine deferred revenue amounts as of September 30, 2017. The calculations were based on Arbors' resident census information and actuarially determined life expectancies. Life expectancies were calculated using actuarial methods and using the 1983A mortality table. The calculations recognize differences in age, sex, and health status among residents.

For residents entering the community during the fiscal year, the amount of deferred revenue amortized during the year ending September 30, 2017 is equal to the resident's nonrefundable entrance fee divided by the life expectancy determined for that year and multiplied by the fraction of the year that the resident lived at the facility. The amount of unamortized deferred revenue as of September 30, 2017 for residents who entered the community during the fiscal year is equal to the nonrefundable entrance fees paid less the related deferred revenue amortized during the year.

Continuing Care Actuaries has calculated the unamortized deferred revenue attributable to nonrefundable fees as of September 30, 2017 as $1,724,834. The amount amortized during Fiscal Year 2017 was calculated as $274,949. Per the Audit Guide, upon death or withdrawal, any remaining unamortized deferred revenue is to be released into income. The amount released into income during Fiscal Year 2017 was $160,487.

The Audit Guide now states that entrance fees refundable upon reoccupancy should no longer be accounted for as deferred revenue. This deferred revenue cannot be amortized into income over future periods based on the remaining useful life of the facility. Continuing Care Actuaries has calculated the unamortized deferred revenue attributable to refundable upon reoccupancy fees as of September 30, 2017 as $0.

<u>*Obligation to Provide Future Services and the Use of Facilities to Current Residents (Future Service Obligation)*</u>

The Audit Guide states that the Future Service Obligation should be calculated annually in order to determine whether a liability should be reported in the financial statements. The liability related to continuing care contracts for each community equals:

- The present value of future net cash flows,
- Minus the balance of unamortized deferred revenue,
- Plus depreciation of facilities to be charged related to the contract,
- Plus unamortized costs of acquiring the related initial continuing care contracts.

Cash inflow includes revenue contractually committed to support the residents and inflow resulting from monthly fees including anticipated increases in accordance with contract terms. Cash outflow includes operating expenses, including interest and excluding selling expense, and general and administrative expenses.

To calculate the estimated amount of future net cash flow, we used a model to project cash flow over a 30-year period based on actuarial methods. The mortality and permanent transfer assumptions documented above were used to project the number of residents in the ILU and SNF each year. Based on these demographic projections, the amount of monthly fees received in each year are projected based on the fee and inflation assumptions.

Per diem fees from non-entrance fee paying residents were not included as cash inflow. Expenses were projected based on inflation and allocation assumptions, and the number of residents in the community during each year.

Per the Audit Guide, optional service income may be included as cash inflow with the exception of income relating to coffee shop and beauty shop services. We have included optional services of $271,000 in Fiscal Year 2018 in the calculation of the Future Service Obligation.

The present value of cash outflow and inflow were determined for the community using a discount rate of 5.5%. The present value of cash inflow was then subtracted from the present value of the cash outflow to determine the net cash flow.

The amount of depreciation related to current residents was determined by calculating an estimate of the depreciation charge in each future year related to the number of current residents at Arbors. A level depreciation charge was assumed and allocated pro-rata among surviving current residents in each future year. These allocated charges in each future year were summed to determine the total amount of depreciation related to current residents.

The Audit Guide states that the cost of acquiring initial continuing care contracts that are expected to be recovered from future contract revenues should be capitalized. Per Arbors representatives, no costs of acquiring continuing care contracts have been amortized.

Results

Based on the above, the Future Service Obligation was determined to be approximately ($8,899,000) as of September 30, 2017 as shown in the Appendix. Since this is a liability calculation, the negative result represents an asset or surplus.

As the Audit Guide specifies that a CCRC should only include a Future Service Obligation amount in financial statements if such amount is positive, Arbors' resulting Future Service Obligation amount for financial statement purposes as of September 30, 2017 is $0.

The results of our study are based on estimates of the demographic and economic assumptions of the most likely outcome. Considerable uncertainty and variability are inherent in such estimates. Accordingly, the subsequent emergence of actual resident movements and of actual revenues and expenses may not conform to the assumptions used in our analysis. Consequently, the subsequent development of these items may vary considerably from expected.

Management should scrutinize future developments that may cause the Obligation to increase. These developments include higher apartment vacancy rates, higher expense inflation, and higher nursing care utilization and longer life expectancies at all levels of care than assumed in the current projection.

Should you have any questions or concerns regarding this information, please do not hesitate to contact our offices.

Respectfully,

Dave Bond

Dave Bond, F.S.A., M.A.A.A.
Managing Partner
dbond@continuingcareactuaries.com

APPENDIX

Arbors at Hop Brook

Future Service Obligation as of September 30, 2017

Present Value of Cash Flows		
	Cash Outflows	$15,212,000
	Cash Inflows	23,634,000
	Net Cash Outflows	(8,422,000)
Plus:		
	Depreciation	1,248,000
Plus:		
	Unamortized Initial Acquisition Costs	0
Minus:		
	Unamortized Deferred Revenue	
	Nonrefundable Fees	1,725,000
	Refundable Fees	0
	Total	1,725,000
Net Future Service Obligation		($8,899,000)

Since this is a liability calculation, the negative result represents an asset or surplus.

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Arbors of Hop Brook Limited Partnership

Statement of Actuarial Opinion
March 7, 2018

I, Dave Bond, am a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, the Managing Partner in the firm of CCRC Actuaries, LLC, and I meet the qualification standards to render Statements of Actuarial Opinion for continuing care retirement communities. I have been retained by Arbors of Hop Brook Limited Partnership ("Arbors") to render a Statement of Actuarial Opinion in accordance with Section 17b-527 of the Regulations implementing the Continuing Care Statutes, regarding the following actuarial projections included in Arbors' 2017 Annual Financial Filing:

- Exhibit I - Residential Turnover Rates
- Exhibit II - Average Age of Residents
- Exhibit III - Health Care Utilization Rates
- Exhibit IV - Occupancy Rates
- Exhibit V - Number of Health Care Admissions
- Exhibit VI - Days of Care
- Exhibit VII - Number of Permanent Transfers
  Note: Both Lifecare and Rental residents are included in the projections.

I have examined the above items as shown in Arbors Annual Financial Filing. These items are attached to this Statement of Actuarial Opinion. In the course of my review, I have relied upon the accuracy and completeness of data and supporting documentation prepared by Arbors. In the course of my examination nothing came to my attention that causes me to believe that the underlying data information is unreasonable or inappropriate. In other respects, my examination included such review as I considered necessary of the data, methods, and underlying assumptions used by and the resulting actuarial projections reported by Arbors Retirement Community with respect to the above items as shown in Arbors' 2017 Annual Financial Filing.

In my opinion, the above items as shown in Arbors' 2017 Annual Financial Filing:

- are based upon methods which are consistent with sound actuarial principles and practices; and
- are based upon methods and underlying assumptions that appear reasonable and appropriate in this instance.

Should you have any questions or concerns regarding this information, please do not hesitate to contact our offices.

Respectfully,

Dave Bond

Dave Bond, F.S.A., M.A.A.A.
Managing Partner

Residential Turnover Rates

The Independent Living Unit residential turnover rates for the most recently completed fiscal year, and anticipated for the next five years, are as follows:

2017	2018	2019	2020	2021	2022
15.5%	7.8%	9.0%	9.8%	10.3%	10.6%

Average Age of Residents

The projected average age for the next five years for independent living residents is as follows:

2018	2019	2020	2021	2022
88.7	88.6	88.5	88.4	88.3

Health Care Utilization Rates

Health care utilization rates, including admission rates and days per 100 residents by level of care for the most recently completed fiscal year, and anticipated for the next five years, are as follows:

Skilled Nursing Facility

	Utilization Rate		Admission Rate		Days per
Year	Patients	%	Patients	%	100 Residents
2017	6.0	5.2%	13.0	11.7%	1,880
2018	8.7	7.0%	18.7	16.1%	2,551
2019	15.3	11.7%	20.5	17.6%	4,264
2020	19.8	14.7%	20.3	17.5%	5,372
2021	22.9	16.7%	20.1	17.5%	6,094
2022	24.9	18.0%	20.0	17.4%	6,563

Occupancy Rates

Occupancy rates for indepented living units for the most recently completed fiscal year, and anticipated for the next five years, are as follows:

	2017	2018	2019	2020	2021	2022
Lifecare	55%	55%	55%	55%	55%	55%
Rental	38%	37%	37%	37%	37%	37%
Total	93%	92%	92%	92%	92%	92%

Number of Health Care Admissions

The number of health care admissions, by level of care, for the most recently completed fiscal year, and anticipated for the next five years, are as follows:

Year	Skilled Nursing
2017	13.0
2018	18.7
2019	20.5
2020	20.3
2021	20.1
2022	20.0

Days of Care

The number of days of care, by level of care, for the most recently completed fiscal year, and anticipated for the next five years, are as follows:

Year	Skilled Nursing
2017	2,190
2018	3,160
2019	5,584
2020	7,232
2021	8,345
2022	9,080

Number of Permanent Transfers

The number of permanent transfers to the skilled nursing or personal care facility for the most recently completed fiscal year are:

	Transferring from:	
Facility transferred to:	Independent Living	Total
Skilled Nursing	3	3

SECOND AMENDED AND RESTATED ENTRANCE FEE ESCROW AGREEMENT

This Second Amended and Restated Entrance Fee Escrow Agreement (this "Agreement"), dated __________________, by and between Arbors of Hop Brook Limited Partnership, a Connecticut limited partnership (formerly known as Arbors at Hop Brook Limited Partnership) with a principal place of business at 385 West Center Street, Manchester, Connecticut 06040-4797 ("Provider" or "Arbors"), and U.S. Bank National Association (as successor to Fleet Bank, N.A. and State Street Bank and Trust Company), a national banking association organized and existing under the laws of the United States of America, with a corporate trust office at Goodwin Square, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103, solely in its capacity as escrow agent (the "Escrow Agent"), amends and restates that certain Amended and Restated Entrance Fee Escrow Agreement, dated January 29, 2002, by and between the Provider and State Street Bank and Trust Company, as escrow agent (the "First Amended Agreement"), which amended and restated that certain Entrance Fee Escrow Agreement, dated June 24, 1994, by and between the Provider and Fleet Bank, N.A., as escrow agent (the "Original Agreement").

WITNESSETH:

WHEREAS, the Provider created an escrow account pursuant to the Original Agreement for the reasons set forth on Exhibit A attached hereto; and

WHEREAS, the Provider appointed Fleet Bank, N.A. as the escrow agent for such account pursuant to the Original Agreement, on the terms and conditions set forth therein; and

WHEREAS, the Provider and State Street Bank and Trust Company ("SSB") entered into the First Amended Agreement to reflect, among other things, that SSB had succeeded to Fleet Bank, N.A., as the escrow agent; and

WHEREAS, the Provider wishes to amend the First Amended Agreement to (i) reflect the succession of the Escrow Agent to SSB as escrow agent, (ii) reflect the change in the Provider's name, and (iii) make certain other revisions.

NOW, THEREFORE, in consideration of the mutual promises and obligations set forth below, and for other valuable consideration the sufficiency and receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. **Appointment of Escrow Agent and Creation of Account**. The Provider has deposited with the Escrow Agent those assets listed on Exhibit B attached hereto. The Provider hereby appoints the Escrow Agent as escrow agent hereunder and directs it to hold those assets described in said Exhibit B, together with any additional assets which may be deposited with the Escrow Agent from time to time to be held pursuant to this Agreement and all income earned from investment of the assets described in Exhibit B and any additions thereto collectively the "Escrow Assets"), in a separate account in the name of "Arbors of Hop Brook - Entrance Fee" (the "Entrance Fee Escrow Account"). The Entrance Fee Escrow Account shall be invested, administered and distributed in accordance with the terms set forth below.

2. **Investment of Escrow Assets.** The Escrow Assets shall be invested in accordance with the instructions set forth in Exhibit C attached hereto. Such instructions may be modified only by a written certificate executed by an authorized partner of the Provider and delivered to the Escrow Agent. The Escrow Agent shall make monthly accountings of such investments, the income received therefrom, and the then existing balance of the Entrance Fee Escrow Account to Paul T. Liistro, Managing Partner of the Provider and to the Controller of the Provider. It shall be the responsibility of the Escrow Agent to prepare the appropriate year-end tax documents for review and filing by the Provider.

3. **Distributions from Escrow Account.** The Escrow Agent shall make distributions from the Entrance Fee Escrow Account in accordance with the instructions set forth in Exhibit D attached hereto. Such instructions may be modified only by a written certificate executed by an authorized partner of the Provider, and delivered to the Escrow Agent. Notice of each disbursement from the Entrance Fee Escrow Account shall be provided to Paul T. Liistro, Managing Partner of the Provider and to the Controller of the Provider within seven (7) days of each such disbursement. Upon the final distribution of all of the Escrow Assets, this Agreement shall terminate and the Escrow Agent shall have no further obligations or liabilities hereunder.

4. **Compensation of Escrow Agent.** In consideration of the services provided by the Escrow Agent in the performance of its duties hereunder, the Provider agrees to reimburse the Escrow Agent for all costs and expenses incurred by it with respect to this Agreement, including reasonable fees of legal counsel and other consultants, and to further compensate the Escrow Agent in accordance with the fee arrangement described in Exhibit E attached hereto.

5. **Limitation of Escrow Agent's Duties.**

(a) The Provider acknowledges that the duties of the Escrow Agent hereunder are solely ministerial in nature, and have been requested for its convenience. Under no circumstances shall the Escrow Agent be under a duty, express or implied, to review, interpret or enforce the Residency Agreements or the Law (as defined in Exhibit A), or to determine the conformance of this Agreement or any action taken hereunder with the Law. The Escrow Agent shall not be deemed to be the agent of the Provider, or to have any legal or beneficial interest in any of the Escrow Assets. The parties agree that the Escrow Agent shall not be liable for any act or omission taken or suffered in good faith with respect to this Agreement unless such act or omission is the result of the gross negligence or willful misconduct of the Escrow Agent.

(b) The Escrow Agent may consult with legal counsel and shall be fully protected and incur no liability relative to any action or inaction taken in good faith in accordance with the advice of such counsel. The Escrow Agent shall have no responsibility for determining the genuineness or validity of any certificate, document, notice or other instrument or item presented to or deposited with it, and shall be fully protected in acting in accordance with any written instruction given to it by the Provider and reasonably believed by the Escrow Agent to have been signed by the proper representatives of such party.

(c) The Escrow Agent shall not be responsible for any losses relative to the investment or liquidation of the Escrow Assets, provided such Escrow Assets are invested and held in accordance with Section 2 above. The Escrow Agent further shall not be responsible for assuring that the Escrow Assets are sufficient for the disbursements contemplated under Section 3 above.

(d) The Escrow Agent shall not be required to institute legal proceedings of any kind. The Escrow Agent shall not be required to defend any legal proceedings which may be instituted against it with respect to this Agreement unless requested to do so in writing by the Provider, and unless and until it is indemnified by the requesting party to the satisfaction of the Escrow Agent, in its sole discretion, against the cost and expense of such defense, including without limitation the reasonable fees and expenses of its legal counsel. If any conflicting demand shall be made upon the Escrow Agent, it shall not be required to determine the same or take any action thereon and may await settlement of the controversy by appropriate and nonappealable legal proceedings. Upon the commencement of any action against or otherwise involving the Escrow Agent with respect to this Agreement the Escrow Agent shall be entitled to interplead the matter of this escrow into a court of competent jurisdiction in the State of Connecticut and, in such event, the Escrow Agent shall be relieved of and discharged from any and all obligations and liabilities under this Agreement. In any such action, the Escrow Agent shall be entitled to the indemnities provided in Section 6 below.

6. Indemnification of Escrow Agent. The Provider holds harmless and indemnifies the Escrow Agent, its directors, officers, employees and agents from and against all obligations, liabilities, claims, suits, judgments, losses, damages, costs or expenses of any kind or nature, including without limitation reasonable attorneys' fees, which may be imposed on, incurred by, or asserted against the Escrow Agent in connection with or in any way arising out of this Agreement or the Escrow Agent's duties hereunder. The foregoing indemnities shall survive the resignation of the Escrow Agent or the termination of this Agreement. To the extent the Escrow Agent is entitled to indemnification hereunder and such indemnification is not timely paid, the Provider agrees that the Escrow Agent shall have - and hereby grants the Escrow Agent - a first lien for the payment of outstanding fees upon the Escrow Assets in the Entrance Fee Escrow Account.

7. Resignation of Escrow Agent. The Escrow Agent in its sole discretion may resign at any time and be discharged of its duties hereunder by giving thirty (30) days prior written notice to Provider, and which notice shall specify the date of such resignation. In the event The Provider fails to appoint a successor escrow agent and notify the Escrow Agent in writing of such appointment within thirty (30) days, the Escrow Agent shall be deemed to be solely a custodian of the Entrance Fee Escrow Account without further duties hereunder, and shall be entitled to petition a court of competent jurisdiction to appoint a successor escrow agent. Upon the appointment of a successor escrow agent by the Provider or by such court, the Escrow Agent's duties and liabilities under this Agreement shall terminate. Any party into which Escrow Agent may merge or be consolidated, or any party to which Escrow Agent may sell all or substantially all of its corporate trust business shall be the escrow agent under this Agreement without further act.

8. Notices. All demands, notices and communications hereunder may be originally transmitted via facsimile and in all instances shall be confirmed or originally transmitted in writing and given prepaid, by hand-delivery, courier service or certified or registered United States mail, return receipt requested, and addressed to the party for whom intended, at the following addresses:

(a) If to the Provider:
Paul T. Liistro, Managing Partner
c/o Carriage House
385 West Center Street
Manchester, CT 060404797
Fax: (860) 645-0313

and

(b) Controller
c/o Carriage House
385 West Center Street
Manchester, CT 060404797
Fax: (860) 645-0313

(c) If to the Escrow Agent:
U.S. Bank National Association
Goodwin Square
225 Asylum Street, 23rd Floor
Hartford, CT 06103
Attention: Corporate Trust Services
Tel: (860) 241-6815
Fax (860) 241-6897

9. Governing Law and Severability. This Agreement shall be construed, and the obligations, rights and remedies of the parties hereunder shall be determined, in accordance with the laws of the State of Connecticut. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and the Agreement shall be construed in all respects as if such invalid or unenforceable provision was omitted.

10. General Provisions. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same instrument. This Agreement shall bind and inure to the benefit of the parties hereto, and their respective successors and assigns, and shall not be modified or amended except by a written instrument executed by all parties hereto.

EXECUTED by the duly-authorized officers of the parties as of the date first above written.

ARBORS OF HOP BROOK LIMITED PARTNERSHIP

By ______________________________

Paul T. Liistro, its
Managing Partner
duly authorized.

U.S. BANK NATIONAL ASSOCIATION, solely as Escrow Agent

By _________________________________,

Susan C. Merker, its
Vice President
duly authorized.

EXHIBIT A to ESCROW AGREEMENT

Factual Recitals

WHEREAS, Provider is the sponsor of a continuing-care retirement community ("Arbors of Hop Brook") located at 403 West Center Street, Manchester, Connecticut 06040-4738, and as such is a "provider" within the meaning of Sections 17b-520 through 17b-535 of the Connecticut General Statutes (the "Law"); and

WHEREAS, in order to comply with Section 17b-524 of the Law and to protect residents or prospective residents of Arbors of Hop Brook, the Provider desires to establish an Entrance Fee Escrow Account with the Escrow Agent upon the terms described below for the purpose of maintaining an escrow account for the deposit of entrance fee payments ("Entrance Fees") in compliance with the Law. Under no circumstances shall the Escrow Agent be under a duty, express or implied, to review, interpret or enforce the Residency Agreements or the Law, or to determine the conformance of this Agreement or any action taken hereunder with the Law.

EXHIBIT B to ESCROW AGREEMENT

Escrow Assets

1. **Deposits.** In accordance with Paragraph 1, Basic Agreement, of the Residency Agreement, Provider expects to receive from each Resident a portion of that Resident's Entrance Fee at the time of execution of the Residency Agreement and to receive from each Resident the balance of that Resident's Entrance Fee on or before the date Resident begins to reside at Arbors of Hop Brook. Provider will deposit with Escrow Agent all Entrance Fees received by Provider together with a copy of the signature page of each Residency Agreement signed by a Resident and Form 1 Entrance Fee Deposit within seventy-two (72) hours of receipt thereof by Provider.

2. **Income Earned.** The Escrow Assets will earn interest at the rate equal to the rate paid on the First American Treasury Obligations Fund -- ClassA. The Escrow Agent will be responsible for calculating and apportioning interest earned on the Escrow Assets to each individual prospective Resident submitting an Entrance Fee. Such interest income will be disbursed to such Resident at the time of the disbursement of the Escrow Assets as directed in writing by the Provider.

3. **Escrow Account.** The Escrow Agent shall maintain all such deposits made to the Entrance Fee Escrow Account separate and apart from any other funds of Resident or of Provider, although such deposits of Residents and prospective Residents may be commingled in the Entrance Fee Escrow Account. The Entrance Fee Escrow Account shall be maintained by the Escrow Agent for the benefit of the Residents.

EXHIBIT C to ESCROW AGREEMENT

Investment Instructions

Investments. The Escrow Agent shall invest all amounts held by it from time to time in such obligations of the United States or its agencies (or in shares of a registered investment company which holds a portfolio of such securities) or such certificates of deposit, savings accounts, or other savings or investment securities as Provider may from time to time direct in writing. No amounts held by the Escrow Agent pursuant to this Agreement may be invested in any building or health-care facility of any kind, or used for capital construction or improvements or for the purchase of real estate. No amounts held by the Escrow Agent pursuant to this Agreement shall be subordinated to other loans or commitments of the facility.

EXHIBIT D to ESCROW AGREEMENT

Disbursement Instructions

1. **Disbursements.** The Escrow Agent shall release any amounts then held by it in the Entrance Fee Escrow Account only in accordance with the terms set forth below and subject to Paragraph 6 of this Exhibit D.

2. **Disbursement When Resident Rescinds Within Thirty (30) Days.** Upon receipt by the Escrow Agent of written notice from the Provider, by registered or certified mail, accompanied by written certification as provided in Paragraph 6, pertaining to the election by the Resident to rescind and cancel his or her obligations under the Residency Agreement, the Escrow Agent shall, within five (5) business days, release from the Entrance Fee Escrow Account to the Resident, such portion of the Entrance Fee paid by such Resident as is indicated in the written certification of Provider. Under no circumstances shall the Escrow Agent be under a duty, express or implied, to review, interpret or enforce the Residency Agreements or the Law, or to determine the conformance of this Agreement or any action taken hereunder with the Law. The Escrow Agent shall promptly provide Provider with written notice of any such refund. Any Entrance Fees refundable to Resident pursuant to this Section 3.2, are hereinafter referred to as "Refundable Deposits."

3. **Disbursements When Resident Cancels For Any Other Reason.** In the event that the Resident cancels the Residency Agreement for any reason beyond thirty (30) days of signing the Residency Agreement, which may result in a refund of all or any portion of the Entrance Fee, the Escrow Agent shall, upon receipt of written notice thereof from the Provider by registered or certified mail accompanied by written certification as provided in Paragraph 6, return forthwith to the Resident the amount certified by Provider, as the amount required by such Resident's Residency Agreement to be reimbursed to the Resident (but in any event no less than such amount as is required by the Law). The Escrow Agent shall remit the balance of such Entrance Fee, if any, to the Provider.

4. **Disbursements to Operating Reserve Fund Escrow.** Upon written request of the Provider the Escrow Agent shall release amounts to the Operating Reserve Fund Escrow as described below. To protect residents and prospective residents of Arbors of Hop Brook and to comply with Section *17b-525* of the Law, the Provider has established the following additional reserve:

Operating Reserve Fund. The Provider has established an Operating Reserve Fund, to be administered pursuant to a separate Operating Reserve Fund Escrow Agreement with the Escrow Agent. Unless otherwise funded, such Operating Reserve shall be funded from the Entrance Fee Escrow Account in an amount equal to Six Hundred Forty Thousand Nine Hundred Eighty-Nine Dollars ($640,989.00), as described. If the Provider has already funded the Operating Reserve as required by Connecticut law, any amounts released from the Entrance Fee Escrow Account, which would have so funded the Operating Reserve, shall be paid to the

Provider subject to re-certification of the minimum Operating Reserve Fund Escrow Account balance by Provider on Form 3 of this Agreement.

5. **Disbursements to Provider.** The Escrow Agent shall release amounts to the Provider in accordance with the following terms:

(a) Upon receipt by the Escrow Agent of written notice from Provider, stating that the previously occupied Living Unit to which the Entrance Fees relate is available for occupancy by the Resident, the Escrow Agent shall forthwith release to the Provider the balance of any Entrance Fees then deposited with the Escrow Agent pursuant to this Agreement for that Resident.

(b) Upon receipt by the Escrow Agent of written notice from the Provider, the Escrow Agent shall forthwith release to the Provider the aggregate of all interest earned on the Entrance Fee Escrow Account or such portion thereof as Provider desires released.

6. **Written Certification by Provider of Disbursements.** In any case in which the Provider believes that funds are required to be disbursed by the Escrow Agent hereunder, the Provider shall promptly give written certification to the Escrow Agent of the Provider's calculation of the amounts to be disbursed to Resident and/or Provider, as the case may be. The Escrow Agent shall not disburse any funds except in accordance with written certification of the Provider, which certification shall be given by written notice substantially in the form attached hereto: Form 2, Recisions (refer to Paragraphs 2 and 3); Form 3, Release of Deposit (refer to Paragraph 5). The Escrow Agent may rely conclusively on Provider's certification without independent investigation. Nothing in this Agreement shall be construed to impose upon the Escrow Agent an obligation to review, interpret or enforce the Residency Agreement or the Law.

EXHIBIT E to ESCROW AGREEMENT

Fee Arrangement

Per correspondence from Fleet Bank, N.A. dated February 4, 1994, on file.

FORM I
ENTRANCE FEE DEPOSIT

Date: ____________________________

To: U.S. Bank National Association
Goodwin Square
225 Asylum Street, 23^{rd} Floor
Hartford, CT 06103
Attention: Corporate Trust Services

In accordance with Section 2 of the Entrance Fee Escrow Agreement entered into between Arbors of Hop Brook Limited Partnership (the "Arbors"), and U.S. Bank National Association, please deposit this entrance fee payment into the Entrance Fee Escrow Account established under the Agreement.

1. Date of Residency Agreement: __________________
2. Amount: $_____________
3. Name(s) and Address on Residency Agreement:
   ____
   ____
4. Living Unit: ____________
5. Copy of signature page of Residency Agreement attached.
6. Copy of W-9 verification of social security # of the Resident

As Managing Partner of Arbors, I am authorized to act on behalf of Arbors.

Sincerely,

____
Managing Partner

____
(Print)

FORM 2
RECISION

Date: ____________________

To: U.S. Bank National Association
Goodwin Square
225 Asylum Street, 23rd Floor
Hartford, CT 06103
Attention: Corporate Trust Services

In accordance with the Entrance Fee Escrow Agreement entered into between Arbors of Hop Brook Limited Partnership (the "Arbors") and U.S. Bank National Association, this is to certify that the Resident identified below has rescinded his/her Residency Agreement and is entitled under the terms of the Residency Agreement and the Law (as defined in the Entrance Fee Escrow Agreement) to the refund shown as item 5 below. Please release from the Entrance Fee Escrow Account and deliver to the parties identified below the respective refunds shown as items 5 and 6 below.

1. Name(s) and Address on the Residency Agreement:
   ____
   ____

2. Amount of deposit: $______________

3. Plus Earned Interest $______________

4. Less Cancellation Cost $______________

5. Amount to be refunded to Resident $ ______________

6. Amount to be refunded to Arbors $______________

As Managing Partner of Arbors, I am authorized to act on behalf of Arbors.

Sincerely,

____
Managing Partner

____
(Print)

FORM 3

RELEASE OF DEPOSIT

Date: ________________________

To: U.S. Bank National Association
Goodwin Square
225 Asylum Street, 23rd Floor
Hartford, CT 06103
Attention: Corporate Trust Services

In accordance with Exhibit D, Paragraph 4 of the Entrance Fee Escrow Agreement entered into between Arbors of Hop Brook Limited Partnership (the "Arbors") and U.S. Bank National Association, please release from the Entrance Fee Escrow Account the Entrance Fee Deposit identified below to Arbors. This request for release of Deposits constitutes a certification that such release is in full compliance with the terms of the Residency Agreement described below and the Law (as defined in the Entrance Fee Escrow Agreement), and also serves as re-certification that the Operating Reserve Escrow balance is ________________________________dollars ($__________) and is fully funded according to the Law. The Living Unit referred to in the Residency Agreement described below is occupied by said Resident.

1. Amount to be released: $ ______________

2. Name(s) on Residency Agreement:

   ____

   ____

As Managing Partner of Arbors, I am authorized to act on behalf of Arbors.

Sincerely,

____
Managing Partner

____
(Print)

363469 v.01

SECOND AMENDED AND RESTATED
OPERATING RESERVE FUND ESCROW AGREEMENT

This Second Amended and Restated Operating Reserve Fund Escrow Agreement (this "Agreement"), dated __________________, by and between Arbors of Hop Brook Limited Partnership, a Connecticut limited partnership (formerly known as Arbors at Hop Brook Limited Partnership) with a principal place of business at 385 West Center Street, Manchester, Connecticut 06040-4797 ("Provider" or "Arbors"), and U.S. Bank National Association (as successor to Fleet Bank, N.A. and State Street Bank and Trust Company), a national banking association organized and existing under the laws of the United States of America, with a corporate trust office at Goodwin Square, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103, solely in its capacity as escrow agent (the "Escrow Agent"), amends and restates that certain Amended and Restated Operating Reserve Fund Escrow Agreement, dated January 29, 2002 by and between the Provider and State Street Bank and Trust Company as escrow agent (the "First Amended Agreement"), which amended and restated that certain Operating Reserve Fund Escrow Agreement, dated June 24, 1994 by and between the Provider and Fleet Bank, N.A., as escrow agent (the "Original Agreement").

WITNESSETH:

WHEREAS, the Provider created an escrow account pursuant to the Original Agreement for the reasons set forth on Exhibit A attached hereto; and

WHEREAS, the Provider appointed Fleet Bank, N.A. as the escrow agent for such account pursuant to the Original Agreement, on the terms and conditions set forth therein; and

WHEREAS, the Provider and State Street Bank and Trust Company ("SSB") entered into the First Amended Agreement to reflect, among other things, that SSB had succeeded to Fleet Bank, N.A., as the escrow agent; and

WHEREAS, the Provider wishes to amend the First Amended Agreement to (i) reflect the succession of the Escrow Agent to SSB as escrow agent, (ii) reflect the change in the Provider's name, and (iii) make certain other revisions.

NOW, THEREFORE, in consideration of the mutual promises and obligations set forth below, and for other valuable consideration the sufficiency and receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. Appointment of Escrow Agent and Creation of Account. The Provider has deposited with the Escrow Agent those assets listed on Exhibit B attached hereto. The Provider hereby appoints the Escrow Agent as escrow agent hereunder and directs it to hold those assets described in said Exhibit B, together with any additional assets which may be deposited with the Escrow Agent from time to time to be held pursuant to this Agreement and all income earned from investment of assets described in Exhibit B and any additions thereto (collectively the "Escrow Assets"), in a separate account in the name of "Arbors of Hop Brook Operating Reserve" (the "Operating Reserve Fund Escrow Account"). The Operating Reserve Fund Escrow Account shall be invested, administered and distributed in accordance with the terms set forth below.

2. Investment of Escrow Assets. The Escrow Assets shall be invested in accordance with the instructions set forth in Exhibit C attached hereto. Such instructions may be modified only by a written certificate executed by an authorized partner of the Provider and delivered to the Escrow Agent. The Escrow Agent shall make monthly accountings of such investments, the income received therefrom, and the then existing balance of the Entrance Fee Escrow Account to Paul T. Liistro, Managing Partner of the Provider and to the Controller of the Provider. It shall be the responsibility of the Escrow Agent to prepare the appropriate year-end tax documents for review and filing by the Provider.

3. Distributions from Escrow Account. The Escrow Agent shall make distributions from the Operating Reserve Fund Escrow Account in accordance with the instructions set forth in Exhibit D attached hereto. Such instructions may be modified only by a written certificate executed by an authorized partner of the Provider and delivered to the Escrow Agent. Notice of each disbursement from the Operating Reserve Fund Escrow Account shall be provided to Paul T. Liistro, Managing Partner of the Provider and to the Controller of the Provider within seven (7) days of each such disbursement. Upon the final distribution of all of the Escrow Assets, this Agreement shall terminate and the Escrow Agent shall have no further obligations or liabilities hereunder.

4. Compensation of Escrow Agent. In consideration of the services provided by Escrow Agent in the performance of its duties hereunder, the Provider agrees to reimburse the Escrow Agent for all costs and expenses incurred by it with respect to this Agreement, including reasonable fees of legal counsel and other consultants, and to further compensate the Escrow Agent in accordance with the fee arrangement described in Exhibit E attached hereto.

5. Limitation of Escrow Agent's Duties.

(a) The Provider acknowledges that the duties of the Escrow Agent hereunder are solely ministerial in nature, and have been requested for its convenience. Under no circumstances shall the Escrow Agent be under a duty, express or implied, to interpret the Law (as defined in Exhibit A), or to determine the conformance of the Agreement or any action taken hereunder with the Law. The Escrow Agent shall not be deemed to be the agent of the Provider, or to have any legal or beneficial interest in any of the Escrow Assets. The parties agree that the Escrow Agent shall not be liable for any act or omission taken or suffered in good faith with respect to this Agreement unless such act or omission is the result of the gross negligence or willful misconduct of the Escrow Agent.

(b) The Escrow Agent may consult with legal counsel and shall be fully protected and incur no liability relative to any action or inaction taken in good faith in accordance with the advise of such counsel. The Escrow Agent shall have no responsibility for determining the genuineness or validity of any certificate, document, or notice or other instrument or item presented to or deposited with it, and shall be fully protected in acting in accordance with any written instruction given to it by the Provider and reasonably believed by the Escrow Agent to have been signed by the proper representatives of such party.

(c) The Escrow Agent shall not be responsible for any losses relative to the investment or liquidation of the Escrow Assets, provided such Escrow Assets are invested and held in accordance with Section 2 above. The Escrow Agent further shall not be responsible for assuring that the Escrow Assets are sufficient for the disbursements contemplated under Section 3 above.

(d) The Escrow Agent shall not be required to institute legal proceedings of any kind. The Escrow Agent shall not be required to defend any legal proceedings which may be instituted against it with respect to this Agreement unless requested to do so in writing by the Provider, and unless and until it is indemnified by the requesting party to the satisfaction of the Escrow Agent, in its sole discretion, against the cost and expense of such defense, including without limitation the reasonable fees and expenses of its legal counsel. If any conflicting demand shall be made upon the Escrow Agent, it shall not be required to determine the same or take any action thereon and may await settlement of the controversy by appropriate and nonappealable legal proceedings. Upon the commencement of any action against or otherwise involving the Escrow Agent with respect to this Agreement the Escrow Agent shall be entitled to interplead the matter of this escrow into a court of competent jurisdiction in the State of Connecticut and, in such event, the Escrow Agent shall be relieved of and discharged from any and all obligations and liabilities under this Agreement. In any such action, the Escrow Agent shall be entitled to the indemnities provided in Section 6 below.

6. Indemnification of Escrow Agent. The Provider holds harmless and indemnifies the Escrow Agent, its directors, officers, employees and agents from and against all obligations, liabilities, claims, suits, judgments, losses, damages, costs or expenses of any kind or nature, including without limitation reasonable attorneys' fees, which may be imposed on, incurred by, or asserted against the Escrow Agent in connection with or in any way arising out of this Agreement or the Escrow Agent's duties hereunder. The foregoing indemnities shall survive the resignation of the Escrow Agent or the termination of this Agreement. To the extent the Escrow Agent is entitled to indemnification hereunder and such indemnification is not timely paid, the Provider agrees that the Escrow Agent shall have - and hereby grants the Escrow Agent - a first lien for the payment of outstanding fees upon the Escrow Assets in the Operating Reserve Fund Escrow Account.

7. Resignation of Escrow Agent. The Escrow Agent in its sole discretion may resign at any time and be discharged of its duties hereunder by giving thirty (30) days prior written notice to the Provider, and which notice shall specify the date of such resignation. In the event the Provider fails to appoint a successor escrow agent and notify the Escrow Agent in writing of such appointment within thirty(30) days, the Escrow Agent shall be deemed to be solely a custodian of the Operating Reserve Fund Escrow Account without further duties hereunder, and shall be entitled to petition a court of competent jurisdiction to appoint a successor escrow agent. Upon the appointment of a successor escrow agent by the Provider or by such court, the Escrow Agent's duties and liabilities under this Agreement shall terminate. Any party into which Escrow Agent may merge or be consolidated, or any party to which Escrow Agent may sell all or substantially all of its corporate trust business shall be the escrow agent under this Agreement without further act.

8. Notices. All demands, notices and communications hereunder may be originally transmitted via facsimile and in all instances shall be confirmed or originally transmitted and in writing and given prepaid, by hand delivery, courier service or certified or registered United States mail, return receipt requested, and addressed to the party for whom intended, at the following addresses:

(a) If to Provider:

Paul T. Liistro, Managing Partner
c/o Carriage House
385 West Center Street
Manchester, Connecticut 06040-4797
Fax: (860) 645-0313

and

(b) Controller:

c/o Carriage House
385 West Center Street
Manchester, Connecticut 06040-4797
Fax: (860) 645-0313

(c) If to the Escrow Agent:

U.S. Bank National Association
Goodwin Square
225 Asylum Street, 23rd Floor
Hartford, CT 06103
Attention: Corporate Trust Services
Tel: (860) 241-6815
Fax (860) 241-6897

9. Governing Law and Severability. This Agreement shall be construed, and the obligations, rights and remedies of the parties hereunder shall be determined, in accordance with the laws of the State of Connecticut. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and the Agreement shall be construed in all respects as if such invalid or unenforceable provision was omitted.

10. General Provisions. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same instrument. This Agreement shall bind and inure to the benefit of the parties hereto, and their respective successors and assigns, and shall not be modified or amended except by a written instrument executed by all parties hereto.

EXECUTED by the duly-authorized officers of the parties as of the date first above written.

ARBORS OF HOP BROOK LIMITED PARTNERSHIP

By ______________________________
Paul T. Liistro, its
Managing Partner
duly authorized.

U.S. BANK NATIONAL ASSOCIATION, solely as Escrow Agent

By _________________________________,
Susan C. Merker, its
Vice President
duly authorized.

EXHIBIT A to OPERATING RESERVE FUND ESCROW AGREEMENT

Recitals

WHEREAS, Provider is the sponsor of a continuing-care retirement community ("Arbors of Hop Brook") located in Manchester, Connecticut, and as such is a "provider" as codified in Sections 17b-520 through 17b-535 of the Connecticut General Statutes (the " Law"); and

WHEREAS, in order to comply with Section 17b-525a-c of the Law and to protect residents or prospective residents of Arbors of Hop Brook of Manchester, the Provider desires to establish an Operating Reserve Fund Escrow Account with the Escrow Agent upon the terms described below for the purpose of maintaining operating reserves for Arbors of Hop Brook in compliance with the Law.

EXHIBIT B to OPERATING RESERVE FUND ESCROW AGREEMENT

Escrow Assets

Deposits. On the earlier of (a) the date funds are released to the Operating Reserve Fund Escrow Account under paragraph 4 of Exhibit D of the Entrance Fee Escrow Agreement between the Provider and the Escrow Agent dated as of June 24, 1994, as amended (the “Entrance Fee Escrow Agreement”) or (b) the date Arbors of Hop Brook is first occupied by any resident, there shall be delivered to the Escrow Agent for deposit in the Operating Reserve Fund Escrow Account an amount equal to the amount of operating reserves required to be held in an escrow account under Section 17b-525-a-c, unless the Commissioner approves a lesser amount to be maintained by the Provider. On the date funds are released to the Operating Reserve Fund Escrow Account under paragraph 4 of Exhibit D of the Entrance Fee Escrow Agreement there shall be delivered to the Escrow Agent an amount necessary to result in the balance then held in the Operating Reserve Fund Escrow Account to be Six Hundred Forty Thousand Nine Hundred Eighty-Nine and 00/100 Dollars ($640,989.00).

Commencing with the date of the Original Agreement and on or before the commencement of each fiscal year (October 1 - September 30), Provider will certify to the Escrow Agent the amount required to be maintained in the Operating Reserve Fund Escrow Account for such period, and there shall be delivered to the Escrow Agent for deposit in the Operating Reserve Fund Escrow Account an amount necessary to insure that the total funds then to be held in the Operating Reserve Fund Escrow Account will equal such amount so certified provided that reductions in the balance of the Operating Reserve Fund Escrow Account below such certified amount are permissible pursuant to Exhibit D of this Agreement. The certification to be provided is attached hereto as Form 1, Operating Reserve Balance.

EXHIBIT C to OPERATING RESERVE FUND ESCROW AGREEMENT

Investment Instructions

Investments. The Escrow Agent shall invest all amounts held by it from time to time in the Operating Reserve Fund Escrow Account in such obligations of the United States or its agencies (or in shares of a registered investment company which holds a portfolio of such securities) or such certificates of deposit, savings accounts, or other savings or investment securities as Provider may from time to time direct in writing. No amounts held by the Escrow Agent pursuant to this Agreement may be invested in any building or health-care facility of any kind, or used for capital construction or improvements or for the purchase of real estate. No amounts held by the Escrow Agent pursuant to this Agreement shall be subordinated to other loans or commitments of the Provider other than first mortgage loans or long-term financing obligations of the Provider, or pledged as collateral.

EXHIBIT D to OPERATING RESERVE FUND ESCROW ACCOUNT

Disbursement Instructions

Disbursements. The Escrow Agent shall release any amounts then held by it pursuant to this Agreement only in accordance with the following terms and subject to Section (d) below hereof:

(a) Upon receipt by the Escrow Agent of certification from Provider that the amount currently required under Section 17b-525a-c of the Law to be maintained in the Operating Reserve Fund Escrow Account is less than the current balance held in the Operating Reserve Fund Escrow Account, and upon confirmation of the current balance by Escrow Agent, the Escrow Agent shall distribute to the Provider upon written demand an amount equal to such excess.

(b) Upon written demand of Provider, the Escrow Agent shall promptly release to Provider up to one-twelfth (1/12) of the amount currently required under Section 17b-525a-c to be maintained in the Operating Reserve Fund Escrow Account as certified by the Provider; provided, however, that the Escrow Agent shall not make any release under this Section (b) more than once during any calendar month. The Escrow Agent shall notify the Commissioner of the Connecticut Department of Social Services if Escrow Assets so released are not replaced by Provider within one (1) year of their disbursement.

(c) Upon written demand of Provider, the Escrow Agent shall release to Provider such additional amounts as are authorized for release from time to time by the Commissioner of the Connecticut Department of Social Services as certified by the Provider. The Escrow Agent shall notify such Commissioner if Escrow Assets so released are not replaced by Provider with one (1) year.

(d) The Escrow Agent shall not disburse any Escrow Assets under the provisions above except in accordance with written certification of the Provider, which certification shall be given by written notice substantially in the form attached hereto: Form 2, Return of Excess Reserve (refer to Paragraph (a); Form 3, Release of 1/12 of Reserve (refer to Paragraph (b); Form 4, Release with State Authorization (refer to Paragraph (c)). The Escrow Agent may rely conclusively on Provider's certification without independent investigation.

EXHIBIT E to OPERATING RESERVE FUND ESCROW AGREEMENT

Fee Arrangement

Per correspondence from Fleet Bank, N.A. dated February 4, 1994, on file.

FORM I
OPERATING RESERVE BALANCE

Date:___________________________________

To: U.S. Bank National Association
Goodwin Square
225 Asylum Street, 23rd Floor
Hartford, CT 06103
Attention: Corporate Trust Services

In accordance with Section 1 of the Operating Reserve Fund Escrow Agreement entered into between Arbors of Hop Brook Limited Partnership (the "Arbors") and U.S. Bank National Association, and as outlined in Section 17b-525a-c of the Law, this is to certify that, Arbors is required to maintain $______________ to comply with the Law for _____.

As Managing Partner of Arbors, I am authorized to act on behalf of Arbors.

Sincerely,

____
Managing Partner

____
(Print)

FORM 2
RETURN OF EXCESS RESERVE

Date: ___________________________

To: U.S. Bank National Association
Goodwin Square
225 Asylum Street, 23rd Floor
Hartford, CT 06103
Attention: Corporate Trust Services

In accordance with Section 3 (a) of the Operating Reserve Fund Escrow Agreement entered into between Arbors of Hop Brook Limited Partnership (the "Arbors") and U.S. Bank National Association, this is to certify that the current Operating Reserve Escrow Account balance required under Section 17b-525a-c of the Connecticut General Statutes for the period from ___________________ to ___________________ ______ is $ ____________. This is less than the current Operating Reserve Fund Escrow Account balance of $ __________. Please return the excess monies, an amount of $ ______________, to Arbors.

As Managing Partner of Arbors, I am authorized to act on behalf of Arbors.

Sincerely,

____
Managing Partner

____
(Print)

FORM 3
RELEASE OF 1/12TH OF RESERVE

Date: ___________________________

To: U.S. Bank National Association
Goodwin Square
225 Asylum Street, 23rd Floor
Hartford, CT 06103
Attention: Corporate Trust Services

In accordance with Section 3(b) of the Operating Reserve Fund Escrow Agreement entered into between Arbors of Hop Brook Limited Partnership (the "Arbors"), and U.S. Bank National Association, this is to request a release of Escrow Assets in the amount of $ ____________, which constitutes one-twelfth of the present balance of the Operating Reserve Escrow Account balance of $ ___________. This will be the only requested release of Escrow Assets from the Operating Reserve Fund Escrow Account during this calendar month.

As Managing Partner of Arbors, I am authorized to act on behalf of Arbors.

Sincerely,

____
Managing Partner

____
(Print)

FORM 4
RELEASE WITH STATE AUTHORIZATION

Date: ______________________

To: U.S. Bank National Association
Goodwin Square
225 Asylum Street, 23rd Floor
Hartford, CT 06103
Attention: Corporate Trust Services

In accordance with Section 3(c) of the Operating Reserve Fund Escrow Agreement entered into between Arbors of Hop Brook Limited Partnership (the "Arbors") and U.S. Bank National Association, this is to certify that a release of $ _____________ from the Operating Reserve Fund Escrow Account has been authorized by the Commissioner of the Connecticut Department of Social Services (letter attached). Therefore, would you please release this amount to us pursuant to the terms of this Agreement.

As Managing Partner of Arbors, I am authorized to act on behalf of Arbors.

Sincerely,

____
Managing Partner

____
(Print)

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Designation of Beneficiary
To Receive Refund of Entrance Fee Upon Death

In accordance with Paragraph 8.1 of the Basic Agreement entered into by and between me, ___________________________ , Arbors of Hop Brook, on ___________, 20 ____, I hereby designate that the following individual(s) or trust receive any refund of my Entrance Fee that may be payable upon my death:

Individual(s) Beneficiary:
Name of Individual: 1st)____ % of refund

Address:_________________City _________________________Zip_________

Phone______________________

2nd) Name ____% of refund

Address___________________City/State_____________________Zip__________

Phone_____________________
Or :
Name of Trust: ____

Date of Trust Agreement: ____

Type of Trust: ____

Name(s) of Original Trustees: ____

I understand that I may cancel, amend or revoke this designation of beneficiary at any time by filing written notice thereof with Arbors of Hop Brook prior to my death. If no designation of beneficiary is on file with Arbors of Hop Brook at the time of my death, I understand that any refund of my Entrance Fee will be paid to my estate.
Dated this ___day of ______________, 20 ______

Resident____________________ Resident____________________________

Witness______________________Witness________________________________

ARBORS OF HOP BROOK

Life Plan Retirement Community

Conspicuous Statement Agreement/Disclosure Acknowledgement and Receipt

Arbors of Hop Brook, a Continuing Care Retirement Community, hereby furnishes to you a copy of ARBORS OF HOP BROOK FACTS BOOK Version # Contract Year 2018, which is the current edition of our Disclosure Statement. The BASIC AGREEMENT section of the FACTS BOOK includes the form of contract under which Arbors provides continuing care. This document will be reviewed with you by a staff member of Arbors.

As a prospective resident, Arbors of Hop Brook hereby informs you that a continuing care contract is a financial investment. As Arbors' ability to meet the terms of our continuing care contracts depends upon our financial performance, your financial investment may be at risk. Your financial investment is not guaranteed by any federal or state agency. You are advised to consult an attorney or other professional experienced in matters relating to investments in continuing care facilities before you sign a continuing care contract.

As a prospective resident, you must sign a Disclosure Acknowledgement and Receipt at least (10) days but not more than sixty (60) days before signing Arbors BASIC AGREEMENT included in the above referenced FACTS BOOK.

I/we hereby acknowledge receipt of ARBORS' FACTS BOOK:

Prospective Resident's Signature	Prospective Resident's Signature
Print Prospective Resident's Name	***Print*** Prospective Resident's Name
Date	Date

****

Advisor/Consultant's Signature (If applicable)	Arbors' Representative's Signature
Print Advisor/Consultant's Name	***Print*** Arbors' Representative's Name
Date	Date