

**Essex, Connecticut**

**THIS FACILITY, LIKE ALL OTHER CONTINUING CARE (LIFE-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.**

## **DISCLOSURE STATEMENT**

**January 2014**

**Equal Housing Opportunity**

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**Acknowledgment of Receipt  
of Disclosure Statement**

**Essex Meadows**

In accordance with Sections 17b-522(b), (c)(1) and (d) of the Connecticut General Statutes, Essex Meadows is required to deliver to a prospective resident or his or her legal representative a current Disclosure Statement not more than 60 days nor less than 10 days before the execution of a continuing-care contract or the transfer of any money or other property to Essex Meadows by or on behalf of the prospective resident.

**Acknowledgment:**

I, or my legal representative, have received and reviewed a copy of the current Disclosure Statement and a copy of the continuing-care contract for Essex Meadows prior to the execution of the contract or the transfer of any money or other property to Essex Meadows.

\_\_\_\_\_  
Signature of Prospective Resident

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Prospective Resident, if two

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Legal Representative, if applicable

Date: \_\_\_\_\_

**Notice  
To  
Prospective Resident**

**Essex Meadows**

In accordance with Section 17b-522(a) of the Connecticut General Statutes, this Notice is required to be given to a prospective resident or his or her legal representative prior to the earlier of (i) the execution of a contract to provide continuing care or (ii) the transfer of any money or other property to us by or on behalf of the prospective resident.

1. A continuing-care contract is a financial investment and your investment may be at risk.
2. Our ability to meet our contractual obligations under such contract depends upon our financial performance.
3. You are advised to consult an attorney or other professional experienced in matters relating to investments in continuing-care facilities before you sign a contract for continuing care.
4. The Connecticut Department of Social Services does not guarantee the security of your investment.

**Acknowledgment:**

I, or my legal representative, have received and reviewed a copy of this Notice and a copy of the continuing-care contract prior to entering into a continuing-care contract or the transfer of any money or other property to Essex Meadows.

\_\_\_\_\_  
Signature of Prospective Resident

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Prospective Resident, if two

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Legal Representative, if applicable

Date: \_\_\_\_\_

## INTRODUCTION

Essex Meadows ("The Community") brings to individuals aged 62 and over a way of retirement living known as "lifecare." This concept offers seniors a life-style of freedom, dignity, independence, and security in a financially responsible and caring way. As a true lifecare community, Essex Meadows encompasses these important components: an apartment or cottage residence of your choosing, a wide array of services and amenities, assisted living services in your apartment or cottage, and the security of skilled nursing care in our on-site licensed health care center.

The Community is owned by Essex Meadows Properties, Inc. ("we," "us," or "our"), a for profit corporation committed to operating a quality senior living community that is genuinely responsive to resident needs, security and peace of mind.

One of the purposes of this Disclosure Statement is to explain to you, your family, and advisors who and what is involved in the operation of The Community. This Disclosure Statement was prepared on the basis of information available at the time of its publication and on assumptions believed to be realistic as of that date. Such information and assumptions are, of course, subject to change, and, in particular, are significantly affected by changes in inflation and interest rates. Because of future changes in circumstances, we expect that changes in the operation of The Community may be necessary from time to time.

Attached to this Disclosure Statement as Exhibits D and E are copies of the current forms of Residency Agreements being entered into with prospective residents. We have changed the form of Residency Agreement, including the Loan Agreement, from time to time as approved by the Department of Social Services. Existing residents of The Community may have entered into other forms of these contracts. Contracts with existing residents, even though different from the current forms attached to this Disclosure Statement, are still binding upon those residents and us.

Although we have prepared this Disclosure Statement carefully and have tried to use nontechnical language, it is possible that there may be some differences between the text in this booklet and the involved contracts, which are summarized herein. In the event of any differences, the provisions of the involved contracts shall govern.

**We are pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the Nation. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, creed, color, religion, sex, marital status, lawful source of income, handicap/disability, national origin, ancestry, sexual orientation, or civil union status.**

# **I. THE PEOPLE**

## ESSEX MEADOWS PROPERTIES, INC.

Essex Meadows Properties, Inc. is an Iowa for profit corporation organized for the purpose of owning and operating The Community. Its principal business address is Capital Square, 400 Locust Street, Suite 830, Des Moines, Iowa 50309-2334. Essex Meadows Properties, Inc. is a wholly-owned subsidiary of Essex Meadows, Inc. Fred W., Fred B. (Fritz), and Stevenson Weitz, either directly or through trusts of which they are the beneficiaries, own 71.50 percent of the shares of Essex Meadows, Inc. The balance of the shares is owned by other Weitz family members. Essex Meadows, Inc. owns (in addition to the Essex Meadows Properties, Inc.) Sandhill Cove Properties, Inc. (100%), Weitz Properties Urbandale LLC (100%), Weitz Properties Waterloo LLC (100%), and 1731 Cleveland Ave., Inc. (f/k/a Weitz Properties, Inc.) (100%). Essex Meadows Properties, Inc. is not affiliated with any religious, charitable, nonprofit or other for-profit corporation or entity, other than listed above.

The officers and directors of Essex Meadows Properties, Inc. are listed below:

Fred W. Weitz is the chairman of the board, chief executive officer and a member of the Board of Directors of Essex Meadows Properties, Inc. He has a bachelor of science degree in business and engineering administration from the Massachusetts Institute of Technology, a master of business administration degree from Harvard School of Business, and an Honorary Doctorate of Humane Letters from Simpson College, Indianola, Iowa. Mr. Weitz was actively involved in the construction and development of senior living communities from 1961 to 1995. Until February 28, 1995, Mr. Weitz was the fourth generation Weitz family member to direct the activities of The Weitz Corporation affiliated group. He is also chairman of the board and chief executive officer of Sandhill Cove Properties, Inc.

Fred B. (Fritz) Weitz is president, chief operating officer, and a member of the Board of Directors of Essex Meadows Properties, Inc. Mr. Weitz spent 16 years working for The Weitz Company and is a former real estate broker with CB Richard Ellis/Hubbell Commercial of Des Moines, Iowa. He is also president and chief operating officer of Sandhill Cove Properties, Inc.

Lisa D. Grieve is the vice president, secretary and treasurer of Essex Meadows Properties, Inc. She is not a member of the Board of Directors. Ms. Grieve has a bachelor of business administration degree from Iowa State University. She is also vice president, secretary and treasurer of Sandhill Cove Properties, Inc.

Stevenson Weitz is a member of the Board of Directors of Essex Meadows Properties, Inc. Mr. Weitz retired as the director of planning & standards for the Office of Lead-Based Paint Abatement, Department of Housing & Urban Development, Washington, D.C. He is also a member of the Board of Directors of Sandhill Cove Properties, Inc.

Essex Meadows Properties, Inc. has the overall responsibility for The Community. Some of its primary duties involve the approval of capital expenditures and operating budgets. It annually reviews the insurance coverages on The Community's property and personnel. Operational policies for The Community are subject to approval and periodic review by the board of directors. The board also adopts and approves personnel policies for employees. Essex Meadows Properties, Inc. monitors compliance with the budget and the performance of The Community and its management. These activities are carried out by means of reports, studies,



and on-site inspections. No other person or entity referred to herein has assumed any financial responsibility for the fulfillment of our agreements. Our sole business is the ownership and operation of The Community.

## **THE ASSOCIATION OF RESIDENTS**

The residents of The Community have established an Association of Residents, which holds regularly scheduled meetings. This association enables the residents to communicate with administration and the board of directors. These resident meetings are generally held monthly.

## **LIFE CARE SERVICES LLC**

The Community is managed by Life Care Services LLC, headquartered in Des Moines, Iowa pursuant to a management agreement with Essex Meadows Properties, Inc. Life Care Services is a wholly-owned subsidiary of Life Care Companies LLC ("LCS"), an Iowa limited liability company.

LCS is a nationally recognized leader in the development and management of quality senior living communities throughout the United States. Since 1971, LCS has been instrumental in the planning, development, and management of senior living communities throughout the United States. Historically, management services were provided only through Life Care Services. However beginning in 2010, a second subsidiary for management services, CRSA/LCS Management, LLC ("CRSA/LCS"), was created. Life Care Services and its CRSA/LCS affiliate currently manage more than 110 communities (see Exhibit A attached to this Disclosure Statement.)

Edward R. Kenny is a manager of Life Care Services. He is a graduate of Providence College in Providence, Rhode Island with a bachelor of science degree in health services administration. Mr. Kenny joined Life Care Services in 1979 and has administrative experience in four Life Care Services-managed communities. He was promoted to director of operations management in 1987, became vice president in 1989, was promoted to senior vice president in 1990, became executive vice president and secretary in 2001, was promoted to president and chief executive officer in 2006, and became a manager of Life Care Services in 2010.

Joel D. Nelson is a manager of Life Care Services. He holds a bachelor of arts degree in health care administration from Simpson College in Indianola, Iowa. Mr. Nelson joined Life Care Services in 1986 and has 10 years' experience as a community administrator. In 1996, he was promoted to director of operations management, became vice president in 1997, was promoted to senior vice president in 2001, became executive vice president of operations management and secretary in 2006, was promoted to a manager of Life Care Services in 2010, and became executive vice president – chief development officer in 2011.

Diane C. Bridgewater is a manager of Life Care Services. She holds a bachelor of arts degree in accounting and in French from the University of Northern Iowa in Cedar Falls, Iowa. Ms. Bridgewater started her career on the audit staff of KPMG. Ms. Bridgewater joined Life Care Services in 2006 after working for Pioneer Hi-Bred International for over 18 years. Ms.

Bridgewater held numerous positions at Pioneer, including vice president and chief financial officer; vice president and director, North America Operations; customer and sales services director; worldwide finance director; North America finance director; information management director; research finance director; and internal auditor. Ms. Bridgewater started her tenure at Life Care Services as vice president, treasurer, and chief financial officer, became a manager of Life Care Services in 2010, and was promoted to executive vice president, treasurer, chief financial officer, and chief administrative officer in 2011.

Rick W. Exline is a manager of Life Care Services. He graduated from Simpson College in Indianola, Iowa with a bachelor of arts degree in political science, and from Oklahoma Baptist University in Shawnee, Oklahoma with a bachelor of science degree in health care administration. Mr. Exline joined Life Care Services in 1978 and has 10 years' experience as a community administrator. In 1987, he was promoted to director of operations management, became vice president in 1989, was promoted to senior vice president in 2001, and became executive vice president, director of operations management, and a manager of Life Care Services in 2011.

Life Care Services supervises the management and operation of The Community on our behalf. In general, operations management services include recruiting and training administrative personnel; supervising the licensing, equipping, and staffing of The Community; preparing annual budgets; establishing and operating a system of financial controls for The Community, including comparative analyses with other projects; supervising health care services; supervising food services; and supervising quality accommodations throughout The Community.

Our board of directors and officers retain the ultimate responsibility for hiring managers and monitoring the operating costs, wages, salaries, expenses, fees, and overall fiscal viability of The Community. Life Care Services does not assume or guarantee any of our obligations under the Residency Agreements.

## **ADMINISTRATION**

Jennifer Rannestad is the on-site executive director of The Community. Mrs. Rannestad is a graduate of the University of New Hampshire with a bachelor of economics degree and has a master of business administration degree from the University of Connecticut. She is a licensed nursing home administrator in the States of Connecticut and Massachusetts. Mrs. Rannestad has been in long-term care administration since 1985 and has experience in the home health care field as well. In accordance with the management agreement with Life Care Services, Mrs. Rannestad is an employee of Life Care Services.

Kathleen Dess is the on-site administrator of The Community. Ms. Dess is a graduate of Central Connecticut State University with a bachelor of arts degree in psychology and biology. She has been a licensed nursing home administrator in the State of Connecticut since 1983, and an active member in several civic groups in Madison, Connecticut, and a member of the Guilford Arts Center. In accordance with the management agreement with Life Care Services, Ms. Dess is an employee of Life Care Services.

## **II. THE COMMUNITY**

## **THE LOCATION**

The Community is located at 30 Bokum Road on approximately 104 acres in Essex, Connecticut. The Town of Essex is a colonial seaport village on the Connecticut River near the mouth of Long Island Sound. It offers the best of small-town living combined with strong historical and cultural traditions and unsurpassed natural beauty. Essex is conveniently located between New York City and Boston (just a two-hour train ride in either direction to neighboring Old Saybrook), and it is also a short ride from other Connecticut cities such as New Haven, Hartford, Middletown and New London.

## **ESSEX MEADOWS**

The Community consists of 182 apartments, 13 cottages, and a 45-bed licensed health care center, which is Medicare certified.

Apartment styles range from a studio to three-bedroom apartments with dens. Each apartment includes a full updated kitchen and generous closet space, and each has a view, either of woodlands or meadows.

In 2007, we added the Essex Meadows Cottages. Each cottage is designed to provide the ultimate in privacy and choice. All cottages include such amenities as a deluxe kitchen with granite countertops and top energy-rated appliances, environmentally sensitive and energy-efficient geo-thermal heating and cooling systems, walk-in closets, a four season room or screened porch, a fireplace, and an oversized garage with adjacent outdoor parking.

The Community offers several dining venues: an elegant formal dining room with fireplace and view of the woods; a sun room for casual dining; and a pub for pub-style dining. A private dining room is also available, which may be reserved by residents for entertaining a group. Other amenities for residents to enjoy include a library; a billiards room; an arts studio; fitness center and whirlpool; a beauty/barber shop; a sundries shop; a woodworking shop; a cocktail lounge and coffee shop; an auditorium; an indoor swimming pool; guest rooms; meeting room; on-site banking facilities; and several lounges designed for card playing, games, conversation, or reading. Outdoor facilities include a casual nine-hole golf course, a putting green, a croquet court, garden areas, patio, and woodland trails for hiking and cross-country skiing.

## **THE PERSONNEL**

Subject to our approval, Life Care Services employs the executive director and the administrator of The Community under the terms of the management agreement. We employ all other personnel. Other employees of The Community include receptionists, a social director, an accounting director, marketing and sales personnel, maintenance workers and groundskeepers, security personnel, housekeeping staff, kitchen staff, dining room personnel, clerical staff, and transportation personnel. In The Community's health care center, we employ a director of nurses, registered nurses, licensed practical nurses, and other nursing staff. A medical director, a

dietician, an occupational therapist, a physical therapist, and a speech and hearing therapist are available on a consulting basis.

## **THE SERVICES**

A description of the services available at The Community is attached as Exhibit B to this Disclosure Statement. Briefly, in accordance with the terms of the Residency Agreement pertaining to The Community, and in addition to providing a residence and Community amenities for lifetime use by the resident, The Community provides the following services: (1) maintenance of the residences, grounds, and buildings (including all common areas); (2) weekly housekeeping services and weekly flat laundry service; (3) dining services for residents and their guests; (4) weekly planned activities; (5) on-site security; (6) transportation services; (7) skilled nursing services in the on-site health care center; (8) assisted living services in the resident's residence; (9) emergency call monitoring and response; and (10) various administrative services.

Residents who need personal services to continue living in their residences may receive additional services through The Community's licensed Resident Health Services Program or through a licensed home care provider of the resident's choice. Services provided by an outside provider will be at the resident's expense. Some of the services furnished through The Community's program are included in the Monthly Fee, and other services are provided on a fee-for-service basis. The Residential Health Services Director will assist the resident in obtaining these services.

The Community's health care center is licensed to provide rehabilitative and long-term skilled nursing care. Accommodations include both private and semiprivate rooms. Health care center services are available to all residents of The Community, and residents have priority access to The Community's health care center over nonresident patients desiring admission. Emphasis in health care center is on restorative care in order to return residents to their residences as soon as possible. Residents who are unable to return to their residences, however, have the assurance of receiving permanent care in The Community's health care center if skilled nursing services are needed.

## **MANAGED CARE**

If a resident has chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms governing care in The Community's health care center are as follows:

1. If The Community's health care center is a participating provider with the resident's managed care program and the resident's stay is a Medicare-qualified stay, The Community will accept, as full payment, reimbursement at the rate negotiated with the resident's managed care program. Such a managed care stay in The Community's health care center will not reduce the number of cumulative days of care that the resident is eligible to receive without additional charge pursuant to the Residency Agreement.

2. If The Community's health care center is not a participating provider with the resident's managed care program and the resident chooses to receive health care services at a managed care participating provider during a Medicare-qualified stay, then the resident must relocate for as long as necessary for those services to be provided, and be responsible for all charges for those health care services. In addition, while receiving health care services at the managed care participating provider, the resident will continue to pay the Monthly Fee (if he/she chooses not to release the residence) and the Owner's Supervision Fee as provided under the terms of the Residency Agreement. Such a Medicare-qualified stay at a managed care participating provider will not reduce the number of cumulative days of care that the resident is eligible to receive without additional charge pursuant to the Residency Agreement.

3. If The Community's health care center is not a participating provider in the resident's managed care program and the resident's stay is a Medicare-qualified stay, The Community will attempt to negotiate an acceptable reimbursement rate with the resident's managed care program. If The Community is able to negotiate an acceptable rate, The Community agrees to accept, as full payment, the rate provided by the resident's managed care program. Such a managed care stay in The Community's health care center will not reduce the number of cumulative days of care that the resident is eligible to receive without additional charge pursuant to the Residency Agreement.

4. If The Community's health care center is not a participating provider in the resident's managed care program and a negotiated rate is not agreed upon and the resident would still like to receive care in The Community's health care center during a Medicare-qualified stay, then each day of the resident's stay in The Community's health care center will reduce by one day the number of cumulative days of care that the resident is eligible to receive without additional charge pursuant to the Residency Agreement. During any such Medicare-qualified stay in The Community's health care center, resident will continue to pay the Monthly Fee (if he/she chooses not to release the residence) and the Owner's Supervision Fee as provided under the terms of the Residency Agreement. If at any time during any such Medicare-qualified stay in The Community's health care center resident is no longer eligible to receive any of the cumulative days of care provided for in the Residency Agreement, then the resident will pay the per diem charge for his/her care in The Community's health care center, the Monthly Fee for his/her residence (if he/she chooses not to release the residence) and the Owner's Supervision Fee as outlined in the Residency Agreement.

5. At the conclusion of each such Medicare-qualified stay, the resident will be entitled to care in The Community's health care center in accordance with the terms of the Residency Agreement other than as provided above.

## **CONTRACTS AND FEES**

The Community is managed by Life Care Services pursuant to a management agreement between Life Care Services and us. Under the management agreement, we pay Life Care Services a Monthly Management and Bookkeeping Fee equal to a percentage of operating revenues of The Community and an annual Application Service Provider Fee. The Application Service Fee shall be adjusted by a percentage increase determined by the Consumer Price Index.

### **III. THE PROPOSAL**



## **THE LIFE-CARE CONCEPT**

The lifecare retirement concept ensures an individual lifetime use of a residence, support services, and long-term nursing care in an on-site health care center. This concept has grown as an increasing number of men and women reaching retirement age have sought better alternatives to traditional retirement living. The Community offers a continuum of services all under one roof so that a resident will be able to remain an involved member of his/her chosen community even if the resident's health needs begin to change. Should the day come when a resident requires long-term care, the resident will not have to consider a move to receive the care needed. Residential health services (assisted living) can be provided in the privacy of the resident's own apartment or cottage, and skilled nursing care is available in The Community's on-site health care center. Furthermore, as a true lifecare community, Essex Meadows offers you financial protection for as long as you continue to need skilled nursing care.

There are also numerous financial benefits to being a resident of a lifecare community:

- There is no ceiling on the resident's skilled nursing benefit and resident enjoys coverage for life.
- For skilled nursing care, resident will continue to pay essentially the same Monthly Fee as if living in a two-bedroom deluxe apartment (Flex Plan residents also pay an additional supplemental charge).
- With our Return-of-Capital Plan™, resident has the comfort of knowing that a significant portion of his/her initial investment is refundable to the resident or his/her estate.
- The Flex Plan is our newest financial option to maximize resident choice and flexibility when it comes to retirement planning. The Flex Plan allows for a reduction in the amount paid for the Entrance Fee. While there is no Return-of-Capital to a resident's estate, the resident has the flexibility to continue to control his/her assets and invest the Entrance Fee savings as he/she wishes.

## **THE RETURN OF CAPITAL™ PLAN**

Under the Return of Capital™ Residency Agreement, a resident pays an Entrance Fee and makes a Loan (collectively the "Admission Payments"). The Loan constitutes a significant portion of the Admission Payments and is repayable upon cancellation of the Return of Capital™ Residency Agreement. If a resident dies or decides to leave The Community, the full amount of the Loan is repayable to the resident or resident's estate pursuant to the Loan Agreement. To compensate us for undertaking the risks and planning of The Community, the Entrance Fee portion of the Admission Payments is earned by us over a period of time based on the period of the resident's occupancy. The Entrance Fee may be used by us for any purpose related or unrelated to The Community.

The Return of Capital™ Residency Agreement is attached hereto as Exhibit D. We reserve the right to offer new prospective residents alternative forms of residency agreements from time to time, as described below.

## THE FLEX PLAN

The Flex Plan Residency Agreement is designed to offer choice and flexibility in retirement planning. A resident will pay a lesser Entrance Fee – currently 35 percent less than the Entrance Fee paid under the Return of Capital™ Plan. The resident has the flexibility to invest this 35 percent savings as he or she wishes. After occupancy, the Entrance Fee paid under the Flex Plan Residency Agreement will reduce by the following: (i) 4 percent of the total Entrance Fee is retained as a processing fee; and (ii) 2 percent of the total Entrance Fee per month of occupancy until the Entrance Fee is fully earned by us. The Flex Plan Residency Agreement is attached hereto as Exhibit E.

## THE RESIDENCY AGREEMENTS

Upon deciding to become a resident of The Community, a future resident executes a Residency Agreement to reserve the residence selected. The description of the Residency Agreement and the terms of residency contained in this booklet are qualified by reference to the applicable Residency Agreement. The payment terms and conditions for residency under the Residency Agreements are summarized below:

### Return of Capital™ Plan:

1. Admission Payments under the Return of Capital™ Plan. The term "Admission Payments" used throughout the Return of Capital™ Residency Agreement refers to the sum of two separate payments: the Entrance Fee and the Loan as described in Paragraphs 2 and 3 below.
2. Payment of the Entrance Fee under the Return of Capital™ Plan. Upon execution of the Return of Capital™ Residency Agreement, a resident is required to pay a portion of the required Entrance Fee in an amount equal to 10 percent of the total Admission Payments, which will be held in escrow until released to us. The balance of the Entrance Fee is due to be paid to us upon the earlier of (i) the date the resident moves into The Community or (ii) 60 days following the date the resident executed the Residency Agreement.
3. Refund of Entrance Fee under the Return of Capital™ Plan. The Entrance Fee is fully refundable prior to occupancy if (i) we do not accept a resident's application for admission; (ii) the resident cancels the Residency Agreement within the 30 day right-of-rescission period; or (iii) due to death, illness, injury or incapacity the resident is unable to occupy his or her residence or The Community's health care center. In all other cases of cancellation prior to occupancy, we will retain a processing fee equal to \$4,000 and any costs specifically incurred by us at resident's request. We will refund the remaining balance, without interest, to the resident (or his/her estate) within 30 days. After occupancy, we will refund a declining portion of the Entrance Fee based on the period of resident's occupancy. For more information on the refund of the Entrance Fee, please see Sections 2.1 and 2.2 of the Return of Capital™ Residency Agreement.

4. Payment of a Loan. Payment of the resident's Loan and all monthly charges grants a resident the lifetime use of a residence and of the services and amenities provided at The Community. Under the Return of Capital™ Residency Agreement, the resident is required to make the Loan on the earlier of (i) the date the resident moves into The Community; or (ii) 60 days following our execution of the Residency Agreement.
5. Loan Repayment. The Loan will be repaid at the time set forth in the Loan Agreement, which is attached to the Return of Capital™ Residency Agreement as Exhibit A.

Flex Plan:

1. Entrance Fee under the Flex Plan. The resident is required to pay an Entrance Fee in two installments – a 10 percent deposit is due at the time the resident enters into the Residency Agreement and the remaining balance is due on the earlier of (i) the date the resident moves into The Community, or (ii) 60 days following the date of our execution of the Residency Agreement.
2. Refund of the Entrance Fee under the Flex Plan. The Entrance Fee deposit is fully refundable prior to occupancy if (i) we do not accept a resident's application for admission; (ii) the resident cancels the Residency Agreement within the 30 day right-of-rescission period; or (iii) due to death, illness, injury or incapacity the resident is unable to occupy his or her residence or The Community's health care center. In all other cases of cancellation prior to occupancy, we will retain a processing fee equal to \$4,000 and any costs specifically incurred by us at resident's request. We will refund the remaining balance, without interest, to the resident (or his/her estate) within 30 days. After occupancy, we will retain 4 percent of the Entrance Fee as a processing fee plus 2 percent of the Entrance Fee for each month of occupancy, until the full amount of the Entrance Fee has been earned by us. The balance, if any, will be refunded to the resident or his/her estate within 60 days after cancellation or death of the surviving resident. For more information on the refund of the Entrance Fee, please see Sections 2.1 and 2.2 of the Flex Plan Residency Agreement.

Both Return of Capital™ Plan and Flex Plan:

1. Payment of a Monthly Fee. A resident is required to pay a Monthly Fee to us as reflected in the Residency Agreement. See the section titled "Monthly Charges" in this Disclosure Statement and Sections 3 and 11 of the Residency Agreements for more detailed information. The Monthly Fee is intended to fund all ongoing and operating costs of The Community.
2. Payment of a Monthly Owner's Supervision Fee. A resident is required to pay a monthly Owner's Supervision Fee to us. The Owner's Supervision Fee cannot be increased for as long as the resident lives at The Community. The Owner's Supervision Fee may be used by us for any purpose related or unrelated to The Community.
3. Payment of a One-Time Working Capital Fee. A resident is required to pay a One-Time Working Capital Fee to us at the time the resident makes the Loan or pays the balance of the Entrance Fee as more fully described in the Residency Agreements. The Working

Capital Fee is non-refundable and will be used only for purposes related to The Community.

4. Miscellaneous Additional Services and Charges. Section 5 of the Residency Agreements describes certain items available for an extra charge, such as additional meals beyond the one meal per day included in the Monthly Fee, use of the beauty/barber shop, additional housekeeping, etc.
5. Charges for Nursing Care Services in the Health Care Center. Section 6 of the Residency Agreements establishes the basis for charges for nursing care services in The Community's health care center. In general, the first 90 days of care in the health care center will be provided without additional charge (other than the cost of two additional meals per day and ancillary items). After 90 days of accumulated care, the cost of care in the health care center will depend upon whether the resident releases his/her residence and the type of Residency Agreement the resident selected.
6. Acceptance for Admission. Residency Agreements are subject to acceptance by us. The resident must be capable of independent living and meet the health criteria as set forth in our current admissions policy unless waived by us at the time a resident applies for residency at The Community. After full payment of the Admission Payments or the Entrance Fee, the resident must have sufficient financial resources for payment of all monthly charges, plus other personal expenses which may reasonably be expected, and to meet anticipated increases in the cost of living, including increases in the Monthly Fee.
7. Right-of-Rescission. The Residency Agreement may be rescinded by the resident by giving us and the escrow agent written notice within 30 days from the date of resident's execution. In such event, the amount of the Admission Payments or the Entrance Fee deposit paid by the resident will be returned in full, without interest, less those costs specifically incurred by us at the resident's request and described in an addendum to the Residency Agreement signed by the resident and us.
8. Escrow. During the right of rescission period and until the residence selected by the resident is available for occupancy, any Admission Payments or Entrance Fee paid by the resident are required by state law to be held in an escrow account.
9. Financial Difficulty. We may not terminate the Residency Agreement after occupancy except for just cause as described under Section 9 of the Residency Agreement. In cases where a resident's financial resources prove inadequate, the resident may apply to us for special financial consideration. It is our policy to not ask a resident to leave The Community because of justifiable inability to pay the full monthly charges. The circumstances under which a resident will be allowed to remain in The Community in the event of financial difficulty are set forth in Section 9 of the Residency Agreement.

## **MONTHLY CHARGES**

The resident is required to pay a Monthly Fee (and a second person Monthly Fee if there are two residents) to us in order to live at The Community. The amount of the Monthly Fee is determined by the Fair Share Allocation Formula developed to apportion the costs of operating The Community among its residents. The Monthly Fee is adjusted annually upon 30 days' written notice to residents, and will be increased only if it is necessary to meet the financial needs of The Community. The Fair Share Allocation Formula is intended to reflect anticipated changes in operating costs, anticipated inflation during the coming year, and the need to maintain working capital, among other items. The Fair Share will take into account the amount of reserves and working capital necessary to assure The Community's financial independence and the ability to deal with unforeseen circumstances. A history of the Monthly Fees charged at The Community is attached as Exhibit C to this Disclosure Statement.

In addition to the Monthly Fee, residents also pay a monthly Owner's Supervision Fee in the amount stated in Section 3.1 of the Residency Agreement. The Owner's Supervision Fee paid by a resident cannot be increased for as long as the resident lives in The Community.

Our compensation for the ongoing ownership of The Community includes the Entrance Fee (subject to our obligation to refund a portion of the Entrance Fee), the monthly Owner's Supervision Fee, the Loan (subject to our obligation to repay the Loan), the potential appreciation of The Community, and the tax benefits generally associated with the ownership of real estate. In order to maximize the appreciation of The Community, there must be substantial future demand for The Community's services and amenities. This demand will, in part, be dependent upon the Monthly Fees charged in connection with residency at The Community. It is, therefore, in our best interest to minimize increases in the Monthly Fees.

## **THE MORTGAGE AND INDENTURE OF TRUST**

Under the lifecare retirement concept, no ownership interest in the real estate is transferred to the resident. Instead, residents are provided with a contractual right to the lifetime use of the residence, pursuant to the terms of the Residency Agreement.

Under the Return of Capital™ plan, a significant portion of the Admission Payments required to enter into residency at The Community constitutes a Loan repayable to the resident or his or her estate upon cancellation of residency at The Community or upon the death of the resident (or surviving resident). As some security for our obligation to repay the Loan, we have entered into a Mortgage and Indenture of Trust Agreement with The Bank of New York Mellon Trust Company, Inc., as trustee. We have granted the trustee a mortgage on The Community property for the benefit of the residents of The Community. In the event of a default by us in the repayment of the Loan or other Loans, no assurance can be given that the value of The Community's property would be sufficient to repay all of the Loans. In fact, if we could not repay a Loan when due, it would probably be because The Community was not operating profitably, and, under such adverse circumstances, it is unlikely that the value of The Community's property would be sufficient to fully repay all of the Loans.

Events of default by us under the Mortgage and Indenture of Trust include failure to repay Loans within 90 days of the due dates, or the filing of a voluntary or involuntary bankruptcy or similar proceeding. Upon the occurrence and continuance of an event of default, the trustee has the ability to foreclose on the property and take possession for the benefit of the residents. Otherwise, the trustee does not play an active role in the operation and management of The Community. Upon the occurrence and continuance of an event of default, The Community could be sold by the trustee if it determined that such action were in the best interest of the residents.

The Mortgage and Indenture of Trust allows certain "permitted encumbrances," including but not limited to the following: (1) liens, encumbrances, restrictions, and other matters of record at the time of the filing of the Mortgage and Indenture of Trust; (2) mortgages now or later granted to secure short-term or long-term loans, the proceeds of which are used solely for purposes related to The Community; and (3) easements and other rights later granted which further the purpose of The Community. These permitted encumbrances are intended to allow alternative financing which would be more difficult and more expensive if the indenture had total priority. Except for the permitted encumbrances, the Loans of the residents have priority over most other claims with the exception of certain types of liens and taxes. The Loans of all independent living residents are equally protected by the Mortgage and Indenture of Trust, and there is no priority among or between the various residents.

The Mortgage and Indenture of Trust secures only the Loans of those residents living in an independent living residence. Loans for those residents who have permanently transferred to The Community's health care center are secured through the Health Center Resident Loans Escrow (described below).

A copy of the Mortgage and Indenture of Trust is available for review by the resident or his/her financial or legal advisor upon request.

## **HEALTH CENTER RESIDENT LOANS ESCROW**

Once a resident is permanently assigned to The Community's health care center and his/her residence has been resold, the resident's Loan is no longer secured under the Mortgage and Indenture of Trust. In order to provide security, we have voluntarily established an escrow account to secure repayment of the Loans for health care center residents with US Bank, National Association; 150 Fourth Avenue North, 2<sup>nd</sup> Floor; Nashville, TN 37203. From the Admission Payments or Entrance Fee paid by the new resident, we will deposit in the Health Center Resident Loans Escrow an amount equal to the balance of the Loan owed to the resident residing in The Community's health care center. Such deposit will be maintained jointly with all other similar deposits held in escrow for the benefit of residents of The Community's health care center whose residences have been released and reoccupied. Such deposits and any earnings realized on the funds held pursuant to the Health Center Resident Loans Escrow Agreement will be used by us only for purposes related to The Community, as set forth in the escrow agreement. Upon cancellation of the Return of Capital™ Residency Agreement or death of a health care center resident, funds from such escrow will be applied in repayment of the balance of the health care center resident's Loan.

A copy of the Health Center Resident Loans Escrow Agreement is available for review upon request.

## **ESTATE PLANNING**

The Loan repayment under the Return of Capital™ Plan or Entrance Fee refund under the Flex Plan is payable to the resident's estate upon the death of the resident, or in the case of a double-occupied residence, upon the death of the surviving resident. A resident who does not wish to have his/her estate receive this refund may choose to assign his or her right to repayment to a trust or other person designated by the resident pursuant to a form of Assignment approved by us. No other rights under the Residency Agreement are assignable.

## **IV. FINANCIAL STATEMENTS AND PROJECTIONS**



## **FINANCIAL PROJECTIONS**

It is important for future residents, their families, and their advisors to understand the financial basis on which The Community is operated. Our past experience and the past experience of Life Care Services in successfully managing senior living communities has been the basis for financial planning for The Community.

### **CASH FLOW PROJECTION (PRO FORMA)**

The pro forma cash flow projection for the period beginning January 1, 2013 and ending December 31, 2017 of the Operations Division of Essex Meadows Properties, Inc. can be found on the following page. This pro forma projection is based on the assumptions stated in the notes attached thereto and is a projection of future activity rather than historical financial statements. Such pro forma cash flow projection is based on cash flow concepts, which makes it unlike an income statement prepared in accordance with generally accepted accounting principles.

The pro forma cash flow projection is simply a projection of the estimated expenses and income of The Community. The projected rates for income and expenses are not guaranteed. The percent of increase may be greater or lower based upon the increased cost to operate The Community and other factors. Variances from these projections should be expected.

**ESSEX MEADOWS PROPERTIES, INC.**  
Essex, Connecticut

**CASH FLOW PROJECTION - OPERATIONS DIVISION \***

For the Period Beginning January 1, 2013

	Year 1 2013	Year 2 2014	Year 3 2015	Year 4 2016	Year 5 2017
Beginning Cash (1)	3,895,132	4,096,476	4,198,205	4,526,662	4,562,057
Additions:	0	0	0	0	0
Apartment Service Fees (2)	9,579,546	10,347,940	10,875,859	11,339,549	11,825,457
Health Center Income - Net (3)	4,033,777	4,042,051	4,081,516	4,145,664	4,232,973
Miscellaneous Income (4)	488,197	510,167	533,125	557,115	582,185
Working Capital Fees (5)	273,240	219,925	200,408	208,731	218,661
Interest Income (excluding HC Escrow) (6)	59,125	61,385	64,578	67,269	71,326
Interest on Health Center Escrow Fund (7)	49,098	48,609	49,896	52,285	55,135
Disbursements:	0	0	0	0	0
Operating Expenses (8)	(13,394,735)	(13,930,524)	(14,487,745)	(15,067,255)	(15,669,945)
Capital Expenses - not paid from fund (9)	(273,000)	(283,920)	(295,277)	(307,088)	(319,371)
Capital Expenses -- paid from Reserve Fund (10)	(530,000)	(830,000)	(610,000)	(876,971)	(400,000)
Debt Service Expense (11)	(83,904)	(83,904)	(83,904)	(83,904)	(83,904)
Net Change	201,344	101,729	328,456	35,395	512,516
Ending Cash	4,096,476	4,198,205	4,526,662	4,562,057	5,074,572

\* The term "Operations Division" is defined on page 5 under note (1) of the audit report for Essex Meadows Properties, Inc.

**ESSEX MEADOWS**  
**Essex, Connecticut**

**PRO FORMA CASH FLOW ASSUMPTIONS**

- (1) Beginning Cash: represents the cash and reserves on hand of the Operations Division for the account of Essex Meadows at the beginning of the fiscal year.

Cash and Cash Equivalents	\$438,934
Restricted and Escrowed Funds	<u>3,456,198</u>
Total	\$3,895,132

- (2) Apartment Service Fees: represents the total of first and second-person monthly Service Fees for all apartments. The Fair Share sets the monthly Service Fees equal to the sum of total expenses plus any increase in reserves. The number of second persons was projected using the population projections prepared by a consulting actuarial firm, Milliman, Inc. of Omaha, Nebraska. The number of apartments occupied by more than one person projected for 2013 through 2017 is as shown in the following table:

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
50.30	51.51	50.83	49.74	48.82

- (3) Health Center Income: assumes average daily rates in 2013 of \$399.09 for a private room and \$350.19 for a semiprivate room. The 45-bed health center is designed for 33 private rooms and 6 semiprivate rooms. Private rooms may be converted to semiprivate, with total beds not to exceed 45. The average census has been projected to be 92.8 percent in 2013 through 2017.
- (4) Miscellaneous Income: represents revenue from meals, garage rentals, guest rooms, and beauty and barber shops.
- (5) Working Capital Fees: represents a non-refundable one-time fee equal to two times the then-current monthly service fee. The Working Capital Fee was implemented December, 2005 and is paid by each resident upon closing on an apartment.
- (6) Interest Income: on cash balances is assumed to be at an annual average rate of 1.5 percent.
- (7) Interest on Health Center Escrow: represents interest earnings on the Finance Division's Health Center Resident Loans Escrow account. Deposits are made to the Escrow account when a resident has moved to The Community health center. Such deposits are applied towards repayment of a health center resident's Loan amount due upon termination of the Residency Agreement. Interest earned on these funds is for the use of the Operations division. The net balance of this fund at December 31, 2012 was \$2,492,342.

- (8) Operating Expenses: includes the expenses for staffing, materials, and services for the entire project. Operating expenses are projected to increase 4.0 percent annually.
- (9) Capital Expenses – not paid from fund: represents the total cost to the Operations Division for the repair or replacement of interior finishes and elements of the buildings and equipment and of other portions of the buildings and equipment that are not paid from the Repair and Replacement Reserve Fund. Capital expenditures not paid from the Repair and Replacement Fund are included in the Fair Share Allocation Formula used to establish the monthly Service Fees paid by the residents.
- (10) Capital Expenses – paid from reserve fund: represents the total cost to the Operations Division for the repair or replacement of interior finishes and elements of the buildings and equipment and of other portions of the buildings and equipment that are paid from the Repair and Replacement Reserve Fund.
- (11) Debt Service Expense: represents annual principal and interest payments to Essex Savings Bank on a 15 year fixed rate loan of \$950,000.

**ESSEX MEADOWS PROPERTIES, INC.**

Essex, Connecticut

**FORECASTED STATEMENT OF REVENUES AND EXPENSES**

	Year 1 2013	Year 2 2014	Year 3 2015	Year 4 2016	Year 5 2017
<b>OPERATING INCOME</b>					
Amortization of Non-Refundable Fees	2,564,539	3,851,967	3,084,179	2,930,228	2,935,178
Owner's Supervision Fees	152,352	157,668	158,757	158,595	158,409
Monthly Service Fees	9,579,546	10,347,940	10,875,859	11,339,549	11,825,457
Health Center Revenues - Net	4,033,777	4,042,051	4,081,516	4,145,664	4,232,973
Interest Income	108,223	109,994	114,474	119,554	126,461
Other Income	761,437	730,092	733,533	765,846	800,846
<b>TOTAL INCOME</b>	17,199,874	19,239,712	19,048,318	19,459,436	20,079,323
<b>EXPENSES:</b>	0	0	0	0	0
G&A	(2,843,531)	(2,957,273)	(3,075,564)	(3,198,586)	(3,326,530)
Plant	(2,364,300)	(2,458,872)	(2,557,227)	(2,659,516)	(2,765,897)
Housekeeping	(876,907)	(911,983)	(948,463)	(986,401)	(1,025,857)
Dietary	(2,698,613)	(2,806,558)	(2,918,820)	(3,035,573)	(3,156,996)
Resident Care	(4,611,383)	(4,795,838)	(4,987,671)	(5,187,178)	(5,394,665)
Marketing Expense	(267,985)	(279,000)	(290,000)	(302,000)	(314,000)
Debt Service Expense	(83,904)	(83,904)	(83,904)	(83,904)	(83,904)
Depreciation/Amortization	(1,566,619)	(1,373,679)	(1,084,054)	(1,027,636)	(974,787)
<b>TOTAL OPERATING EXPENSES</b>	(15,313,243)	(15,667,107)	(15,945,703)	(16,480,795)	(17,042,636)
<b>NET INCOME</b>	1,886,632	3,572,605	3,102,616	2,978,641	3,036,687

**ESSEX MEADOWS PROPERTIES, INC.**  
**Explanation of Material Differences Between**  
**The Forecasted Statement of Income and Expenses for 2012**  
**And 2012 Actual Results from Operations**

	2012 Actual	2012 Pro Forma	Difference
<b>OPERATING INCOME:</b>			
Non-Refundable Fees (1)	2,678,677	2,273,681	404,996
Owner's Supervision Fees	151,235	150,666	569
Monthly Fees	9,221,197	9,223,042	(1,845)
Health Center Revenues - Net	3,947,178	4,085,478	(138,300)
Interest Income (2)	161,931	97,341	64,590
Other Income (3)	588,336	648,417	(60,081)
<b>TOTAL INCOME</b>	<b>16,748,554</b>	<b>16,478,624</b>	<b>269,929</b>
<b>OPERATING EXPENSES:</b>			
General & Administrative	(2,802,658)	(2,736,148)	(66,510)
Plant	(2,334,847)	(2,326,977)	(7,870)
Housekeeping	(833,114)	(823,301)	(9,813)
Dietary	(2,670,818)	(2,543,375)	(127,443)
Resident Care	(4,424,232)	(4,495,107)	70,875
Marketing Expense	(260,017)	(248,892)	(11,125)
Debt Service Expense (4)	(54,710)	(88,000)	33,290
Depreciation/Amortization	(1,558,676)	(1,530,436)	(28,240)
<b>TOTAL OPERATING EXPENSES</b>	<b>(14,939,072)</b>	<b>(14,792,237)</b>	<b>(146,836)</b>
<b>NET INCOME</b>	<b>1,809,482</b>	<b>1,686,388</b>	<b>123,093</b>

**FOOTNOTES TO  
EXPLANATION OF MATERIAL DIFFERENCES**

- (1) Non-Refundable Fees - The positive variance was due to a higher amortization of non-refundable fees than anticipated.
- (2) Interest Income - The positive variance was due to a higher rate of return and a higher carrying balance than anticipated.
- (3) Other Income – The negative variance was mostly due to a fewer number of closings than anticipated, generating less in Working Capital Fees. The average Working Capital Fee was also less per closing than anticipated.
- (4) Debt Service Expense – The positive variance was due to payments on principal erroneously included in the 2012 forecasted expenses.

## **FINANCING**

On July 11, 2013, Essex Meadows Properties, Inc. modified its December 11, 2008 loan that was entered into with Essex Savings Bank for the expansion and improvement of The Community's health care center. The loan is a 20-year agreement with Essex Savings Bank in the original amount of \$950,000, which bears interest at a fixed rate of 4.125 percent until January 1, 2019, and will adjust, thereafter, to 1.875% above the FHLB of Boston Regular Classic Advance Ten Year Rate. Principal and interest payments are due monthly, with the final payment due on January 1, 2029.

## **AUDITED FINANCIAL STATEMENTS**

Audited financial statements for Essex Meadows Properties, Inc. are attached to this Disclosure Statement as Exhibit F.

## **PREPAID HEALTH-CARE OBLIGATIONS**

No prepaid health-care obligations have been assumed by us under the Residency Agreement. All such costs are funded by the Monthly Fees paid by residents, and are adjusted by the Fair Share Allocation Formula.



## **V. REGULATORY MATTERS**

## **REGISTRATION**

We are subject to the provisions of Connecticut law on Management of Continuing Care Facilities, Chapter 319HH, Connecticut General Statutes Annotated. In compliance with the continuing-care law, we have filed the following documents with the Connecticut Department of Social Services:

- (1) a current disclosure statement,
- (2) financial and actuarial information, and
- (3) escrow account verifications and escrow agreements.

All documents filed are a matter of public record and may be reviewed at the Department's office at:

State Department of Social Services  
Office of Certificate of Need and Rate Setting  
25 Sigourney Street  
Hartford, CT 06106-5033

## **ADMISSION PAYMENTS ESCROW**

Under the provisions of the continuing-care law, we have established an escrow account with a bank for purposes of depositing payments made by residents prior to occupancy. The Trust Department handling the escrow account is located at:

US Bank, National Association  
150 Fourth Avenue North, 2<sup>nd</sup> Floor  
Nashville, TN 37203  
(615) 251-0717

Interest earned on the escrow account will be credited to us. We are required to maintain the payments received from a resident in the escrow account until the following events occur:

- (1) the 30-day right of rescission period expires, and
- (2) the residence becomes available for occupancy by the resident.

Persons desiring to rescind or cancel their Residency Agreement should send a written notice of termination or cancellation by registered or certified mail to:

Essex Meadows  
c/o Administration  
30 Bokum Road  
Essex, Connecticut 06426

and, if during the right of rescission period, also to the escrow agent.

## **OPERATING RESERVE ESCROW**

We are also required to establish and maintain a reserve fund escrow account in an aggregate amount sufficient to cover:

- (1) all principal and interest, rental or lease payments, due during the next 12 months on account of any first mortgage loan or other long-term financing; and
- (2) the total cost of operations of The Community for a one-month period, excluding debt service and capital expenditures.

The reserve fund escrow required by the State of Connecticut is equal to one month's operating costs of The Community. For more information, see Footnote 1(c) of the audited financial statements attached hereto as Exhibit F.

The Trust Department handling the reserve fund escrow is located at:

US Bank, National Association  
150 Fourth Avenue North, 2<sup>nd</sup> Floor  
Nashville, TN 37203  
(615) 251-0717

## **RESERVE FOR REPLACEMENT ESCROW**

We have also established a reserve for replacement escrow account. The funds maintained in this account (including accumulated interest earned and retained in this account) will be used to fund major capital expense items. Major capital expense items, as determined by us, are those items that would cause the Operating Cash Requirements (defined in the Residency Agreement) and resulting Monthly Fees to increase at an unusually high rate. Interest earned on the escrow account shall be used by us only for purposes related to The Community.

## **INVESTMENT DIRECTION**

We have entered into an agreement with PNC Institutional Investments to provide investment instructions to the escrow agent of the funds held in the various escrow accounts. Under the provisions of the continuing-care law, operating reserve funds may not 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. Investment decisions will be made with an expectation of reasonable return while maintaining the security of the fund.

## **TAX DISCUSSION**

The signing of the Residency Agreement and payment of the Monthly Fee gives rise to certain unique tax considerations. The discussion below outlines the process which will be utilized to determine the percentage of the Monthly Fee that the resident may choose to deduct as a medical expense. Each resident is advised to consult with his/her personal tax advisor regarding the tax consequences associated with becoming a resident of The Community. Staff at The Community are not tax advisors and we disclaim any responsibility for any tax advice relating to you becoming a resident of The Community.

## **MEDICAL EXPENSE DEDUCTION**

A resident of The Community may be allowed tax benefits associated with his or her residency. A percentage of the non-refundable portion of the Admissions Payments or the Entrance Fee may be taken as a medical expense deduction in the year in which it is deemed finally paid. Also, a percentage of the Monthly Fee paid by a resident may be taken as a medical expense deduction each year. Each year, we will provide the residents with a percentage of the prior year's Monthly Fees that have been determined to be attributable to the operations of The Community's health care center. All deductions are of course subject to limitations imposed by the Internal Revenue Code of 1986, as amended. It is advisable that the residents seek the advice of their tax counsel before taking deductions.

## **JUDICIAL PROCEEDINGS**

No judicial proceedings have been initiated against us as defined under Section 17b-522(b)(4) of the Connecticut General Statutes Annotated or pursuant to State Regulation 17b-533-3(c)(3) which govern the management of continuing care facilities.

## **VI. EXHIBITS**

**EXHIBIT A**

**COMMUNITIES MANAGED  
BY LIFE CARE SERVICES  
AS OF 11/19/13**

**Assisted Living Communities Developed and Managed by Life Care Services**

Florida, St. Petersburg – Bon Secours Place at St. Petersburg  
Virginia, Norfolk – Province Place of DePaul  
Virginia, Portsmouth – Province Place of Maryview

**Free-Standing Nursing Facilities Managed by Life Care Services**

Hawaii, Honolulu – Hale Ola Kino  
Kansas, Atchison – Dooley Center  
Texas, Big Spring – Lamun-Lusk-Sanchez TSVH  
Texas, El Paso – Ambrosio Guillen TSVH  
Texas, Lubbock – The Garrison  
Texas, McAllen – Alfredo Gonzales TSVH

**Senior Living Communities Developed and Managed by Life Care Services**

Arizona, Phoenix – Sagewood  
Arizona, Tempe (Phoenix) – Friendship Village of Tempe  
Connecticut, Essex – Essex Meadows  
Connecticut, Mystic – StoneRidge  
Connecticut, Southbury – Pomperaug Woods  
Florida, Palm City – Sandhill Cove  
Maryland, Pikesville (Baltimore) – North Oaks  
Maryland, Towson (Baltimore) – Blakehurst  
Massachusetts, North Andover – Edgewood  
Michigan, Jackson – Vista Grande Villa  
Michigan, Kalamazoo – Friendship Village  
Missouri, Chesterfield (St. Louis) – Friendship Village Chesterfield  
Missouri, Sunset Hills (St. Louis) – Friendship Village Sunset Hills  
New Jersey, Lakewood – Harrogate  
North Carolina, Wilmington – Plantation Village  
Ohio, Columbus – Friendship Village of Columbus  
Ohio, Dublin – Friendship Village of Dublin  
Tennessee, Brentwood – The Heritage at Brentwood  
Washington, Issaquah – Timber Ridge at Talus

**Senior Living Communities Managed by Life Care Services**

Arizona, Peoria – Sierra Winds  
California, Carlsbad – LaCosta Glen and GlenView/GlenBrooke at LaCosta Glen  
California, Castro Valley – Baywood Court  
California, Cupertino – The Forum at Rancho San Antonio  
California, Fullerton – Morningside of Fullerton and Park Vista at Morningside  
California, San Diego – Casa de las Campanas  
California, San Rafael – Aldersly Garden Retirement Community

California, Thousand Oaks – University Village at Thousand Oaks and OakView at  
 University Village  
 Connecticut, Chester – Chester Village West  
 Connecticut, Redding – Meadow Ridge  
 District of Columbia – Residences at Thomas Circle  
 Florida, Miami – East Ridge at Cutler Bay  
 Georgia, Savannah – The Marshes of Skidaway Island  
 Georgia, Stone Mountain – Park Springs  
 Illinois, Bartlett – Clare Oaks  
 Illinois, Chicago – The Clare  
 Illinois, Godfrey – The United Methodist Village  
 Illinois, Lincolnshire – Sedgebrook  
 Illinois, Naperville – Monarch Landing  
 Illinois, Plainfield – Cedarlake Village  
 Illinois, Wheaton – Wyndemere  
 Indiana, Greenwood (Indianapolis) – Greenwood Village South  
 Indiana, Indianapolis – Marquette  
 Indiana, Indianapolis – Wellbrooke of Avon  
 Indiana, North Manchester – Peabody Retirement Community  
 Indiana, Terre Haute – Westminster Village  
 Indiana, Wabash – Wellbrooke of Wabash  
 Indiana, Westfield – Wellbrooke of Westfield  
 Iowa, Ames – Green Hills Retirement Community  
 Iowa, Cedar Rapids – Cottage Grove Place  
 Louisiana, Covington – Christwood  
 Maryland, Columbia – Vantage House  
 Michigan, Battle Creek – NorthPointe Woods  
 Michigan, Dearborn – Henry Ford Village  
 Michigan, Waterford – Canterbury on-the-Lake  
 Missouri, Ellisville – Gambrill Gardens  
 Missouri, Higginsville – John Knox Village East  
 Missouri, Kansas City – Kingswood Senior Living Community  
 Missouri, Marionville – The Ozarks Methodist Manor  
 North Carolina, Arden – Ardenwoods  
 North Carolina, Chapel Hill – The Cedars of Chapel Hill  
 North Carolina, Charlotte – The Cypress of Charlotte  
 North Carolina, Durham – Croasdaile Village  
 North Carolina, Greensboro – WhiteStone  
 North Carolina, Greenville – Cypress Glen Retirement Community  
 North Carolina, Lumberton – Wesley Pines Retirement Community  
 North Carolina, Raleigh – The Cypress of Raleigh  
 Oklahoma, Bartlesville – Green Country Village  
 Oregon, Dallas – Dallas Retirement Village  
 Oregon, Salem – Capital Manor  
 Pennsylvania, Reading – Heritage of Green Hills  
 South Carolina, Greenville – Rolling Green Village  
 South Carolina, Hilton Head Island – The Cypress of Hilton Head  
 South Carolina, Sumter – Covenant Place

South Carolina, West Columbia – Laurel Crest  
Texas, Abilene – Mesa Springs  
Texas, Abilene – Wesley Court  
Texas, Amarillo – The Canyons  
Texas, Amarillo – The Craig  
Texas, Austin – Longhorn Village  
Texas, Austin – Westminster  
Texas, Lubbock – Carillon Senior LifeCare Community  
Texas, Odessa – Desert Haven  
Texas, Odessa – The Parks  
Texas, Tyler – Meadow Lake  
Wisconsin, Mequon – Newcastle Place  
Wisconsin, Milwaukee – Eastcastle Place

**Senior Living Communities Managed by CRSA/LCS Management, LLC, an affiliate of Life Care Services**

Alabama, Hoover – Danberry at Inverness  
Arkansas, Blytheville – Westminster Village of the Mid-South  
Georgia, Columbus – Spring Harbor  
Georgia, Peachtree City – Town Club of Peachtree  
Indiana, West Lafayette – Westminster Village West Lafayette  
Maryland, Annapolis – Baywoods of Annapolis  
Maryland, Timonium – Mercy Ridge  
Minnesota, Apple Valley – Timbers  
Minnesota, Brooklyn Center – Earle Brown Terrace  
Minnesota, Brooklyn Park – Tradition  
Minnesota, Brooklyn Park – Waterford Estates  
Minnesota, Brooklyn Park – Waterford Manor  
Minnesota, Burnsville – The Rivers  
Minnesota, Crystal – Heathers Estates  
Minnesota, Crystal – Heathers Manor  
Minnesota, Wayzata – Meridian Manor  
North Carolina, Pittsboro – Galloway Ridge  
Tennessee, Germantown – The Gardens of Germantown  
Tennessee, Germantown – The Villages at Germantown  
Tennessee, Knoxville – Clarity Pointe Knoxville  
Texas, Wichita Falls – Rolling Meadows



## **EXHIBIT B**

### **DESCRIPTION OF THE SERVICES**

The services provided by The Community to residents are listed in the Residency Agreement, which governs all such obligations. In an attempt to more fully explain the nature of these services, the following detailed description has been prepared. The procedures to be followed in furnishing these services may be modified by us in consultation with The Community's Association of Residents.

#### **Additional Services**

Additional services are provided to residents for an extra charge billed monthly. Such services include guest accommodations (with a seven-day limit on usage), guest meals, beauty/barber shop services, additional resident meals, additional housekeeping, personal laundry service, and such other reasonable services as requested.

#### **Association of Residents and Residents' Council**

The residents of The Community have established an Association of Residents and a Residents' Council. Regularly scheduled resident meetings are held to enable the residents to ask questions and to permit administration and the board of directors to communicate with the residents. These resident meetings are usually held monthly.

#### **Beauty and Barber Shop**

Beauty and barber shop services are available at additional charge.

#### **Dining Services**

Residents are provided with one meal each day, which may be taken at any scheduled time during the month in our elegant dining room, pub or casual sun room. Guest meals are also available at an extra charge. Unused monthly meal credits may be applied against guest meals served during the same calendar month. Any meals taken beyond the monthly meal credit will be added to the resident's monthly billing statement.

There are three dining venues available at The Community:

- **Formal Dining Room:** This dining venue is typical restaurant-style dining, offering three to six course meals, depending on the resident's desires. The items served include soup, salad, and choice of multiple entrees, starch, vegetable, beverage, and dessert options. Main entrees are the same at lunch and at dinner.
- **The Pub:** This dining venue is a more casual environment. Coffee, tea and soft drinks are available throughout the day. Pastries are set out in the morning, and, during lunch, a set menu of specialty sandwiches, soups, and salads is offered. The Pub is a comfortable place to gather before dinner to enjoy "Happy Hour" entertainment, or to simply stay and enjoy ordering from the evening Pub menu.
- **The Sun Room:** A bright, sunny room located off the main dining area. It offers both the Pub and dining room menus in a more relaxed atmosphere.

No matter the venue, residents must dress and conduct themselves in a socially acceptable manner.

Modified diet consultation is provided to residents by the dietary department when a modified diet has been ordered by a resident's physician. The services of the dietitian are available to the residents to provide special diet meal plans.

To-Go meals are available during meal times. We will package any menu items and make them available for pick-up at no additional fee. Meal delivery service is also available for a modest fee.

### **Disclosure of Financial Data**

A current Disclosure Statement including audited financial statements for The Community is available for inspection by the residents each year. Residents are informed of the Fair Share adjustments and budgeting process annually. Reports and other data required under various statutes are available for review.

### **Gratuities**

Gratuities are not allowed, and employees who accept them are subject to discharge. Residents may wish to contribute to the employee appreciation fund established for the benefit of The Community's employees. Proceeds from the fund are distributed to employees on a basis determined by the residents and administration.

### **Health Care Center**

A physician has been retained on a consulting basis to act as the medical director of The Community's health care center. The medical director will be responsible for medical supervision of The Community's health care center operations, quality of care assurance, and resident care planning. The medical director may also be called upon by Community staff to assist in determination of a resident's health and whether or not the resident requires additional care in the health care center.

If a resident requires nursing care, he or she will be transferred directly to the health care center from his/her residence and need not come from a hospital. The resident's attending physician or The Community's medical director will determine the appropriate level of care required by the resident upon admission to the health care center. The Community's nursing staff will provide an appropriate plan of care, the ultimate goal of which will be, if at all possible, to return the resident to his or her residence as soon as possible.

The health care center will be staffed to provide quality care to residents of The Community and to nonresident patients admitted from the surrounding area. If a resident desires special additional nursing staff while a patient in the health care center, arrangements may be made through the health care center at additional cost to the resident.

A resident will receive nursing care services in a semiprivate room. If a resident desires a private room, the resident may obtain one (based on availability) upon agreement to pay the difference between the semiprivate room charge and the private room charge. In our sole discretion, if the private room in which a resident is residing is needed for semiprivate use, resident will be required to reside in a semiprivate room until a private room is once again

available (unless a private room is medically necessary). Care in The Community's health care center includes basic nursing care services provided in accordance with the laws and regulations governing skilled nursing facilities.

The resident is responsible for the charges for services provided by his or her attending physician and/or the medical director. In the event a resident's attending physician or medical director orders medication, therapy, or various supplemental services for a resident's care, the resident will be responsible for the extra charges for such services and supplies. Because the Monthly Fee includes only one meal per day, the cost of two additional meals per day will be added to a resident's monthly billing statement during his or her stay in the health care center.

In the event The Community's health care center is fully occupied, we will place the resident in an alternate facility of comparable quality, and the resident will pay the same monthly charges to us as if he or she were a patient in The Community's health care center. The charges associated with the alternate facility in excess of the monthly charges paid by the resident for nursing care services under the Residency Agreement will be allocated to all residents pursuant to the Fair Share Allocation Formula.

Family, friends, and volunteers are encouraged to visit the resident. Friends, relatives, or spouses may take meals with health care center residents upon advance notice.

#### **Health Care Center Permanent Assignment**

When a resident's condition is expected to continue to require the services of the health care center, the resident has a choice as to when to give up his/her residence. Residents of The Community are provided up to 90 cumulative days of care in the health care center at no additional cost, other than for the two additional meals per day and for physician services and ancillary items. After 90 cumulative days of care, the resident's monthly charges depend upon whether the residence is released as explained below:

(a) In the case of a single-occupied residence, if a resident chooses to release his or her residence, the Monthly Fee for the residence will cease and the resident will pay the then-current Monthly Fee for the two-bedroom deluxe apartment, plus the Owner's Supervision Fee and the extra charges for two additional meals, physician services, and ancillary items. Under the Flex Plan Residency Agreement, the resident will also pay a supplemental charge, which is outlined in Paragraph 6.4 of the Flex Plan Residency Agreement (attached as Exhibit E hereto).

(b) In the case of a single-occupied residence, if a resident chooses to keep his or her residence, the resident will continue to pay the Monthly Fee for the residence and the Owner's Supervision Fee. In addition, the resident will pay a monthly charge for nursing care services equal to the then-current Monthly Fee for the two-bedroom deluxe apartment, plus the extra charge for one meal per day not covered by the two Monthly Fees, physician services, and ancillary items. Under the Flex Plan Residency Agreement, the resident will also pay a supplemental charge, which is outlined in Paragraph 6.4 of the Flex Plan Residency Agreement (attached as Exhibit E hereto).

(c) In the case of a double-occupied residence, if only one of the residents requires nursing care beyond the 90 days, that resident will pay his/her Owner's

Supervision Fee plus the then-current first person Monthly Fee for the two-bedroom deluxe apartment and the cost of extra meals per day, physician services, and ancillary items. The resident who has remained in the residence will continue to pay the first-person Monthly Fee for the residence and his/her Owner's Supervision Fee. Under the Flex Plan Residency Agreement, the health care center resident will also pay a supplemental charge, which is outlined in Paragraph 6.4 of the Flex Plan Residency Agreement (attached as Exhibit E hereto).

(d) In the case of a double-occupied residence, if both residents require nursing care beyond the 90 days and the residents choose to release their residence, the Monthly Fee for their residence (first and second person) will cease. They will each pay their Owner's Supervision Fee and the then-current first person Monthly Fee for the two-bedroom deluxe apartment, plus the extra charges for the extra meals per day, physician services, and ancillary items. Under the Flex Plan Residency Agreement, each resident will also pay a supplemental charge, which is outlined in Paragraph 6.4 of the Flex Plan Residency Agreement (attached as Exhibit E hereto).

(e) In the case of a double-occupied residence, if both residents require nursing care beyond the 90 days and the residents choose to keep their residence, they will continue to pay the monthly charges for the residence and their Owner's Supervision Fees. In addition, each resident will pay a monthly charge for nursing care services in an amount equal to the then-current first-person Monthly Fee for the two-bedroom deluxe apartment, plus the extra charges for extra meals per day, physician services, and ancillary items. Under the Flex Plan Residency Agreement, each resident will also pay a supplemental charge, which is outlined in Paragraph 6.4 of the Flex Plan Residency Agreement (attached as Exhibit E hereto).

### **Laundry**

We provide weekly flat laundry service, including washing, drying, folding, and returning residents' flat laundry within a specified time. This service includes the following items: sheets, pillowcases, towels, facecloths, and dishcloths. Although the use of permanent-press linen is strongly recommended, the staff will launder nonpermanent-press items, but will not iron flat laundry. Personal laundry service is also available for an additional charge.

### **Maintenance**

We maintain all buildings, grounds, and common areas and also provide weekly housekeeping services in the residences. Housekeeping services include cleaning, dusting, and vacuuming the interior of the residence; washing of hard surface floors; and cleaning of ovens and windows (as needed). Carpets are cleaned approximately every 24 months upon request, and at other times, spot cleaning is done. Residences may be painted every eight years upon resident's request, and furniture is moved at least once a year for cleaning hard-to-reach areas. Staff will assist residents in arranging and moving furniture as needed during the first 12 months of occupancy at no charge. Rearranging of residence furniture is possible after that time at the resident's expense. Extra cleaning help is available at additional cost.

### **Monthly Billing Statement**

A monthly billing statement outlining the Monthly Fee, the Owner's Supervision Fee, and any extra charges will be placed in the resident's mailbox or other appropriate place on or about

the fifth day of the month. Monthly billing statements are required to be paid by the tenth business day of each month.

### **Resident Health Services Program**

The Community offers additional personal services to residents through its licensed Resident Health Services Program. The purpose of this program is to provide assistance to residents should the need arise, so that living in a residence can continue for as long as possible. Resident health services include bathing, dressing, additional housekeeping, shopping, escort, and laundry. Some resident health services are available as part of the Monthly Fee while other resident health services are available for an additional cost. We reserve the right to add, delete, or modify such additional services from time to time.

### **Parking**

Surface parking is provided for each apartment. In addition, garages are available to residents on a first-come, first-served basis for an additional monthly fee. Each cottage has a two-car attached garage.

### **Pets**

The Community is one of a few lifecare retirement communities that permit pets. The following pet policy has been adopted by The Community:

(a) The privilege of keeping pets is subordinate to the rights of all residents of The Community to be free from any inconvenience created by other residents' pets. Pet owners will pay the costs of maintaining all programs associated with pet policies and agreements.

(b) Pets are permitted in the residences provided the resident signs a separate pet agreement. The resident is required to pay a \$1,000 deposit to us. Any interest earned on the deposit will remain our property.

(c) The maintenance of a pet at The Community is a revocable privilege, subject to administrative approval and evaluation of the suitability of a pet. The executive director's permission or denial to keep a pet in the resident's residence shall be final. Generally, no animal larger than 80 pounds shall be allowed. The animal must be spayed/neutered, declawed, or silenced if the administrator determines that it is necessary to protect the rights of other residents.

(d) The resident shall be responsible for keeping the pet properly restrained and for cleaning up after the pet. The resident shall make arrangements for the care and treatment of the pet in the event of the resident's death or inability to care for the pet, and shall notify The Community of such arrangements. The resident will restrict pet access to those areas designated as areas allowing pets.

(e) No additional or replacement pet will be permitted without prior approval of the executive director.

(f) In order to protect the residents of The Community, this policy will be subject to revision from time to time.

**Prescription Service**

Delivery service from various pharmacies is provided for the residents' convenience.

**Private Dining Room**

A private dining room is available for use by residents and their guests. Special meals, if desired, are available for an additional charge. Advance reservations are required.

**Receptionist**

A receptionist is on duty from approximately 8:30 a.m. to 7:30 p.m., seven days a week. Additional hours may be scheduled depending on the needs of the residents and staff. All payments of monthly billing statements, as well as maintenance orders and messages, are handled at the reception desk.

**Security**

Security personnel are provided at The Community. For the residents' added safety, all entrance and exit doors (except the main entrance and employee entrance during the day) are locked 24 hours a day, requiring the residents to use an electronic device to gain entrance.

**Social Director**

The social director is responsible for scheduling group events and transportation, creating newsletters, conducting resident orientation, and overseeing the arts, crafts, and other activities in the residential portion of The Community.

**Telephone Service**

Each residence has live jacks in various locations. Actual telephone service is at the resident's expense.

**Transportation**

Scheduled bus or other transportation services are provided during the week. Areas of regularly scheduled transportation generally include shopping centers and medical and other professional offices. Special events transportation may be provided at extra cost to the resident

**EXHIBIT C**

**HISTORICAL ADMISSION PAYMENTS AND MONTHLY FEES**

**RETURN OF CAPITAL™**  
**ADMISSION PAYMENTS**

	January 2007	January 2008	January 2009	January 2010	January 2011	January 2012	January 2013	January 2014
<b>Apartments</b>								
Studio	\$122,400	\$128,000	\$128,000	---	\$128,000	\$128,000	---	---
One-Bdrm Traditional	183,600	190,000	190,000	190,000	190,000	190,000	197,700	197,700
One-Bdrm Deluxe	235,620	238,000	238,000	238,000	238,000	238,000	245,000	245,000
One-Bdrm Custom	239,700	244,000	244,000	244,000	244,000	244,000	252,000	252,000
One-Bdrm Extended Custom	251,320	255,000	255,000	255,000	255,000	255,000	263,000	263,000
One-Bdrm w/ Den	---	---	---	285,000	285,000	285,000	294,000	294,000
Two-Bdrm Traditional	284,280	285,000	285,000	285,000	285,000	285,000	294,000	294,000
Two-Bdrm Deluxe/ Custom	343,620	350,500	350,500	350,500	350,500	350,500	361,000	361,000
Two-Bdrm Enhanced	388,125	400,000	400,000	400,000	400,000	400,000	412,000	412,000
Two-Bdrm Deluxe/ Custom w/ Den	407,790	420,000	420,000	420,000	420,000	420,000	433,000	433,000
The Essex Suite	414,000	424,000	424,000	424,000	424,000	424,000	437,000	437,000
The Meadows Suite	470,408	475,000	475,000	475,000	475,000	475,000	489,000	489,000
Three-Bdrm Custom	---	---	---	594,500	594,500	594,500	612,000	612,000
<b>Cottages</b>								
Silver Star	600,000	600,000	600,000	600,000	600,000	600,000	618,000	618,000
Columbia	750,000	750,000	750,000	750,000	750,000	750,000	773,500	773,500
Charter Oak	790,000	790,000	790,000	790,000	790,000	790,000	814,000	814,000
Lexington	875,000	875,000	875,000	875,000	875,000	875,000	900,000	900,000

The Admission Payments represent the total of the Entrance Fee and the Loan.



**FLEX PLAN  
ENTRANCE FEES**

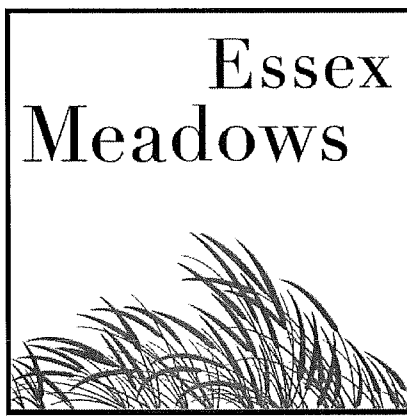
	January 2007	January 2008	January 2009	January 2010	January 2011	January 2012	January 2013	January 2014
<b>Apartments</b>								
Studio	\$79,560	\$83,200	\$83,200	---	---	---	---	---
One-Bdrm Traditional	119,340	123,500	123,500	123,500	123,500	123,500	128,505	128,505
One-Bdrm Deluxe	153,153	154,700	154,700	154,700	154,700	154,700	159,250	159,250
One-Bdrm Custom	155,805	158,600	158,600	158,600	158,600	158,600	163,800	163,800
One-Bdrm Extended Custom	163,358	165,750	165,750	165,750	165,750	165,750	170,950	170,950
One-Bdrm w/ Den	---	---	---	185,250	185,250	185,250	191,100	191,100
Two-Bdrm Traditional	184,782	185,250	185,250	185,250	185,250	185,250	191,100	191,100
Two-Bdrm Deluxe/ Custom	223,353	227,825	227,825	227,825	227,825	227,825	234,650	234,650
Two-Bdrm Enhanced	252,281	260,000	260,000	260,000	260,000	260,000	267,800	267,800
Two-Bdrm Deluxe/ Custom w/ Den	265,064	273,000	273,000	273,000	273,000	273,000	281,450	281,450
The Essex Suite	269,100	275,600	275,600	275,600	275,600	275,600	284,050	284,050
The Meadows Suite	305,765	308,750	308,750	308,750	308,750	308,750	317,850	317,850
Three-Bdrm Custom	---	---	---	386,426	386,426	386,426	397,800	397,800

**MONTHLY FEES**

	January 2007	January 2008	January 2009	January 2010	January 2011	January 2012	January 2013	January 2014
<b>Apartment</b>								
Studio	\$2,321	\$2,446	\$2,581	\$2,661	\$2,753	\$2,849	---	---
One-Bdrm Traditional	2,514	2,650	2,797	2,885	2,984	3,087	3,212	3,325
One-Bdrm Deluxe	2,737	2,885	3,045	3,141	3,249	3,361	3,497	3,618
One-Bdrm Custom	2,843	2,997	3,164	3,265	3,378	3,494	3,635	3,760
One-Bdrm Extended Custom	2,843	2,997	3,164	3,265	3,378	3,494	3,635	3,760
One-Bdrm w/ Den	---	---	---	3,403	3,520	3,641	3,788	3,919
Two-Bdrm Traditional	2,965	3,125	3,299	3,403	3,520	3,641	3,788	3,919
Two-Bdrm Deluxe/Custom	3,162	3,333	3,518	3,629	3,754	3,884	4,041	4,181
Two-Bdrm Enhanced	3,312	3,491	3,685	3,801	3,932	4,068	4,233	4,379
Two-Bdrm Deluxe/Custom w/ Den	3,413	3,598	3,798	3,918	4,053	4,193	4,363	4,514
The Essex Suite	3,830	4,038	4,263	4,398	4,550	4,708	4,899	5,069
The Meadows Suite	4,053	4,273	4,512	4,655	4,816	4,983	5,185	5,365
Three-Bdrm Custom	---	---	---	5,800	6,001	6,209	6,462	6,686
<b>Cottage</b>								
Silver Star	4,200	4,431	4,679	4,827	4,994	5,167	5,377	5,563
Columbia	4,420	4,663	4,924	5,080	5,256	5,438	5,659	5,855
Charter Oak	4,550	4,800	5,068	5,229	5,410	5,598	5,825	6,027
Lexington	4,850	5,117	5,403	5,574	5,767	5,967	6,210	6,426
Second Person Fee	1,421	1,496	1,578	1,627	1,682	1,739	1,808	1,870

\*Monthly fees include the \$50 owner's supervision fee.

EXHIBIT D



Essex, Connecticut

RESIDENCY AGREEMENT  
(RETURN OF CAPITAL™)

01/24/14

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**EXHIBIT B – LIST OF ASSISTED LIVING SERVICES**

**EXHIBIT C – MRC RESIDENTS' BILL OF RIGHTS**

**EXHIBIT D – COMPLAINT RESOLUTION PROCESS**

**EXHIBIT E – ACKNOWLEDGMENT OF RECEIPT OF RESIDENT  
HANDBOOK**

## GLOSSARY

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:

**"Admission Payments"** means the Entrance Fee and the Loan paid to Essex Meadows described in paragraph 1.1 of this Agreement.

**"Agreement"** means this Residency Agreement.

**"The Community"** means that lifecare community known as Essex Meadows, which is the subject of the Agreement, including the apartments and cottages, The Community health center, and all common areas.

**"The Community health center"** means the health center forming a part of The Community which is intended to provide semi-private nursing care services as described in Section 6 of the Agreement.

**"Entrance Fee"** means that fee identified in paragraph 1.2 of this Agreement and paid to compensate us for undertaking the project's risks and planning.

**"Essex Meadows"** or **"we"** or **"us"** means Essex Meadows Properties, Inc., a corporation qualified in the State of Connecticut and the owner of The Community.

**"Fair Share"** means your portion of the net operating expenses and other costs or charges of The Community, as determined under the Fair Share Allocation Formula described under Section 11 of the Agreement.

**"Fair Share Allocation Formula"** means the method for determining your Fair Share as set forth in Section 11 of the Agreement.

**"Loan"** means the loan made to Essex Meadows pursuant to paragraph 1.3 of this Agreement and the Loan Agreement attached hereto as Exhibit A. Your rights to repayment of the Loan may be held by a trust established for your benefit if we consent to such assignment.

**"managed residential community"** means a community registered with the Connecticut Department of Public Health in order to provide certain assisted living services to residents in their residences. Essex Meadows is registered as a managed residential community.

**"monthly charges"** means all those monthly charges payable pursuant to the terms of the Agreement, including the Owner's Supervision Fees, the Monthly Fees, the fees for additional optional services, the additional monthly charge for nursing care services, if any, and all other fees and charges payable monthly pursuant to the terms of the Agreement, as appropriate in the particular circumstances.

**"Monthly Fee"** means that monthly fee payable in consideration for the services and amenities provided to the residents of The Community, as set forth in paragraph 3.2 of the Agreement.

**"occupancy"** means the period of time you have the right to occupy The Community under the terms of the Agreement commencing on the earlier of the date you move into The Community or the date you pay the balance of the Entrance Fee and make the Loan to Essex Meadows.

**"One-Time Working Capital Fee"** means a one-time fee in an amount equal to twice the then-current Monthly Fee (including a second (2<sup>nd</sup>) person Monthly Fee if there are two (2) of you) paid by the Resident at the time the Loan is made as set forth in paragraph 1.4.

**"Owner's Supervision Fee"** means that monthly fee payable on a per resident basis for occupying The Community, as set forth in paragraph 3.1 of the Agreement.

**"Residence"** means the apartment or cottage at The Community identified in paragraph 1.1 of this Agreement in which you are entitled to live pursuant to the Agreement in exchange for paying the Entrance Fee, paying the One-Time Working Capital Fee, making the Loan and paying the monthly charges.

**"Resident"** or **"you"** means the resident or residents who sign the Agreement. Sometimes a second Resident (if there are two of you) is referred to in the Agreement as the "second person." Unless otherwise indicated, "you" refers to both of you if there are two of you.



## **ESSEX MEADOWS RESIDENCY AGREEMENT (RETURN OF CAPITAL™)**

This Return-of-Capital™ Residency Agreement ("Agreement") is entered into by Essex Meadows Properties, Inc. ("Essex Meadows" or "we" or "us") and \_\_\_\_\_ (individually or collectively, "you," "your," or "Resident"). Essex Meadows is a lifecare retirement community located at 30 Bokum Road, Essex, Connecticut 06426 (hereafter "The Community").

We will provide residential housing for seniors along with a wide array of personal services and amenities outlined in this Agreement. Subject to the conditions contained in this Agreement, we agree to make available to you the Apartment or Cottage (hereafter the "Residence") described as follows:

Apartment/Cottage Number: \_\_\_\_\_  
Apartment/Cottage Style: \_\_\_\_\_

Payment of your Admission Payments, the One-Time Working Capital Fee, and the monthly charges (all described below) entitles you to live in the Residence at The Community for as long as you are capable of meeting the requirements of occupancy (in accordance with our current admissions policy) and to receive long-term nursing care in The Community health center when you are no longer capable of occupancy in your Residence and you need skilled nursing care.

To be accepted for residency, you must meet our admissions criteria, which includes: having reached the age of 62; financial guidelines; and the ability to meet the requirements of occupancy.

The purpose of this Residency Agreement is to set forth your rights and duties as a Resident of The Community and to delineate the services to be provided at The Community.

### **1. ADMISSION PAYMENTS (ENTRANCE FEE PLUS LOAN) AND WORKING CAPITAL FEE.**

**1.1 Admission Payments.** To assure you a place in The Community, in accordance with all the terms of this Agreement, you will pay to us an Entrance Fee and make a Loan to us for a total of \$\_\_\_\_\_. Your Entrance Fee and Loan together constitute your Admission Payments, payable as outlined in paragraphs 1.2 and 1.3 below.

**1.2 Entrance Fee.** Your total Entrance Fee is \$\_\_\_\_\_. Payment of a portion of your Entrance Fee in the amount of \$\_\_\_\_\_ (10 percent of your Admission Payments) is paid herewith to reserve your Residence, and will be held in escrow pursuant to Connecticut law. The balance of your Entrance Fee in the amount of \$\_\_\_\_\_ will be paid at the time you make your Loan as described in paragraph 1.3 below. Subject to our refund obligations under Section 2 below, any amounts paid to us as an Entrance Fee will be our unrestricted property and may be used by us for any purpose related or unrelated to The Community, in our sole discretion.

**1.3 Loan.** Your total Loan of \$\_\_\_\_\_ will be paid to us on the earlier of (a) the date you move into The Community or (b) sixty (60) days following execution of this Agreement by us. Your Loan will be evidenced by a Loan Agreement, a copy of which is attached as Exhibit A. Your Loan and the loans of all other residents will be secured by a mortgage on the real estate owned by Essex Meadows and comprising The Community, and will be subject to certain "permitted encumbrances" as defined in the Mortgage and Indenture of Trust. A copy of the Mortgage and Indenture of Trust is available for your review upon your request. The Loan may not be mortgaged, sold, discounted, assigned, or otherwise transferred, except to certain trusts established for your benefit, subject to our prior approval and in our sole discretion.

**1.4 One-Time Working Capital Fee.** At the same time you make your Loan and commence paying your Monthly Fee for your Residence, you will pay to us an amount equal to twice the then-current Monthly Fee (includes second (2<sup>nd</sup>) person Monthly Fee if there are two (2) of you). This is a one-time nonrefundable charge, which we will place in a working capital account to be used by us only for the purposes related to The Community.

## **2. REIMBURSEMENT OF ADMISSION PAYMENTS.**

### **2.1 Reimbursement of Entrance Fee Prior to Assuming Occupancy.**

**2.1.1 Nonacceptance.** If we do not accept you for residency, the full amount of the Entrance Fee you have paid will be promptly refunded to you without interest.

**2.1.2 Right of Rescission Period.** If prior to assuming occupancy you change your mind and you give us and the escrow agent written notice of cancellation by registered or certified mail within thirty (30) days from the date you execute this Agreement, this Agreement will automatically cancel. In such event, the full amount of the Entrance Fee you have paid will be refunded to you without interest within thirty (30) days of your notice of rescission, except that we will retain an amount equal to any costs specifically incurred by us or The Community at your request, if any, and which are set forth in a separate addendum to this Agreement. You shall not be required to move into The Community before expiration of the thirty (30) day rescission period.

**2.1.3 Change in Condition.** If after the right of rescission period and prior to assuming occupancy you (or either of you if there are two of you) die or because of illness, injury, or incapacity you (or either of you if there are two of you) are unable to occupy your Residence under the terms of this Agreement, upon written notice to us by registered or certified mail this Agreement will automatically cancel, unless in the case of such illness, injury, or incapacity you choose to occupy The Community health center. If this Agreement is so canceled, the full amount of the Entrance Fee you have paid will be refunded to you or to your estate without interest within thirty (30) days of your notice of cancellation, except that we will retain an amount equal to any costs specifically incurred by us or The Community at your request, if any, and which are set forth in a separate addendum to this Agreement. If you (or either of you if there are two of you) require care in The Community health center at the time you assume occupancy, you will be obligated to pay all monthly charges related to your Residence until the Residence is released to us pursuant to Section 6.

**2.1.4 Cancellation for Reasons Other Than Set Forth in 2.1.1, 2.1.2, and 2.1.3.** If prior to assuming occupancy you give us written notice of cancellation by registered or certified mail and neither paragraph 2.1.1, 2.1.2 or 2.1.3 is applicable, this Agreement will be canceled. In such event, we will retain five thousand dollars (\$5,000) of the Entrance Fee you have paid, plus an amount equal to any costs specifically incurred by us or The Community at your request, if any, and which are set forth in an addendum to this

Agreement. The balance will be refunded to you without interest within thirty (30) days of your notice of cancellation.

**2.2 Reimbursement of Entrance Fee After Assuming Occupancy.** If this Agreement is canceled within a limited period of time after the date you assume occupancy at The Community, we will refund to you a declining portion of your Entrance Fee without interest, calculated as follows:

**2.2.1 Right of Rescission Period.** If this Agreement is canceled after you have assumed occupancy but within the thirty (30) day right of rescission period, this Agreement will be automatically canceled. In such event, the full amount of the Entrance Fee you have paid will be refunded to you without interest within thirty (30) days of your notice of rescission, except that we will retain an amount equal to any costs specifically incurred by us or The Community at your request, if any, and which are set forth in a separate addendum to this Agreement. If you have made your Loan to us, we will repay your Loan, without interest, within thirty (30) days of your notice of rescission.

**2.2.2 After the Right of Rescission Period and Within First Ten (10) Months of Occupancy.** Subject to paragraph 2.2.1 above, if this Agreement is canceled within the first ten (10) months of your occupancy, your partial Entrance Fee refund will be an amount equal to ninety percent (90%) of your Admission Payments, less the amount of your Loan. Said Entrance Fee refund will be paid to you or your estate on the date we are obligated to repay your Loan.

**2.2.3 After First Ten (10) Months of Occupancy.** If this Agreement is canceled after the first ten (10) months of your occupancy, the partial Entrance Fee refund described in paragraph 2.2.2 above will be further reduced by two percent (2%) of your Admission Payments per month or partial month of your occupancy until the full amount of the Entrance Fee has been earned by us. Said Entrance Fee refund, if any, will be paid to you or your estate on the date we are obligated to repay your Loan.

**2.3 Repayment of Loan.** The repayment of your Loan will be made in accordance with the Loan Agreement, a copy of which is attached as Exhibit A.

**2.4 Right of Offset.** We have the right to offset against any Entrance Fee refund or Loan repayment any unpaid monthly charges owed by you, any unreimbursed health care expenses we have advanced on your behalf, any amounts deferred by us under paragraph 9.4.2, and any other sums owed by you to us.

### **3. MONTHLY CHARGES.**

**3.1 Owner's Supervision Fee.** You shall pay an Owner's Supervision Fee of \$ \_\_\_\_\_ a month per Resident for occupying your Residence or The Community health center. Your Owner's Supervision Fee will not increase as long as this Agreement stays in existence. The Owner's Supervision Fee shall be our unrestricted property, and may be used by us for any purpose related or unrelated to The Community, in our sole discretion.

**3.2 Monthly Fee.** You shall pay a Monthly Fee for the services and amenities provided to all residents as set forth in Section 4. The current Monthly Fee is \$ \_\_\_\_\_ a month for one person and an additional \$ \_\_\_\_\_ a month if there are two of you. Monthly Fees are adjusted each year in accordance with the Fair Share Allocation Formula set forth in Section 11. We will give you advance notice of not less than thirty (30) days before any change in the Monthly Fee is implemented.

**3.3 Total Monthly Charges for Residence.** The total of your initial monthly charges is \$ \_\_\_\_\_ for the Owner's Supervision Fee and Monthly Fee. In addition to the Owner's Supervision Fee and the Monthly Fee, you will also pay the extra charges for any additional services.

**3.4 Payment.** On the earlier of (a) the date you move into The Community or (b) sixty (60) days following execution of this Agreement by us, you shall pay a pro rata portion of the Owner's Supervision Fee and Monthly Fee for the first partial month of occupancy. Thereafter, your monthly charges will be payable on the first day of each month in advance, and your extra charges for additional services will be paid on the first day of each month for the additional services obtained during the preceding month. You will receive a monthly statement from us outlining your monthly charges and any additional charges incurred by you.

**3.5 Late Payment.** We shall permit a thirty (30) day grace period before the imposition of a late payment charge for failure to pay the monthly

charges or any extra charges when due. A late payment charge will be assessed at the rate of one percent (1%) per month (12% per annum) on the total delinquent amounts due. Late payment charges will not be compounded and will not be included in the total delinquent amounts computed for determining any late payment charge assessed in any succeeding month. The late payment charge is waived if payment is delayed due to slow processing by your supplemental insurance carrier. However, we do not waive our right to cancel this Agreement for nonpayment of fees subject to Section 9 of this Agreement.

**3.6 Cancellation of Charges for Residence.** The monthly charges for your Residence will terminate upon the earlier of (a) your death (if there are two of you, upon the death of the survivor), (b) the release of your Residence pursuant to the provisions regarding health center usage, or (c) the cancellation of this Agreement. Notwithstanding the foregoing, monthly charges for your Residence will continue at least until your furniture and other property are removed from the Residence. If removal of your furniture and other property is not accomplished within thirty (30) days after the earlier of (a) your death (if there are two of you, the death of the survivor) or (b) the release of your Residence pursuant to the provisions regarding health center usage or (c) cancellation of this Agreement, then we may remove and store such furniture and other property at the expense and risk of you or your estate. In the event there are two of you who occupy the Residence and one of you dies, the second person fees will cease and the remaining person will continue to pay the first person Monthly Fee and the Owner's Supervision Fee.

**4. SERVICES AND AMENITIES PROVIDED TO ALL RESIDENTS.** Essex Meadows will furnish at The Community, so long as you reside in your Residence, the following services and amenities, which are included in the Monthly Fee:

- 4.1 One full meal per day;
- 4.2 Water, sewer, air conditioning, heating, and electricity for apartment residents – water and sewer for cottage residents;
- 4.3 Maintenance of buildings and grounds;
- 4.4 Weekly housekeeping service;

4.5 Weekly flat laundry service;

4.6 Planned activities - social, cultural, and recreational for those who wish to participate – a monthly list of Community activities is posted in the mailroom, with a copy placed in each resident's in-house mailbox each month. Copies are also available at the front desk and through the Social Director;

4.7 One space for open parking for apartment residents – two-car attached garage for cottage residents;

4.8 Complete kitchen, including refrigerator, range with oven, garbage disposal, ductless hood fan, microwave, and dishwasher;

4.9 Washer and dryer in common area for apartment residents – washer and dryer in each cottage;

4.10 Scheduled transportation – the list of scheduled transportation is incorporated into the monthly activities schedule and is distributed as outlined in Paragraph 4.6 above;

4.11 Emergency call monitoring in your Residence by Community staff;

4.12 Assisted living services for a limited period of time as determined on a case-by-case basis at the time such services are required, in our sole discretion – a list of which is attached hereto as Exhibit B;

4.13 Use of all common areas in The Community; and

4.14 Use of The Community health center pursuant to the terms of this Agreement.

**5. ADDITIONAL SERVICES PROVIDED FOR AN EXTRA CHARGE.** Essex Meadows will also make available at The Community, at your request, so long as you reside in a residence at The Community, at the then prevailing rates of extra charge:

5.1 Additional meals over those provided in consideration for the Monthly Fee;

5.2 Tray service to your Residence;

- 5.3 Additional housekeeping;
- 5.4 Extended assisted living services (as determined on a case-by-case basis at the time such service is required, in our sole discretion – a list of which is attached hereto as Exhibit B);
- 5.5 Beauty parlor/barber shop;
- 5.6 A limited number of garages for apartment residents;
- 5.7 Certain other services, upon special arrangements; and
- 5.8 Certain additional services for extra charge while you are in The Community health center.

A list of these ancillary charges for the additional services can be obtained from the front desk. A copy of the ancillary charges is also in the Resident Handbook provided to all new residents. Each year, a current copy of the ancillary charges is distributed to each resident, along with the notification of any fee increases for the upcoming year.

**6. THE COMMUNITY HEALTH CENTER.** If, in the opinion of your attending physician or the Medical Director, you need nursing care services in The Community health center, we will provide you with semi-private nursing care services to the extent authorized by our license from the State of Connecticut on the following terms:

**6.1 First 90 Days of Nursing Care.** We will provide nursing care services in The Community health center without additional charge for ninety (90) cumulative days for you (ninety (90) days for each of you if there are two of you, but the allowance cannot be combined and used by only one of you), except that you (each of you if there are two of you) will pay the charges for the extra meals not covered by the Monthly Fee and the charges for any additional services as described in paragraphs 6.7 and 6.8. The Monthly Fee charged for your Residence (first and second person, as applicable) and the Owner's Supervision Fee(s) will continue as before.

**6.2 More Than 90 Days of Nursing Care When There is One of You.** If there is one of you and you require nursing care services beyond the ninety (90) cumulative days, and you relocate to The Community health



center, your monthly charges will depend upon whether you choose to release your Residence:

**6.2.1 Release Residence.** If you choose to release your Residence for reoccupancy by someone else, you must provide us with thirty (30) days advance written notice of such release. The Monthly Fee for your Residence will cease upon the later of (i) the expiration of said thirty (30) day period or (ii) the date all your furniture and personal belongings have been removed from your Residence. You will pay a monthly charge for nursing care services in an amount equal to your Owner's Supervision Fee plus the then-current first-person Monthly Fee for the two-bedroom deluxe apartment. In addition, you will pay the charges for the extra meals per day not covered by the Monthly Fee and the charges for any additional services as described in paragraphs 6.7 and 6.8.

**6.2.2 Retain Residence.** If you choose to retain your Residence, you will continue to pay your Monthly Fee for your Residence and the Owner's Supervision Fee. You will also pay a monthly charge for nursing care services in an amount equal to the then-current first person Monthly Fee for the two-bedroom deluxe apartment, plus the charges for the extra meal per day not covered by the Monthly Fees and the charges for any additional services as described in paragraphs 6.7 and 6.8.

**6.3 More Than 90 Days of Nursing Care When There Are Two of You.** If there are two of you, and only one of you requires nursing care services beyond the ninety (90) cumulative days, and such Resident relocates to The Community health center, that Resident will pay the Owner's Supervision Fee plus the then-current first person Monthly Fee for the two-bedroom deluxe apartment, plus the charges for the extra meals per day not covered by the Monthly Fee and the charges for any additional services as described in paragraphs 6.7 and 6.8. The Resident remaining in the Residence will pay the first person Monthly Fee for the Residence and the Owner's Supervision Fee.

If both of you require nursing care services beyond the ninety (90) cumulative days, and both of you relocate to The Community health center, your monthly charges will depend upon whether you choose to release your Residence:

**6.3.1 Release Residence.** If you choose to release your Residence for reoccupancy by someone else, you must provide us with thirty (30) days advance written notice of such release. The Monthly Fee for your Residence (first and second person) will cease upon the later of (i) the expiration of said thirty (30) day period or (ii) the date all your furniture and personal belongings have been removed from your Residence. Each of you will pay a monthly charge for nursing care services in an amount equal to your Owner's Supervision Fee plus the then-current first person Monthly Fee for the two-bedroom deluxe apartment. In addition, you will pay the charges for the extra meals per day not covered by the Monthly Fees and the charges for any additional services as described in paragraphs 6.7 and 6.8.

**6.3.2 Retain Residence.** If you choose to retain your Residence, you will continue to pay your Monthly Fee (first and second person) for your Residence and the Owner's Supervision Fees. Each of you will pay a monthly charge for nursing care services in an amount equal to the then-current first person Monthly Fee for the two-bedroom deluxe apartment, plus the charges for the extra meals per day not covered by the Monthly Fees and the charges for any additional services as described in paragraphs 6.7 and 6.8.

**6.4 Private Room.** In the event a private room is available and desired by you, but is not medically necessary, you may occupy the private room upon agreement to pay the difference between the charge for a semi-private room and the charge for a private room. However, at our sole discretion, if the private room in which you are residing is needed for semi-private use, you agree to reside in a semi-private room until a private room is once again available (unless a private room is medically necessary).

**6.5 Alternate Nursing Care.** If, due to unusual circumstances, beds are not available in The Community health center, you agree to relocate to an alternate health center with which we have contracted to provide nursing care services. During your relocation to an alternate health center, you will pay to us all applicable monthly charges under this Agreement, including the monthly charge for nursing care services. The monthly charges paid for nursing care services under this Agreement will be applied against the charges associated with your alternate health center services and accommodations. The charges associated with your alternate health center

services and accommodations in excess of the monthly charges paid by you for nursing care services under this Agreement will be allocated to all residents of The Community pursuant to the Fair Share Allocation Formula. Charges for additional services and accommodations not provided in consideration for the monthly charges paid by you for nursing care services under this Agreement will be at your expense. You will be relocated to The Community health center as soon as a bed is available.

**6.6 Return to Residence.** If you release your Residence because you have moved to The Community health center, and if later you are able, in the opinion of the Medical Director or your attending physician with the concurrence of the Medical Director, to return to a residence, we will provide you a residence of the same type as your Residence as soon as one becomes available. Upon reoccupying a residence, your monthly charges will be based on the then-current charges for the residence. Your identified deposit in the Health Center Resident Loans Escrow outlined in paragraph 6.10 will be released to us, and your Loan will again be secured by the Mortgage and Indenture of Trust.

**6.7 Additional Health Services.** We will also provide additional services and supplies in The Community health center such as therapy, pharmaceutical supplies, personal laundry, and rental of equipment. These services and supplies are not included in the Owner's Supervision Fee, the Monthly Fee, or the monthly charge for nursing care services set forth above, but will be available for an extra charge.

**6.8 Medical Director and Attending Physician.** We have designated a member in good standing of the Middlesex County Medical Society to serve as Medical Director of The Community health center. You will be at liberty to engage the services of the Medical Director or any other physician at your own expense. We will not be responsible for the cost of medical treatment by the Medical Director, or any other physician, nor will we be responsible for the cost of medicine, drugs, prescribed therapy, and other similar services and supplies. In the event we incur or advance costs for your medical treatment or for medicine, drugs, prescribed therapy, and other similar services and supplies, you will reimburse us for such costs.

**6.9 Non-Resident Use of Health Center.** We intend to offer nursing care services in The Community health center to qualified non-residents for a fee, to the extent beds are available. However, residents will be given priority access to available beds.

**6.10 Health Center Resident Loans Escrow.** If you release your Residence because you have moved to The Community health center, we will attempt to assign your Residence for occupancy by someone else. Upon reoccupancy of your Residence, we will deposit into the Health Center Resident Loans Escrow your Loan amount paid pursuant to paragraph 1.3. Such deposit will be maintained jointly with all other similar deposits held in escrow for the benefit of residents of The Community health center whose residences have been released and reoccupied. Such deposits and any earnings thereon will be used by us only for purposes related to The Community, as set forth in the Health Center Resident Loans Escrow Agreement. Upon cancellation of this Agreement, funds from such escrow will be applied in repayment of your Loan. A copy of the Health Center Resident Loans Escrow Agreement is available for your review upon your request.

**6.11 Supplemental Insurance.** You are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in The Community health center. Such supplemental insurance should cover Medicare co-insurance and deductibles. You shall furnish to us such evidence of coverage as we may from time to time request. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in The Community health center, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in The Community health center, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other costs for each Medicare-qualified stay in The Community health center. If failure to maintain Medicare Part A, Medicare Part B, or supplemental health insurance is causing depletion of your resources and impairs your ability to meet your financial obligations, we need not defer your financial obligations as provided in paragraph 9.4.2, and we retain the right to cancel this Agreement for nonpayment of fees and charges as provided in Section 9.

**6.12 Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms governing health center care will be as follows:

**6.12.1 Participating Provider.** If The Community health center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, we agree to accept, as full payment, reimbursement at the rate negotiated with your managed care program. Such managed care stay in The Community health center will not reduce the number of cumulative days of care that you are eligible to receive without additional charge pursuant to paragraph 6.1. You will be obligated to pay for any additional services as described in paragraphs 6.7 and 6.8.

**6.12.2 Not a Participating Provider.** If The Community health center is not a participating provider with your managed care program and you choose to receive health care services at a managed care participating provider during a Medicare-qualified stay, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all charges for those health care services. In addition, while receiving health care services at the managed care participating provider, you agree that unless this Agreement is canceled, you will continue to pay the Monthly Fee if you choose not to release your Residence and the Owner's Supervision Fee. Such a Medicare-qualified stay at a managed care participating provider other than The Community health center will not reduce the number of cumulative days of care that you are eligible to receive without additional charge pursuant to paragraph 6.1.

**6.12.3 Negotiated Managed Care Rate.** If The Community health center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will attempt to negotiate an acceptable reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in The Community health center will not reduce the number of cumulative days of care that you are eligible to receive without additional charge pursuant to paragraph 6.1. You will be obligated to pay for any additional services as described in paragraphs 6.7 and 6.8.

**6.12.4 No Negotiated Managed Care Rate.** If The Community health center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would

still like to receive health care in The Community health center during a Medicare-qualified stay, then each day of your stay in The Community health center will reduce by one day the number of cumulative days of care that you are eligible to receive without additional charge pursuant to paragraph 6.1. During any such Medicare-qualified stay in The Community health center, you agree that you will continue to pay the Monthly Fee if you choose not to release your Residence and the Owner's Supervision Fee. You will be obligated to pay for any additional services as described in paragraphs 6.7 and 6.8.

If at any time during any such Medicare-qualified stay in The Community health center you are no longer eligible to receive any of the cumulative days of care provided for in paragraph 6.1, then you agree to pay the per diem charge for your care in The Community health center, the Monthly Fee if you choose not to release your Residence and the Owner's Supervision Fee while you are assigned to The Community health center. You will be obligated to pay for any additional services as described in paragraphs 6.7 and 6.8.

**6.12.5 Post Medicare-Qualified Stay.** At the conclusion of each such Medicare-qualified stay, you will be entitled to health care in The Community health center in accordance with the terms of this Agreement other than as set forth in this paragraph 6.12, as adjusted to reflect any reduction during such stay in the number of cumulative days of care that you are eligible to receive without additional charge pursuant to paragraph 6.1.

## **7. DURATION OF YOUR RIGHT TO OCCUPY THE RESIDENCE.**

You may reside in your Residence for as long as you (or either of you) live unless you (both of you if there are two of you) are not capable of meeting the requirements of occupancy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that nursing care services be given, you will be requested to relocate to The Community health center where Essex Meadows is licensed to provide such care. If it is determined that you require hospitalization, we will assist in the coordination of your transfer to an appropriate hospital. Community staff will not accompany a resident to the hospital.

**8. YOUR VOLUNTARY CANCELLATION RIGHTS AFTER ASSUMING OCCUPANCY.** After you assume occupancy at The Community, you may cancel this Agreement at any time by giving us one hundred twenty (120) days' advance written notice (the "Notice Period"), signed by you (both of you if there are two of you) and sent by registered or certified mail. Once we receive your notice of cancellation, you cannot rescind it, and we have the right to assign your Residence for occupancy by someone else. You are required to continue to pay your monthly charges during the Notice Period. This Agreement shall cancel on the later of (a) expiration of the Notice Period; or (b) the date you vacate your Residence or The Community health center and remove all your furniture and other property. You will continue to pay all applicable monthly charges as set forth in paragraph 3.5. Refund of your Entrance Fee, if any, and repayment of your Loan will be in accordance with Section 2 above.

**9. OUR CANCELLATION RIGHTS.**

**9.1 Just Cause.** We will not cancel this Agreement except for just cause. Just cause includes, but is not limited to, the following:

**9.1.1** Nonpayment of fees or charges required to be paid under the terms of this Agreement, except as set forth below; or

**9.1.2** You have or acquire a medical condition for which we are not licensed to provide care in The Community health center; or

**9.1.3** Your residency in The Community constitutes a threat to your health or safety or to the health or safety of other persons, or would result in physical damage to the property of others; or

**9.1.4** You breach the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us.

**9.2 Notice of Cancellation.** Prior to any cancellation of this Agreement by us, we will give you notice in writing of the reasons and you will have thirty (30) days thereafter within which the problem may be corrected. If the problem is corrected within such time, this Agreement will not be canceled. If the problem is not corrected within such time, this Agreement will be canceled and you must leave The Community. Refund of your Entrance Fee, if any, and repayment of your Loan will be in accordance with Section 2 above.

**9.3 Emergency Notice.** Notwithstanding the above, if the Medical Director determines that either the giving of notice or the lapse of time as above provided might be detrimental to you or others, then such notice and/or waiting period shall not be required before relocation to a hospital or other appropriate facility. Under such circumstances, we are expressly authorized to transfer you to such hospital or other facility, and we will promptly notify your representative and your attending physician. Upon transferring you to such hospital or other facility, we will immediately provide you with a notice of cancellation. This Agreement shall be canceled thirty (30) days following notice, unless your condition improves and you are subsequently readmitted to The Community. In the event of cancellation, refund of your Entrance Fee, if any, and repayment of your Loan will be in accordance with Section 2 above.

**9.4 Limitations on Cancellation Rights for Financial Inability.** If, after you have paid the Entrance Fee and made a Loan, you encounter financial difficulties making it impossible for you to pay the full monthly charges and other charges for the Residence or for nursing care services in The Community health center, then:

**9.4.1** You shall be permitted to remain at The Community for ninety (90) days after the date of failure to pay, during which time you shall continue to pay reduced monthly charges based on your then-current income; and

**9.4.2** Because it is and shall continue to be our declared policy to not cancel your residency solely by reason of your financial inability to pay the monthly charges, you shall be permitted to remain at The Community at reduced monthly charges based on your ability to pay for so long as you establish facts to justify deferral of the usual charges, and the deferral of such charges can, in our sole discretion, be granted without impairing our ability to operate on a sound financial basis. The loss of revenue to The Community from any such deferral of charges will be borne by us and will not be charged back to the residents under the Fair Share Allocation Formula. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by making unapproved gifts or other transfers or by not maintaining Medicare Part A, Medicare Part B and/or adequate supplemental insurance required under paragraph 6.11. To evidence these



agreements based on the circumstances at the time, you agree to enter into a financial assistance amendment with us at the time of any such deferrals to reflect the reduced monthly charges, the interest rate to be applied to the deferrals, and to provide us with a perfected first security interest in your Loan repayment rights. Any such deferred charges shall be offset against any Entrance Fee refund owed by us under paragraph 2.2 of this Agreement or against any Loan repayment due under your Loan Agreement.

## **10. MISCELLANEOUS PROVISIONS WITH RESPECT TO YOUR RESIDENCE.**

**10.1 Use of Residence.** The Residence is for living only and shall not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions.

**10.2 Occupants of Residence.** Except as hereinafter provided, no person other than you (or both of you if there are two of you) may occupy the Residence except with our express written approval. In the event that a second person who is not a party to this Agreement is accepted for residency under this Agreement at a time after the date hereof (said acceptance to be in accordance with admissions policy governing all other admissions), you shall pay an additional Entrance Fee and make an additional Loan as determined by us, and each month thereafter the then-current additional monthly charges for second persons shall be paid. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than thirty (30) days (except with our express written approval), and you may cancel this Agreement as provided in Section 8.

**10.3 Compliance Changes.** We may effect changes in The Community at any time to meet the requirements of law. You agree to temporarily relocate to other facilities provided by us without additional cost to you if it becomes necessary to vacate your Residence or The Community health center in order to make such changes.

**10.4 Furnishings.** Furnishings within the Residence will not be provided by us except to the extent provided in consideration for the Monthly Fee. Furnishings provided by you shall not be such as to interfere with the health, safety, and general welfare of you or other residents or the staff of The Community.

**10.5 Relocation.** If relocation is recommended by the Medical Director or your attending physician, we may relocate you to another residence within The Community or request that you relocate to The Community health center (or to a hospital if we cannot provide the care you need in the health center) for the protection of your health or safety or for the general and economic welfare of others. If there are two of you under this Agreement and one of you dies or is relocated to The Community health center, or for some other reason is unable to occupy the Residence, the remaining person may continue to occupy the Residence under the terms of this Agreement.

**10.6 Alterations by You.** You may not undertake any alterations to your Residence without our prior written approval. We reserve the right, upon your release of the Residence because you have moved to The Community health center, or upon cancellation of this Agreement, to require that any alterations made by you be removed, and that the Residence be restored to its original design at your expense. The cost of any such restoration may be withheld from any Entrance Fee refund or Loan repayment due to you or your estate.

**10.7 Refurbishment.** Customary and normal refurbishment costs of your Residence will be borne by all residents of The Community under the Fair Share Allocation Formula. Any necessary refurbishment costs caused by you or your guests, which are beyond those which are customary and normal, will be paid by you, and such costs may be withheld from any Entrance Fee refund or Loan repayment due to you or your estate.

**10.8 Emergency Entry.** We may enter your Residence should it be necessary to protect your health or safety or the health or safety of other residents.

**10.9 Smoke-Free Campus Policy.** For the health and safety of all residents and staff at The Community, we have implemented a Smoke-Free Campus Policy, a copy of which is available to you upon request. You agree to abide the terms of the Smoke-Free Campus Policy and any future changes thereto.

**11. FAIR SHARE ALLOCATION FORMULA.** The amount of your Monthly Fee is determined by application of the Fair Share Allocation Formula.

The Formula has been developed to equitably apportion the costs of operating The Community among its residents.

**11.1 General.** All projected Cash Requirements (including additions to reserves) necessary to provide the facilities and services to the residents of The Community (including residents of The Community health center) are charged to The Community residents through the application of the Fair Share Allocation Formula. Generally, the projected Cash Requirements are based upon the costs incurred in connection with the operation of The Community for the preceding year with adjustments for inflation or deflation, occupancy rates, additions to reserves, and nonrecurring expenses, and reduced by projected revenues (such as fees for additional services, health center fees, certain investment income) for the upcoming year. Once determined, the projected Cash Requirements are then allocated among The Community residents based upon the size of the apartment/cottage which each resident occupies and the number of residents in The Community.

**11.2 Benefits to Us.** No portion of the costs included in the Fair Share Allocation Formula are paid to us as fees. Our compensation for the ongoing ownership of The Community is comprised solely from the Entrance Fee (subject to our obligation to make any refund pursuant to paragraph 2.2), monthly Owner's Supervision Fee (which is fixed for you for the duration of your occupancy), the Loan (subject to our obligation to repay the Loan), and the potential appreciation of The Community and other benefits generally associated with the ownership of real estate.

**11.3 Cash Requirements.** As set forth in this Section 11, your Monthly Fee will be adjusted upward or downward each year according to the Cash Requirements of The Community, as allocated to each apartment/cottage and all second persons. The Cash Requirements to be allocated are the sum of:

**11.3.1** Operating Cash Requirements for the preceding year, which shall mean all recurring and nonrecurring costs, expenses, and outlays incurred in connection with the operation and administration of The Community. Operating Cash Requirements shall be determined by The Community management and shall include, but not be limited to, salaries and wages and all fringe benefits paid to employees of The Community and other persons stationed at The Community and other persons having day-to-day administrative, marketing and/or management responsibilities;

telephone; utilities; license fees; occupational taxes, payroll taxes, property taxes, sales taxes, permits, etc., associated with The Community; lease payments, if any; legal and accounting services; bad debts and other losses; deductibles related to insurance claims; consulting fees for specialists such as dietitians and medical directors; food and supplies; capital improvements; costs of repair, maintenance, replacement and improvements to equipment, furniture, fixtures and buildings, except those costs paid from the reserve for replacement described in paragraph 11.3.2; management fees and other reimbursable costs, including costs of reasonable expenses incurred in performing management services for The Community, such as transportation, living expenses, telephone expense, and photocopying expense; cost of maintenance and normal replacement of landscaping; principal payments on all loans except loans from residents and interest payments on all loans; and other similar items related to The Community. Operating Cash Requirements shall not include income taxes or dividends.

**11.3.2** The amount to fund the reserve for replacement shall be equal to three percent (3%) of the prior year's Operating Cash Requirements. The reserve for replacement, including accumulated interest earned and retained in the reserve, shall be used to fund major capital expense items. Major capital expense items, as determined by us, are those items that would cause the Operating Cash Requirements and resulting Monthly Fees to increase at an unusually high rate.

**11.3.3** An amount projected by us to account for expected changes from the previous year in services, The Community health center utilization, apartment/cottage occupancy, marketing, remodeling, or any other material factor.

**11.3.4** A reasonable estimate for inflation or deflation in the cost of operating The Community for the coming fiscal year.

**11.3.5** An amount to maintain or increase the reserve for operating cash established under paragraph 11.6. Deposits to this reserve and earnings from this reserve may only be used for items related to the operation of The Community.

**11.3.6** An amount to maintain or increase the amount of any reserve required by the laws of the State of Connecticut.

**11.3.7** There shall then be subtracted the projected net revenues to be received in the coming fiscal year from (i) The Community health center operations; (ii) investment income from the health center resident loans escrow and from the balance of deposits in the waiting list escrow; (iii) fees for additional services to the residents as provided in Sections 5 and 6 of this Agreement; (iv) space rentals from such support services as barber/beauty shops; (v) income from investment of operating reserves, including reserves required by the State of Connecticut; (vi) nonrecurring operating income; (vii) an amount equal to fifty percent (50%) of marketing costs (defined as salaries and wages and all fringe benefits paid to marketing personnel employed by The Community, and promotional expenses), which shall be contributed by us; and (viii) an amount equal to the costs of repainting and recarpeting apartments/cottages incurred after the apartment/cottage has been released to us but prior to reoccupancy by a new resident, which shall be contributed by us.

**11.4 Allocation of Cash Requirements.** Allocation of the sum of the Cash Requirements described in paragraph 11.3 to each individual resident's apartment/cottage and all second persons shall be accomplished by:

**11.4.1** Multiplying the number of apartments/cottages in The Community of each size and the number of second person residents therein by the following factors, and then summing such products:

*[This space intentionally left blank]*

Number of One-Bedroom Convertible Apartments x 77.9 percent factor	Number of Two-Bedroom Deluxe with Den Apartments (or Three-Bedroom) x 115.5 percent factor
Number of One-Bedroom Traditional Apartments x 84.5 percent factor	Number of Two-Bedroom Custom with Den Apartments x 115.5 percent factor
Number of One-Bedroom Deluxe Apartments x 92.2 percent factor	Number of Essex Suites x 129.7 percent factor
Number of One-Bedroom Custom Apartments x 95.8 percent factor	Number of Meadows Suites x 137.3 percent factor
Number of Two-Bedroom Traditional/ One-Bedroom with Den Apartments x 100.0 percent factor	Number of Three-Bedroom Custom Apartments x 171.5 percent factor
Number of Two-Bedroom Deluxe Apartments x 106.8 percent factor	Number of Silver Star Cottages x 142.4 percent factor
Number of Two-Bedroom Custom Apartments x 106.8 percent factor	Number of Columbia Cottages x 149.9 percent factor
Number of Two-Bedroom Enhanced Apartments x 111.8 percent factor	Number of Charter Oak Cottages x 154.4 percent factor
	Number of Lexington Cottages x 165.7 percent factor
	Number of Second Persons x 47.1 percent factor

To take into account the combination or addition of different apartments/cottages to The Community, or similar events which require the addition of new factors, factors may be added to or deleted from the above formula upon thirty (30) days' prior written notice.

**11.4.2** Multiplying the sum determined in paragraph 11.4.1 above by a factor representing the projected apartment/cottage occupancy rate.

**11.4.3** Dividing the sum of the Cash Requirements determined under paragraph 11.3 by the amount determined under paragraph 11.4.2 to arrive at the arithmetic quotient.

**11.4.4** The Fair Share for each apartment/cottage size and for the second person shall be the product of multiplying the arithmetic quotient determined under paragraph 11.4.3 by the factor assigned

to each apartment/cottage and to the second person in paragraph 11.4.1. The amount of increase or decrease in the Monthly Fee will be the difference between the new Fair Share for each apartment/cottage size and for the second person and the applicable Fair Share for the preceding year, divided by twelve (12).

**11.5 Implementation of Fair Share.** At least thirty (30) days prior to the end of each fiscal year, we will notify you of the new Monthly Fee that will go into effect at the start of the next fiscal year.

**11.6 Additional Reserves.** Essex Meadows has established reserves as follows: (a) a reserve for replacement (as described in paragraph 11.3.2); and (b) a reserve for operating cash (as described in paragraph 11.3.5). To the extent permitted by Connecticut law, the total amount of the operating cash reserve and of the reserve for replacement will be used to satisfy operating reserves required by Connecticut law. Any amounts necessary to maintain or increase such additional reserves shall, however, be included in your Fair Share. Copies of these reserve agreements with the bank are available upon request.

**12. NO JURY TRIALS.** Resident or Essex Meadows may submit any dispute, claim or controversy of any kind between them arising out of, or in connection with or relating to this Agreement and any amendment hereof, or the breach hereof, for judicial resolution in any court of appropriate jurisdiction. Resident and Essex Meadows each waives any and all right to request or have a jury trial in any such proceeding, and agrees that the judge in any such proceeding shall be the decider of all fact issues, as well as all law issues, subject to the right of either party to appeal the judge's decision as provided by law.

**13. AMENDMENTS.**

**13.1 This Agreement.** This Agreement may be amended by agreement of the parties to this Agreement.

**13.2 All Agreements.** In addition, any designated residency agreements, which may include this Agreement, may be amended in any respect with the approval of: (a) not less than eighty percent (80%) of the residents of The Community apartments/cottages; and (b) us; provided, however, that no such amendment shall:

**13.2.1** reduce the aforesaid percentage of residents which is required to consent to any such amendment; or

**13.2.2** permit the preference or priority of any resident over any other resident without the consent of each resident.

Upon evidence of approval by Essex Meadows of any such amended residency agreement, and upon evidence of the approval of not less than eighty percent (80%) of the apartment/cottage residents as aforesaid, such amendment shall be effective, and any designated residency agreements, which may include this Agreement, shall automatically be amended accordingly.

**13.3 Laws and Regulations.** This Agreement may be modified by us at any time in order to comply with Federal or State laws and regulations.

#### **14. MISCELLANEOUS LEGAL PROVISIONS.**

**14.1 Governing Law.** This Agreement will be interpreted according to the laws of the State of Connecticut and will become effective upon acceptance and execution by us. The Glossary which sets forth the definitions of certain terms used in this Agreement is by this reference incorporated herein and made a part of this Agreement.

**14.2 Separability.** The invalidity of any restriction, condition, or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

**14.3 Capacity.** This Agreement has been executed by a duly authorized agent of Essex Meadows, and no partner, officer, director, agent, or employee of Essex Meadows shall have any personal liability hereunder to Resident under any circumstances.

**14.4 Residents.** When Resident consists of more than one person, the rights and obligations of each are joint and several, except as the context otherwise requires.

**14.5 Resident Rights.** As a resident of The Community, you have certain rights under the Connecticut continuing care law (Conn Gen. Stat. §17b-520 et. seq.), a copy of which is available upon request. You also have certain rights if you receive services from The Community as a



managed residential community. A copy of those rights is attached hereto as Exhibit C.

**14.6 Nature of Rights.** You understand and agree that (a) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to reimbursement of the amounts as described in Section 2; (b) this Agreement and your contractual right to occupy The Community shall exist and continue to exist during your lifetime unless canceled by you or us as provided herein; (c) this Agreement grants you a right to occupy and use space in The Community, but does not give you exclusive possession of the Residence as against us, and you shall not be entitled to any rights of specific performance but shall be limited to such remedies as set forth herein; (d) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (e) this Agreement grants to us complete decision making authority regarding the management and operation of The Community.

**14.7 Release.** We are not responsible for loss of or damage to your personal property, however caused, and you release us therefrom. You are required to obtain at your own expense insurance to protect against such losses.

**14.8 Indemnity.** We shall not be liable for, and you agree to indemnify, defend, and hold us 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 to the extent caused by, resulting from, attributable to, or in any way connected with your negligent or intentional act or omission.

**14.9 Reimbursement for Loss or Damage.** You or your representative, if applicable, will reimburse us for any loss or damage to The Community as the result of your intentional, careless, or negligent acts or omissions or that of your guests.

**14.10 Entire Agreement.** This Agreement and any Addenda or Exhibits contain our entire understanding with respect to your residency.

**14.11 Tax Considerations.** Each person considering executing this Agreement should consult with his or her tax advisor regarding the tax

considerations associated with this Agreement and the Loan Agreement. Tax considerations are discussed in the Disclosure Statement.

**14.12 Subordination.** Except for your right of cancellation prior to occupancy and your rights under the mortgage or health center resident loans escrow securing your Loan, you agree that all your rights under this Agreement will always be subordinate and junior to the lien of all indentures of trust, mortgages, or other documents creating liens encumbering The Community or any of the assets of Essex Meadows, which have been or will be executed by us. Upon request, you agree to sign, acknowledge, and deliver to such lender or lenders such further written evidence of such subordination as such lenders may reasonably require. You will not be liable for any such indebtedness except to the extent, if any, payable as part of your Monthly Fee.

**14.13 Transfers.** We may from time to time issue additional equity interests, or sell or transfer interests in The Community, provided that, in such latter event, the buyer shall agree to assume all existing residency agreements. In addition, we may sell or otherwise transfer the land or other portions of The Community and lease back such land or other portions. Your signature hereto constitutes your consent and approval to any such future transfer.

**14.14 Residents' Association.** Residents shall have the right to organize and operate a residents' association at The Community and to meet privately to conduct business of the residents' association.

**14.15 Private Employee of Resident.** If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. Further, you must comply with our policy regarding personal service providers and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our personal service provider policy. If you fail to follow or enforce the policies and rules set forth therein, then we may elect, at our sole option, to cancel this Agreement.

**14.16 Responsible Party.** You agree to execute and deliver to us within sixty (60) days after assuming occupancy in your Residence a Durable

Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us, and you agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of The Community.

**14.17 Compliance with Laws and Regulations.** Essex Meadows will comply with all applicable Municipal, State, and Federal laws and regulations, including consumer protection and protection from financial exploitation.

**14.18 Complaint Resolution Process.** The Community has established a complaint resolution process for residents and families, which is attached hereto as Exhibit D. Residents and family members may use the complaint resolution process without fear of reprisal of any kind.

**15. RESERVE POLICY.** It will be our policy to maintain reserve funds as required by Connecticut law.

**16. RESIDENT REPRESENTATIONS.** By executing this Agreement, you represent and warrant that: (i) you are at least 62 years of age or older at the time of admission; (ii) you are capable of occupancy in your Residence in accordance with our current admissions policy; (iii) you have assets and income which are sufficient under foreseeable circumstances and after provision for payment of your obligations under this Agreement to meet your ordinary and customary living expenses after assuming occupancy; and (iv) all written representations made by you or on your behalf during the admissions process are true.

**17. RESIDENT HANDBOOK.** The Community has established certain rules, policies and guidelines in order to promote the health, safety and welfare of its residents. A copy of the Resident Handbook containing these rules, policies and guidelines will be provided to each resident upon admission to the Community. The Resident Handbook also contains a list of extra charges for additional services available to the residents of The Community. The Community may revise the Resident Handbook from time to time and any revisions will be provided to the residents. Upon receipt of the Resident Handbook, you agree to sign an Acknowledgment form, a copy of which is attached hereto as Exhibit E. Your signed Acknowledgment will be placed in your resident file.

**18. ACKNOWLEDGMENT OF RECEIPT OF DOCUMENTS.** You hereby certify that you received a copy of this Agreement and a copy of our latest disclosure statement before the date hereof, and have been permitted to inspect any additional relevant materials requested to be reviewed by you or your representatives prior to signing this Agreement.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ (year)

**ESSEX MEADOWS  
PROPERTIES, INC.**

\_\_\_\_\_  
RESIDENT  
or  
RESIDENT REPRESENTATIVE

By \_\_\_\_\_

Its \_\_\_\_\_

Date \_\_\_\_\_

\_\_\_\_\_  
Witness

\_\_\_\_\_  
RESIDENT  
or  
RESIDENT REPRESENTATIVE

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Residence Type

\_\_\_\_\_  
Residence Number



Return of Capital Residency Agmt (2014-01-24)

**EXHIBIT A**  
**LOAN AGREEMENT**  
**(TO BE EXECUTED UPON OCCUPANCY)**

Pursuant to your Residency Agreement relative to residence number \_\_\_\_\_, you, \_\_\_\_\_, agree to loan \$ \_\_\_\_\_ to Essex Meadows Properties, Inc., and Essex Meadows Properties, Inc. agrees to repay such amount upon the terms and conditions hereinafter set forth.

1. **Payment of Loan Proceeds.** The Loan shall be made to Essex Meadows Properties, Inc. on the earlier of (i) the date you move into Essex Meadows, Bokum Road, Essex, Connecticut ("The Community") or (ii) sixty (60) days following execution of the Residency Agreement by Essex Meadows Properties, Inc.
2. **Security.** Your Loan and the loans of all other residents of The Community shall be secured by a mortgage on the real estate known as The Community, which is owned by Essex Meadows Properties, Inc. The mortgage will be subject to certain "permitted encumbrances" as described in the Mortgage and Indenture of Trust. A copy of the Mortgage and Indenture of Trust is available to you upon request. Notwithstanding the above, if you have released your Residence pursuant to the provisions regarding The Community health center usage, and your Residence is reoccupied, your Loan and the loans of all other residents of The Community health center whose apartments/cottages have been so released and reoccupied shall be secured by the funds maintained in the Health Center Resident Loans Escrow and not by the Mortgage and Indenture of Trust. A copy of the Health Center Resident Loans Escrow Agreement is available to you upon request.
3. **Repayment.** In the event of your death (or the death of the survivor if there are two of you) or in the event of cancellation of your Residency Agreement, your Loan shall become due and payable in full upon the date Essex Meadows Properties, Inc. receives the next Admission Payments (Entrance Fee plus Loan) for your Residence. In the event your Residence is reoccupied by an existing resident of The Community who transfers from another apartment/cottage, your Loan shall be due and payable upon the date Essex Meadows Properties, Inc. receives the Admission Payments (Entrance Fee plus Loan) for the apartment/cottage vacated by the existing resident who transferred to your Residence. If more than one internal transfer of existing residents occurs, repayment of your Loan will be tied to the last vacated

apartment/cottage. However, in no event shall such date be more than twenty-four (24) months from the date your Residence is released to us for reoccupancy. Essex Meadows Properties, Inc. shall have the right to offset against any Loan repayment any unpaid or deferred monthly charges owed by you, any unreimbursed health care expenses advanced by Essex Meadows Properties, Inc. on your behalf, and any other sums owed by you to Essex Meadows Properties, Inc. under the Residency Agreement. You agree to look solely to the assets which secure your Loan for the repayment of your Loan.

4. **Successors and Assigns.** All terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.
5. **Defined Terms.** Defined terms used herein are used as defined in the Residency Agreement.

\_\_\_\_\_  
Resident

**ESSEX MEADOWS  
PROPERTIES, INC.**

\_\_\_\_\_  
Date

By \_\_\_\_\_

Its \_\_\_\_\_

\_\_\_\_\_  
Witness

Date \_\_\_\_\_

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Date

01/24/14

\_\_\_\_\_  
Witness

## **EXHIBIT B**

### **Assisted Living Services at Essex Meadows *Provided by the Resident Health Services Department***

Any resident whose condition is classified by a physician as chronic and stable may receive assisted living services through the Resident Health Services Department. These services may include activities of daily living and/or nursing services in order to maximize the resident's level of independent living.

#### **How does Resident Health Services Assisted Living work?**

- A basic set of services is available to all residents at no charge.
- Resident Health Services staff is available seven (7) days a week with services routinely scheduled between 8 a.m. and 8 p.m. Staffing after these hours is arranged on an as-needed basis.
- A licensed nurse is on call twenty-four (24) hours a day to assure coordination of care at all times.
- A personalized assisted living service package may be designed for the resident based upon individual needs.
- A resident, who needs services only occasionally, or on an intermittent basis, may prefer to choose an "a-la-carte" program.
- Medication management programs are available.
- Continental breakfast or meal delivery may be arranged for any resident who medically requires assistance with meals.

#### **Services Available at No Charge**

- Resident care and/or consultation provided in the nursing office
- Occasional wheelchair escort within The Community
- Occasional social visits
- Discharge planning assistance
- Meal tray delivery for three (3) days during an illness
- Follow-up visit after illness or injury
- Arrangements for special medical equipment
- Assistance with coordination of outside agency services
- Consultation with physician and family
- Weekly bed linen changes for residents who have a medical need
- Weekly blood pressure clinic

### **Services Available for a Fee**

- Admission to the Assisted Living Services Program - \$120.00
- Re-assessment every 120 days or change in condition - \$75.00
- Management of the ATC (Around The Clock) medication system - \$190.00 monthly (apartment resident) and \$230.00 monthly (cottage resident)
  - If needed, medication reminders up to 3 times daily by a CNA are included
  - Resident is responsible for the cost of the medication
- A request for a nursing visit to your residence will be charged at the current in-home visit rate
- Case management fees will apply to residents employing private homecare agencies without nursing supervision
- Nursing and/or nurses aide services provided in your residence:
  - “A-la-carte” services are available during routine hours - \$8.50 per each 15-minute period (apartments) and \$10.00 per each 15-minute period with \$20.00 minimum (cottages)
  - Service packages are available - for example, a four-hour per week package that includes assistance with one or two activities of daily living can be provided for \$600 per month
  - Costs for services provided outside of routine hours are arranged on an individual basis
- Local transportation to medical appointments:
  - A 24-hour notice is requested and service is subject to care and driver availability
  - \$15.00 one way; \$25.00 local round trip; additional \$20.00 per hour if driver is requested to wait for you
- Companion services by a non-certified staff person: \$10.00 per 15-minute period; if service is one hour or more, the charge is \$25.00 per hour
- Regularly scheduled visits by podiatrist and audiologist in the Residential Health Services office are coordinated by request.

*Fees are subject to change upon notice to the residents.*



## **EXHIBIT C**

### **MANAGED RESIDENTIAL COMMUNITY RESIDENTS' BILL OF RIGHTS**

You have the right to:

- Live in a clean, safe and habitable private residential unit;
- Be treated with consideration, respect and due recognition of your personal dignity, individuality and the need for privacy;
- Privacy within your private residential unit, subject to the Community's rules reasonably designed to promote your health, safety and welfare;
- Retain and use your personal property within your residence so as to maintain individuality and personal dignity, provided that your use of personal property does not infringe on the rights of other residents or threaten the health, safety and welfare of other residents;
- Private communications, including receiving and sending unopened correspondence, telephone access and visiting with persons of your choice;
- Freedom to participate in and benefit from community services and activities so as to achieve the highest possible level of independence, autonomy and interaction within the community;
- Directly engage or contract with licensed health care professionals and providers of your choice to obtain necessary health care services in your private residence, or such other space in the Community as may be available to residents for such purposes;
- Manage your own financial affairs;
- Exercise civil and religious liberties;
- Present grievances and recommend changes in policies, procedures and services to our Executive Director or staff, government officials or any other person without restraint, interference, coercion, discrimination or reprisal from the Community, including access to representatives of the Department of Public Health or the Office of the Long-Term Care Ombudsman;

- Upon request, obtain the name of the Residential Health Services Director or any other persons responsible for resident care or the coordination of resident care;
- Confidential treatment of all records and communications to the extent required by state and federal law;
- Have all reasonable requests responded to promptly and adequately within the capacity of the Community and with due consideration given to the rights of other residents;
- Be fully advised of the relationship that the Community has with any Assisted Living Services Agency, health care facility or educational institution to the extent that such relationship relates to resident medical care or treatment and to receive an explanation about the relationship;
- Receive a copy of any rules or regulations of the Community;
- Refuse care and treatment and participate in the planning for the care and services you need or receive, provided, however, that your refusal of care and treatment may preclude you from being able to continue to reside in the Community; and
- If you are a continuing care resident, all rights afforded under Conn. Gen. Stat. § 17b-520 et seq. and any other applicable laws. If you rent your residence, all rights and privileges afforded to tenants under title 47a of the Connecticut General Statutes (Connecticut's landlord tenant laws).

We hope that any complaints or concerns that you have can be resolved by our staff. However, you also have the right to contact the following state agencies regarding complaints or concerns:

Department of Public Health  
 Faculty Licensing and Investigations  
 410 Capitol Ave., P.O. Box 340308  
 MS#12HSR  
 Hartford, CT 06134-0308

Information/General: Loan Nguyen  
 Supervising Nurse Consultant (860) 509-7400

Complaints: Janet Williams, R.N.  
Public Health Services Manager (860) 509-7400

Nancy Shaffer, State Long Term Care Ombudsman  
Office of the Long Term Care Ombudsman  
25 Sigourney Street  
Hartford, CT 06106  
(866) 388-1888 or (860) 424-5200

Southern Region Long Term Care Ombudsman - 860-823-3366

Contacts:

Brenda Torres  
414 Chapel Street, Suite 301  
New Haven, CT 06511

Brenda Foreman  
401 West Thames Street  
Norwich, CT 06360

If you are receiving nursing or personal care from an Assisted Living Services Agency, you also have other rights set forth separately in the Assisted Living Clients' Bill of Rights.

Please sign below to acknowledge that we have provided you with a copy of the Managed Residential Community Residents' Bill of Rights and explained them to you.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Resident's Representative

\_\_\_\_\_  
Relationship to Resident

## **EXHIBIT D**

### **COMPLAINT RESOLUTION PROCESS**

It is the goal of The Community to take all problems and complaints seriously and to solve each one in a timely and caring fashion. Residents and family members are free to communicate grievances to the staff of The Community and to outside representatives of their choice, without restraint, interference, coercion, discrimination, or reprisal. All grievances will be properly documented and responded to.

A resident or his/her family member may pursue the resolution of a problem in any of the following ways:

- All emergency service problems can be resolved by calling the Reception Desk at The Community at 767-7201. The Receptionist will then contact the appropriate personnel to resolve the problem. Even after normal business hours, please contact the Reception Desk. Your call will automatically transfer to the Health Center if the Receptionist is not on duty.
- You may contact:
  - ✓ The Department Director by calling, writing a letter, and/or scheduling an appointment.
  - ✓ The Executive Director by calling, writing a letter, contacting the Office Manager, and/or scheduling an appointment.
  - ✓ The Chairperson of the specific Residents Council Committee.
  - ✓ Your Residents Council Wing Representative.
  - ✓ The Chairperson of the Residents Council.
- You may voice your concern or complaint at a monthly Resident Update Meeting.

- You may write a letter to the President of the Board of Directors; Essex Meadows Properties, Inc.; 400 Locust Street, Suite 830; Des Moines, IA 50309-2334.
- If your issues are not resolved by using the above channels, you may write a letter to the Director of Operations Management; Life Care Services LLC; 119 Liberty Drive; Newtown, PA 18940.

**EXHIBIT E**

**Acknowledgment of Receipt of Resident Handbook**

I, the undersigned, acknowledge receipt of the Essex Meadows Resident Handbook dated \_\_\_\_\_, 20\_\_\_\_, which contains certain rules, policies, and guidelines in order to promote the health, safety and welfare of the residents of The Community.

The Resident Handbook also contains a list of extra charges as referenced in the Residency Agreement.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Resident's Representative

\_\_\_\_\_  
Relationship to Resident

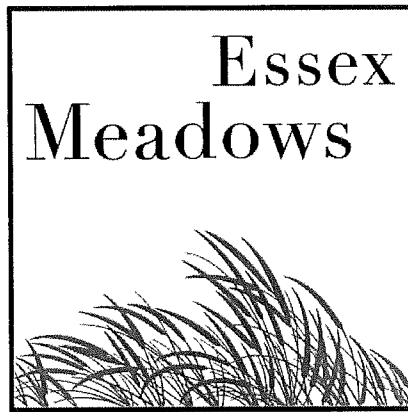
\_\_\_\_\_  
Date

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Resident's Representative

\_\_\_\_\_  
Relationship to Resident

EXHIBIT E



Essex, Connecticut

RESIDENCY AGREEMENT  
(FLEX PLAN)

01/24/14

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HANDBOOK

## GLOSSARY

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:

**"Agreement"** means this Residency Agreement.

**"The Community"** means that lifecare community known as Essex Meadows which is the subject of the Agreement, including the apartments and cottages, The Community health center, and all common areas.

**"The Community health center"** means the health center forming a part of The Community which is intended to provide semi-private nursing care services as described in Section 6 of the Agreement.

**"Entrance Fee"** means that fee paid to us, as identified in paragraph 1.1 of this Agreement.

**"Essex Meadows" or "we" or "us"** means Essex Meadows Properties, Inc., a corporation qualified in the State of Connecticut and the owner of The Community.

**"Fair Share"** means your portion of the net operating expenses and other costs or charges of The Community, as determined under the Fair Share Allocation Formula described under Section 11 of the Agreement.

**"Fair Share Allocation Formula"** means the method for determining your Fair Share as set forth in Section 11 of the Agreement.

**"managed residential community"** means a community registered with the Connecticut Department of Public Health in order to provide certain assisted living services to residents in their residences. Essex Meadows is registered as a managed residential community.

**"monthly charges"** means all those monthly charges payable pursuant to the terms of the Agreement, including the Owner's Supervision Fees, the Monthly Fees, the fees for additional optional services, the additional monthly charge for nursing care services, if any, and all other fees and charges payable monthly

pursuant to the terms of the Agreement, as appropriate in the particular circumstances.

**"Monthly Fee"** means that monthly fee payable in consideration for the services and amenities provided to the residents of The Community, as set forth in paragraph 3.2 of the Agreement.

**"occupancy"** means the period of time you have the right to occupy The Community under the terms of the Agreement commencing on the earlier of the date you move into The Community or the date you pay the balance of the Entrance Fee.

**"One-Time Working Capital Fee"** means a one-time fee in an amount equal to twice the then-current Monthly Fee (including a second (2<sup>nd</sup>) person Monthly Fee if there are two (2) of you) paid by the Resident at the time the balance of the Entrance Fee is paid as set forth in paragraph 1.2.

**"Owner's Supervision Fee"** means that monthly fee payable on a per resident basis for occupying The Community, as set forth in paragraph 3.1 of the Agreement.

**"Residence"** means the apartment or cottage at The Community identified in paragraph 1.1 of this Agreement in which you are entitled to live pursuant to the Agreement in exchange for paying the Entrance Fee, paying the One-Time Working Capital Fee, and paying the monthly charges.

**"Resident"** or **"you"** means the resident or residents who sign the Agreement. Sometimes a second Resident (if there are two of you) is referred to in the Agreement as the "second person." Unless otherwise indicated, "you" refers to both of you if there are two of you.

## **ESSEX MEADOWS RESIDENCY AGREEMENT (FLEX PLAN)**

This Flex Plan Residency Agreement ("Agreement") is entered into by Essex Meadows Properties, Inc. ("Essex Meadows" or "we" or "us") and \_\_\_\_\_ (individually or collectively, "you," "your," or "Resident"). Essex Meadows is a lifecare retirement community located at 30 Bokum Road, Essex, Connecticut 06426 (hereafter "The Community").

We will provide residential housing for seniors along with a wide array of personal services and amenities outlined in this Agreement. Subject to the conditions contained in this Agreement, we agree to make available to you the Apartment or Cottage (hereafter the "Residence") described as follows:

Apartment/Cottage Number: \_\_\_\_\_  
Apartment/Cottage Style: \_\_\_\_\_

Payment of your Entrance Fee, the One-Time Working Capital Fee, and the monthly charges (all described below) entitles you to live in the Residence at The Community for as long as you are capable of meeting the requirements of occupancy (in accordance with our current admissions policy) and to receive long-term nursing care in The Community health center when you are no longer capable of occupancy in your Residence and you need skilled nursing care.

To be accepted for residency, you must meet our admissions criteria, which includes: having reached the age of 62; financial guidelines; and the ability to meet the requirements of occupancy.

The purpose of this Residency Agreement is to set forth your rights and duties as a Resident of The Community and to delineate the services to be provided at The Community.

### **1. ENTRANCE FEE AND WORKING CAPITAL FEE.**

**1.1 Entrance Fee.** To assure you a place in The Community, in accordance with all the terms of this Agreement, you will pay to us an Entrance Fee in the total amount of \$ \_\_\_\_\_, payable as follows:

**1.1.1 Entrance Fee Deposit.** Payment of a portion of your Entrance Fee in the amount of \$ \_\_\_\_\_ is paid

herewith to reserve your Residence, and will be held in escrow pursuant to Connecticut law.

**1.1.2 Entrance Fee Balance.** The balance of your Entrance Fee in the amount of \$\_\_\_\_\_ will be paid to us on the earlier of (a) the date you move into The Community or (b) sixty (60) days following execution of this Agreement by us. Subject to our refund obligations under Section 2 below, the Entrance Fee will be our unrestricted property and may be used by us for any purpose related or unrelated to The Community, in our sole discretion.

**1.2 One-Time Working Capital Fee.** At the same time you pay the balance of your Entrance Fee and commence paying your Monthly Fee for your Residence, you will pay to us an amount equal to twice the then-current Monthly Fee (includes second (2<sup>nd</sup>) person Monthly Fee if there are two (2) of you). This is a one-time nonrefundable charge, which we will place in a working capital account to be used by us only for the purposes related to The Community.

## **2. REIMBURSEMENT OF ENTRANCE FEE.**

### **2.1 Reimbursement of Entrance Fee Prior to Assuming Occupancy.**

**2.1.1 Nonacceptance.** If we do not accept you for residency, the full amount of the Entrance Fee deposit you have paid will be promptly refunded to you without interest.

**2.1.2 Right of Rescission Period.** If prior to assuming occupancy you change your mind and you give us and the escrow agent written notice of cancellation by registered or certified mail within thirty (30) days from the date you execute this Agreement, this Agreement will automatically cancel. In such event, the full amount of the Entrance Fee deposit you have paid will be refunded to you without interest within thirty (30) days of your notice of rescission, except that we will retain an amount equal to any costs specifically incurred by us or The Community at your request, if any, and which are set forth in a separate addendum to this Agreement. You shall not be required to move into The Community before expiration of the thirty (30) day rescission period.

**2.1.3 Change in Condition.** If after the right of rescission period and prior to assuming occupancy you (or either of you if there are two of you) die or because of illness, injury, or incapacity you (or either of you if there are two of you) are unable to occupy your Residence under the terms of this Agreement, upon written notice to us by registered or certified mail this Agreement will automatically cancel, unless in the case of such illness, injury, or incapacity you choose to occupy The Community health center. If this Agreement is so canceled, the full amount of the Entrance Fee deposit you have paid will be refunded to you or to your estate without interest within thirty (30) days of your notice of cancellation, except that we will retain an amount equal to any costs specifically incurred by us or The Community at your request, if any, and which are set forth in a separate addendum to this Agreement. If you (or either of you if there are two of you) require care in The Community health center at the time you assume occupancy, you will be obligated to pay all monthly charges related to your Residence until the Residence is released to us pursuant to Section 6.

**2.1.4 Cancellation for Reasons Other Than Set Forth in 2.1.1, 2.1.2, and 2.1.3.** If prior to assuming occupancy you give us written notice of cancellation by registered or certified mail and neither paragraph 2.1.1, 2.1.2 nor 2.1.3 is applicable, this Agreement will be canceled. In such event, we will retain five thousand dollars (\$5,000) of the Entrance Fee deposit you have paid, plus an amount equal to any costs specifically incurred by us or The Community at your request, if any, and which are set forth in an addendum to this Agreement. The balance will be refunded to you without interest within thirty (30) days of your notice of cancellation.

**2.2 Reimbursement of Entrance Fee After Assuming Occupancy.** If this Agreement is canceled within a limited period of time after the date you assume occupancy at The Community, we will refund to you a declining portion of your Entrance Fee without interest, calculated as follows:

**2.2.1 Right of Rescission Period.** If this Agreement is canceled after you have assumed occupancy but within the thirty (30) day right of rescission period, this Agreement will be automatically canceled. In such event, the full amount of the Entrance Fee you

have paid will be refunded to you without interest within thirty (30) days of your notice of rescission, except that we will retain an amount equal to any costs specifically incurred by us or The Community at your request, if any, and which are set forth in a separate addendum to this Agreement.

**2.2.2 After Occupancy.** In the event of your death (if there are two of you, the death of the survivor) or cancellation of this Agreement by you or by us after the date you assume occupancy at The Community and after the expiration of the thirty (30) day right of rescission period, we will retain four percent (4%) of your Entrance Fee as a processing fee, plus two percent (2%) of your Entrance Fee per month of occupancy until the full amount of your Entrance Fee has been earned by us. The balance of your Entrance Fee, if any, will be refunded to you within sixty (60) days after your death (or the death of the survivor if there are two of you) or after notice of cancellation by you or us.

**2.3 Right of Offset.** We have the right to offset against any Entrance Fee refund any unpaid monthly charges owed by you, any unreimbursed health care expenses we have advanced on your behalf, any amounts deferred by us under paragraph 9.4.2, and any other sums owed by you to us.

### **3. MONTHLY CHARGES.**

**3.1 Owner's Supervision Fee.** You shall pay an Owner's Supervision Fee of \$\_\_\_\_\_ a month per Resident for occupying your Residence or The Community health center. Your Owner's Supervision Fee will not increase as long as this Agreement stays in existence. The Owner's Supervision Fee shall be our unrestricted property, and may be used by us for any purpose related or unrelated to The Community, in our sole discretion.

**3.2 Monthly Fee.** You shall pay a Monthly Fee for the services and amenities provided to all residents as set forth in Section 4. The current Monthly Fee is \$\_\_\_\_\_ a month for one person and an additional \$\_\_\_\_\_ a month if there are two of you. Monthly Fees are adjusted each year in accordance with the Fair Share Allocation Formula set forth in Section 11. We will give you advance notice of not less than thirty (30) days before any change in the Monthly Fee is implemented.



**3.3 Total Monthly Charges for Residence.** The total of your initial monthly charges is \$\_\_\_\_\_ for the Owner's Supervision Fee and Monthly Fee. In addition to the Owner's Supervision Fee and the Monthly Fee, you will also pay the extra charges for any additional services.

**3.4 Payment.** On the earlier of (a) the date you move into The Community or (b) sixty (60) days following execution of this Agreement by us, you shall pay a pro rata portion of the Owner's Supervision Fee and Monthly Fee for the first partial month of occupancy. Thereafter, your monthly charges will be payable on the first day of each month in advance, and your extra charges for additional services will be paid on the first day of each month for the additional services obtained during the preceding month. You will receive a monthly statement from us outlining your monthly charges and any additional charges incurred by you.

**3.5 Late Payment.** We shall permit a thirty (30) day grace period before the imposition of a late payment charge for failure to pay the monthly charges or any extra charges when due. A late payment charge will be assessed at the rate of one percent (1%) per month (12% per annum) on the total delinquent amounts due. Late payment charges will not be compounded and will not be included in the total delinquent amounts computed for determining any late payment charge assessed in any succeeding month. The late payment charge is waived if payment is delayed due to slow processing by your supplemental insurance carrier. However, we do not waive our right to cancel this Agreement for nonpayment of fees subject to Section 9 of this Agreement.

**3.6 Cancellation of Charges for Residence.** The monthly charges for your Residence will terminate upon the earlier of (a) your death (if there are two of you, upon the death of the survivor), (b) the release of your Residence pursuant to the provisions regarding health center usage, or (c) the cancellation of this Agreement. Notwithstanding the foregoing, monthly charges for your Residence will continue at least until your furniture and other property are removed from the Residence. If removal of your furniture and other property is not accomplished within thirty (30) days after the earlier of (a) your death (if there are two of you, the death of the survivor) or (b) the release of your Residence pursuant to the provisions regarding health center usage or (c) cancellation of this Agreement, then we may remove and store such furniture and other property at the expense and risk of you or your estate. In the event there are two of you who occupy the Residence and one of you dies, the second person fees will cease and the

remaining person will continue to pay the first person Monthly Fee and the Owner's Supervision Fee.

**4. SERVICES AND AMENITIES PROVIDED TO ALL RESIDENTS.** Essex Meadows will furnish at The Community, so long as you reside in your Residence, the following services and amenities, which are included in the Monthly Fee:

- 4.1 One full meal per day;
- 4.2 Water, sewer, air conditioning, heating, and electricity for apartment residents – water and sewer for cottage residents;
- 4.3 Maintenance of buildings and grounds;
- 4.4 Weekly housekeeping service;
- 4.5 Weekly flat laundry service;
- 4.6 Planned activities - social, cultural, and recreational for those who wish to participate – a monthly list of Community activities is posted in the mailroom, with a copy placed in each resident's in-house mailbox each month. Copies are also available at the front desk and through the Social Director;
- 4.7 One space for open parking for apartment residents – two-car attached garage for cottage residents;
- 4.8 Complete kitchen, including refrigerator, range with oven, garbage disposal, ductless hood fan, microwave, and dishwasher;
- 4.9 Washer and dryer in common area for apartment residents – washer and dryer in each cottage;
- 4.10 Scheduled transportation – the list of scheduled transportation is incorporated into the monthly activities schedule and is distributed as outlined in Paragraph 4.6 above;
- 4.11 Emergency call monitoring in your Residence by Community staff;

**4.12** Assisted living services for a limited period of time as determined on a case-by-case basis at the time such services are required, in our sole discretion – a list of which is attached hereto as Exhibit A;

**4.13** Use of all common areas in The Community; and

**4.14** Use of The Community health center pursuant to the terms of this Agreement.

**5. ADDITIONAL SERVICES PROVIDED FOR AN EXTRA CHARGE.** Essex Meadows will also make available at The Community, at your request, so long as you reside in a residence at The Community, at the then prevailing rates of extra charge:

**5.1** Additional meals over those provided in consideration for the Monthly Fee;

**5.2** Tray service to your Residence;

**5.3** Additional housekeeping;

**5.4** Extended assisted living services (as determined on a case-by-case basis at the time such service is required, in our sole discretion – a list of which is attached hereto as Exhibit A);

**5.5** Beauty parlor/barber shop;

**5.6** A limited number of garages for apartment residents;

**5.7** Certain other services, upon special arrangements; and

**5.8** Certain additional services for extra charge while you are in The Community health center.

A list of these ancillary charges for the additional services can be obtained from the front desk. A copy of the ancillary charges is also in the Resident Handbook provided to all new residents. Each year, a current copy of the ancillary charges is distributed to each resident, along with the notification of any fee increases for the upcoming year.

**6. THE COMMUNITY HEALTH CENTER.** If, in the opinion of your attending physician or the Medical Director, you need nursing care services in The Community health center, we will provide you with semi-private nursing care services to the extent authorized by our license from the State of Connecticut on the following terms:

**6.1 First 90 Days of Nursing Care.** We will provide nursing care services in The Community health center without additional charge for ninety (90) cumulative days for you (ninety (90) days for each of you if there are two of you, but the allowance cannot be combined and used by only one of you), except that you (each of you if there are two of you) will pay the charges for the extra meals not covered by the Monthly Fee and the charges for any additional services as described in paragraphs 6.8 and 6.9. The Monthly Fee charged for your Residence (first and second person, as applicable) and the Owner's Supervision Fee(s) will continue as before.

**6.2 More Than 90 Days of Nursing Care When There is One of You.** If there is one of you and you require nursing care services beyond the ninety (90) cumulative days, and you relocate to The Community health center, your monthly charges will depend upon whether you choose to release your Residence:

**6.2.1 Release Residence.** If you choose to release your Residence for reoccupancy by someone else, you must provide us with thirty (30) days advance written notice of such release. The Monthly Fee for your Residence will cease upon the later of (i) the expiration of said thirty (30) day period or (ii) the date all your furniture and personal belongings have been removed from your Residence. You will pay a monthly charge for nursing care services in an amount equal to your Owner's Supervision Fee, plus the then-current first person Monthly Fee for the two-bedroom deluxe apartment and a supplemental charge described in paragraph 6.4 hereof. In addition, you will pay the charges for the extra meals per day not covered by the Monthly Fee and the charges for any additional services as described in paragraphs 6.8 and 6.9.

**6.2.2 Retain Residence.** If you choose to retain your Residence, you will continue to pay your Monthly Fee for your Residence and the Owner's Supervision Fee. You will also pay a monthly charge for nursing care services in an amount equal to the then-current first person Monthly Fee for the two-bedroom deluxe

apartment and a supplemental charge described in paragraph 6.4 hereof, plus the charges for the extra meals per day not covered by the Monthly Fees and the charges for any additional services as described in paragraphs 6.8 and 6.9.

**6.3 More Than 90 Days of Nursing Care When There Are Two of You.** If there are two of you, and only one of you requires nursing care services beyond the ninety (90) cumulative days, and such Resident relocates to The Community health center, that Resident will pay the Owner's Supervision Fee, plus the then-current first person Monthly Fee for the two-bedroom deluxe apartment and a supplemental charge described in paragraph 6.4. In addition, the health center Resident will pay the charges for the extra meals per day not covered by the Monthly Fee and the charges for any additional services as described in paragraphs 6.8 and 6.9. The Resident remaining in the Residence will pay the first person Monthly Fee for the Residence and the Owner's Supervision Fee.

If both of you require nursing care services beyond the ninety (90) cumulative days, and both of you relocate to The Community health center, your monthly charges will depend upon whether you choose to release your Residence:

**6.3.1 Release Residence.** If you choose to release your Residence for reoccupancy by someone else, you must provide us with thirty (30) days advance written notice of such release. The Monthly Fee for your Residence (first and second person) will cease upon the later of (i) the expiration of said thirty (30) day period or (ii) the date all your furniture and personal belongings have been removed from your Residence. Each of you will pay a monthly charge for nursing care services in an amount equal to your Owner's Supervision Fee, plus the then-current first person Monthly Fee for the two-bedroom deluxe apartment and a supplemental charge described in paragraph 6.4 hereof. In addition, you will pay the charges for the extra meals per day not covered by the Monthly Fees and the charges for any additional services as described in paragraphs 6.8 and 6.9.

**6.3.2 Retain Residence.** If you choose to retain your Residence, you will continue to pay your Monthly Fee (first and second person) for your Residence and the Owner's Supervision Fees. Each of you will also pay a monthly charge for nursing care

services in an amount equal to the then-current first person Monthly Fee for the two-bedroom deluxe apartment and a supplemental charge described in paragraph 6.4 hereof, plus the charges for the extra meals per day not covered by the Monthly Fees and the charges for any additional services as described in paragraphs 6.8 and 6.9.

**6.4 Supplemental Charge for Nursing Care Services.** In addition to the fees outlined in paragraphs 6.2.1, 6.2.2, 6.3.1 and 6.3.2 for nursing care services in The Community health center, you (or both of you) will also pay a supplemental charge for nursing care services in The Community health center in the amount of \$\_\_\_\_\_ per person per month. This supplemental charge will not increase during the term of this Agreement.

**6.5 Private Room.** In the event a private room is available and desired by you, but is not medically necessary, you may occupy the private room upon agreement to pay the difference between the charge for a semi-private room and the charge for a private room. However, at our sole discretion, if the private room in which you are residing is needed for semi-private use, you agree to reside in a semi-private room until a private room is once again available (unless a private room is medically necessary).

**6.6 Alternate Nursing Care.** If, due to unusual circumstances, beds are not available in The Community health center, you agree to relocate to an alternate health center with which we have contracted to provide nursing care services. During your relocation to an alternate health center, you will pay to us all applicable monthly charges under this Agreement, including the monthly charge for nursing care services. The monthly charges paid for nursing care services under this Agreement will be applied against the charges associated with your alternate health center services and accommodations. The charges associated with your alternate health center services and accommodations in excess of the monthly charges paid by you for nursing care services under this Agreement will be allocated to all residents of The Community pursuant to the Fair Share Allocation Formula. Charges for additional services and accommodations not provided in consideration for the monthly charges paid by you for nursing care services under this Agreement will be at your expense. You will be relocated to The Community health center as soon as a bed is available.

**6.7 Return to Residence.** If you release your Residence because you have moved to The Community health center, and if later you are able, in

the opinion of the Medical Director or your attending physician with the concurrence of the Medical Director, to return to a residence, we will provide you a residence of the same type as your Residence as soon as one becomes available. Upon reoccupying a residence, your monthly charges will be based on the then-current charges for the residence.

**6.8 Additional Health Services.** We will also provide additional services and supplies in The Community health center such as therapy, pharmaceutical supplies, personal laundry, and rental of equipment. These services and supplies are not included in the Owner's Supervision Fee, the Monthly Fee, or the monthly charge for nursing care services set forth above, but will be available for an extra charge.

**6.9 Medical Director and Attending Physician.** We have designated a member in good standing of the Middlesex County Medical Society to serve as Medical Director of The Community health center. You will be at liberty to engage the services of the Medical Director or any other physician at your own expense. We will not be responsible for the cost of medical treatment by the Medical Director, or any other physician, nor will we be responsible for the cost of medicine, drugs, prescribed therapy, and other similar services and supplies. In the event we incur or advance costs for your medical treatment or for medicine, drugs, prescribed therapy, and other similar services and supplies, you will reimburse us for such costs.

**6.10 Non-Resident Use of Health Center.** We intend to offer nursing care services in The Community health center to qualified non-residents for a fee, to the extent beds are available. However, residents will be given priority access to available beds.

**6.11 Supplemental Insurance.** You are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in The Community health center. Such supplemental insurance should cover Medicare co-insurance and deductibles. You shall furnish to us such evidence of coverage as we may from time to time request. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in The Community health center, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in The Community health center, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other costs for each

Medicare-qualified stay in The Community health center. If failure to maintain Medicare Part A, Medicare Part B, or supplemental health insurance is causing depletion of your resources and impairs your ability to meet your financial obligations, we need not defer your financial obligations as provided in paragraph 9.4.2, and we retain the right to cancel this Agreement for nonpayment of fees and charges as provided in Section 9.

**6.12 Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms governing health center care will be as follows:

**6.12.1 Participating Provider.** If The Community health center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, we agree to accept, as full payment, reimbursement at the rate negotiated with your managed care program. Such managed care stay in The Community health center will not reduce the number of cumulative days of care that you are eligible to receive without additional charge pursuant to paragraph 6.1. You will be obligated to pay for any additional services as described in paragraphs 6.8 and 6.9.

**6.12.2 Not a Participating Provider.** If The Community health center is not a participating provider with your managed care program and you choose to receive health care services at a managed care participating provider during a Medicare-qualified stay, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all charges for those health care services. In addition, while receiving health care services at the managed care participating provider, you agree that unless this Agreement is canceled, you will continue to pay the Monthly Fee if you choose not to release your Residence and the Owner's Supervision Fee. Such a Medicare-qualified stay at a managed care participating provider other than The Community health center will not reduce the number of cumulative days of care that you are eligible to receive without additional charge pursuant to paragraph 6.1.

**6.12.3 Negotiated Managed Care Rate.** If The Community health center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will attempt



to negotiate an acceptable reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in The Community health center will not reduce the number of cumulative days of care that you are eligible to receive without additional charge pursuant to paragraph 6.1. You will be obligated to pay for any additional services as described in paragraphs 6.8 and 6.9.

**6.12.4 No Negotiated Managed Care Rate.** If The Community health center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive health care in The Community health center during a Medicare-qualified stay, then each day of your stay in The Community health center will reduce by one day the number of cumulative days of care that you are eligible to receive without additional charge pursuant to paragraph 6.1. During any such Medicare-qualified stay in The Community health center, you agree that you will continue to pay the Monthly Fee if you choose not to release your Residence and the Owner's Supervision Fee. You will be obligated to pay for any additional services as described in paragraphs 6.8 and 6.9.

If at any time during any such Medicare-qualified stay in The Community health center you are no longer eligible to receive any of the cumulative days of care provided for in paragraph 6.1, then you agree to pay the per diem charge for your care in The Community health center, the Monthly Fee if you choose not to release your Residence and the Owner's Supervision Fee while you are assigned to The Community health center. You will be obligated to pay for any additional services as described in paragraphs 6.8 and 6.9.

**6.12.5 Post Medicare-Qualified Stay.** At the conclusion of each such Medicare-qualified stay, you will be entitled to health care in The Community health center in accordance with the terms of this Agreement other than as set forth in this paragraph 6.12, as adjusted to reflect any reduction during such stay in the number of cumulative days of care that you are eligible to receive without additional charge pursuant to paragraph 6.1.

**7. DURATION OF YOUR RIGHT TO OCCUPY THE RESIDENCE.**

You may reside in your Residence for as long as you (or either of you) live unless you (both of you if there are two of you) are not capable of meeting the requirements of occupancy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that nursing care services be given, you will be requested to relocate to The Community health center where Essex Meadows is licensed to provide such care. If it is determined that you require hospitalization, we will assist in the coordination of your transfer to an appropriate hospital. Community staff will not accompany a resident to the hospital.

**8. YOUR VOLUNTARY CANCELLATION RIGHTS AFTER ASSUMING OCCUPANCY.**

After you assume occupancy at The Community, you may cancel this Agreement at any time by giving us one hundred twenty (120) days' advance written notice (the "Notice Period"), signed by you (both of you if there are two of you) and sent by registered or certified mail. Once we receive your notice of cancellation, you cannot rescind it, and we have the right to assign your Residence for occupancy by someone else. You are required to continue to pay your monthly charges during the Notice Period. This Agreement shall cancel on the later of (a) expiration of the Notice Period; or (b) the date you vacate your Residence or The Community health center and remove all your furniture and other property. You will continue to pay all applicable monthly charges as set forth in paragraph 3.5. Refund of your Entrance Fee, if any, will be in accordance with paragraph 2.2 above.

**9. OUR CANCELLATION RIGHTS.**

**9.1 Just Cause.** We will not cancel this Agreement except for just cause. Just cause includes, but is not limited to, the following:

**9.1.1** Nonpayment of fees or charges required to be paid under the terms of this Agreement, except as set forth below; or

**9.1.2** You have or acquire a medical condition for which we are not licensed to provide care in The Community health center; or

**9.1.3** Your residency in The Community constitutes a threat to your health or safety or to the health or safety of other persons, or would result in physical damage to the property of others; or

**9.1.4** You breach the terms of this Agreement or the published operating procedures, covenants, rules, regulations, and policies now existing or later amended by us.

**9.2 Notice of Cancellation.** Prior to any cancellation of this Agreement by us, we will give you notice in writing of the reasons and you will have thirty (30) days thereafter within which the problem may be corrected. If the problem is corrected within such time, this Agreement will not be canceled. If the problem is not corrected within such time, this Agreement will be canceled and you must leave The Community. Refund of your Entrance Fee, if any, will be in accordance with paragraph 2.2 above.

**9.3 Emergency Notice.** Notwithstanding the above, if the Medical Director determines that either the giving of notice or the lapse of time as above provided might be detrimental to you or others, then such notice and/or waiting period shall not be required before relocation to a hospital or other appropriate facility. Under such circumstances, we are expressly authorized to transfer you to such hospital or other facility, and we will promptly notify your representative and your attending physician. Upon transferring you to such hospital or other facility, we will immediately provide you with a notice of cancellation. This Agreement shall be canceled thirty (30) days following notice, unless your condition improves and you are subsequently readmitted to The Community. In the event of cancellation, refund of your Entrance Fee, if any, will be in accordance with paragraph 2.2 above.

**9.4 Limitations on Cancellation Rights for Financial Inability.** If, after you have paid the Entrance Fee, you encounter financial difficulties making it impossible for you to pay the full monthly charges and other charges for the Residence or for nursing care services in The Community health center, then:

**9.4.1** You shall be permitted to remain at The Community for ninety (90) days after the date of failure to pay, during which time you shall continue to pay reduced monthly charges based on your then-current income; and

**9.4.2** Because it is and shall continue to be our declared policy to not cancel your residency solely by reason of your financial inability to pay the monthly charges, you shall be permitted to

remain at The Community at reduced monthly charges based on your ability to pay for so long as you establish facts to justify deferral of the usual charges, and the deferral of such charges can, in our sole discretion, be granted without impairing our ability to operate on a sound financial basis. The loss of revenue to The Community from any such deferral of charges will be borne by us and will not be charged back to the residents under the Fair Share Allocation Formula. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by making unapproved gifts or other transfers or by not maintaining Medicare Part A, Medicare Part B and/or adequate supplemental insurance required under paragraph 6.11. To evidence these agreements based on the circumstances at the time, you agree to enter into a financial assistance amendment with us at the time of any such deferrals to reflect the reduced monthly charges and the interest rate to be applied to the deferrals. Any such deferred charges shall be offset against any Entrance Fee refund owed by us under paragraph 2.2 of this Agreement.

## **10. MISCELLANEOUS PROVISIONS WITH RESPECT TO YOUR RESIDENCE.**

**10.1 Use of Residence.** The Residence is for living only and shall not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions.

**10.2 Occupants of Residence.** Except as hereinafter provided, no person other than you (or both of you if there are two of you) may occupy the Residence except with our express written approval. In the event that a second person who is not a party to this Agreement is accepted for residency under this Agreement at a time after the date hereof (said acceptance to be in accordance with admissions policy governing all other admissions), you shall pay an additional Entrance Fee as determined by us, and each month thereafter the then-current additional monthly charges for second persons shall be paid. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than thirty (30) days (except with our express written approval), and you may cancel this Agreement as provided in Section 8.

**10.3 Compliance Changes.** We may effect changes in The Community at any time to meet the requirements of law. You agree to temporarily

relocate to other facilities provided by us without additional cost to you if it becomes necessary to vacate your Residence or The Community health center in order to make such changes.

**10.4 Furnishings.** Furnishings within the Residence will not be provided by us except to the extent provided in consideration for the Monthly Fee. Furnishings provided by you shall not be such as to interfere with the health, safety, and general welfare of you or other residents or the staff of The Community.

**10.5 Relocation.** If relocation is recommended by the Medical Director or your attending physician, we may relocate you to another residence within The Community or request that you relocate to The Community health center (or to a hospital if we cannot provide the care you need in the health center) for the protection of your health or safety or for the general and economic welfare of others. If there are two of you under this Agreement and one of you dies or is relocated to The Community health center, or for some other reason is unable to occupy the Residence, the remaining person may continue to occupy the Residence under the terms of this Agreement.

**10.6 Alterations by You.** You may not undertake any alterations to your Residence without our prior written approval. We reserve the right, upon your release of the Residence because you have moved to The Community health center, or upon cancellation of this Agreement, to require that any alterations made by you be removed, and that the Residence be restored to its original design at your expense. The cost of any such restoration may be withheld from any Entrance Fee refund due to you or your estate.

**10.7 Refurbishment.** Customary and normal refurbishment costs of your Residence will be borne by all residents of The Community under the Fair Share Allocation Formula. Any necessary refurbishment costs caused by you or your guests which are beyond those which are customary and normal, will be paid by you, and such costs may be withheld from any Entrance Fee refund due to you or your estate.

**10.8 Emergency Entry.** We may enter your Residence should it be necessary to protect your health or safety or the health or safety of other residents.

**10.9 Smoke-Free Campus Policy.** For the health and safety of all residents and staff at The Community, we have implemented a Smoke-Free Campus Policy, a copy of which is available to you upon request. You agree to abide the terms of the Smoke-Free Campus Policy and any future changes thereto.

**11. FAIR SHARE ALLOCATION FORMULA.** The amount of your Monthly Fee is determined by application of the Fair Share Allocation Formula. The Formula has been developed to equitably apportion the costs of operating The Community among its residents.

**11.1 General.** All projected Cash Requirements (including additions to reserves) necessary to provide the facilities and services to the residents of The Community (including residents of The Community health center) are charged to The Community residents through the application of the Fair Share Allocation Formula. Generally, the projected Cash Requirements are based upon the costs incurred in connection with the operation of The Community for the preceding year with adjustments for inflation or deflation, occupancy rates, additions to reserves, and nonrecurring expenses, and reduced by projected revenues (such as fees for additional services, health center fees, certain investment income) for the upcoming year. Once determined, the projected Cash Requirements are then allocated among The Community residents based upon the size of the apartment/cottage which each resident occupies and the number of residents in The Community.

**11.2 Benefits to Us.** No portion of the costs included in the Fair Share Allocation Formula are paid to us as fees. Our compensation for the ongoing ownership of The Community is comprised solely from the Entrance Fees (subject to our obligation to make any refund pursuant to paragraph 2.2), monthly Owner's Supervision Fee (which is fixed for you for the duration of your occupancy), the Loans paid under the Return of Capital™ residency agreement (subject to our obligation to repay the Loans), and the potential appreciation of The Community and other benefits generally associated with the ownership of real estate.

**11.3 Cash Requirements.** As set forth in this Section 11, your Monthly Fee will be adjusted upward or downward each year according to the Cash Requirements of The Community, as allocated to each apartment/cottage and all second persons. The Cash Requirements to be allocated are the sum of:

**11.3.1** Operating Cash Requirements for the preceding year, which shall mean all recurring and nonrecurring costs, expenses, and outlays incurred in connection with the operation and administration of The Community. Operating Cash Requirements shall be determined by The Community management and shall include, but not be limited to, salaries and wages and all fringe benefits paid to employees of The Community and other persons stationed at The Community and other persons having day-to-day administrative, marketing and/or management responsibilities; telephone; utilities; license fees; occupational taxes, payroll taxes, property taxes, sales taxes, permits, etc., associated with The Community; lease payments, if any; legal and accounting services; bad debts and other losses; deductibles related to insurance claims; consulting fees for specialists such as dietitians and medical directors; food and supplies; capital improvements; costs of repair, maintenance, replacement and improvements to equipment, furniture, fixtures and buildings, except those costs paid from the reserve for replacement described in paragraph 11.3.2; management fees and other reimbursable costs, including costs of reasonable expenses incurred in performing management services for The Community, such as transportation, living expenses, telephone expense, and photocopying expense; cost of maintenance and normal replacement of landscaping; principal payments on all loans except loans from residents and interest payments on all loans; and other similar items related to The Community. Operating Cash Requirements shall not include income taxes or dividends.

**11.3.2** The amount to fund the reserve for replacement shall be equal to three percent (3%) of the prior year's Operating Cash Requirements. The reserve for replacement, including accumulated interest earned and retained in the reserve, shall be used to fund major capital expense items. Major capital expense items, as determined by us, are those items that would cause the Operating Cash Requirements and resulting Monthly Fees to increase at an unusually high rate.

**11.3.3** An amount projected by us to account for expected changes from the previous year in services, The Community health center utilization, apartment/cottage occupancy, marketing, remodeling, or any other material factor.

**11.3.4** A reasonable estimate for inflation or deflation in the cost of operating The Community for the coming fiscal year.

**11.3.5** An amount to maintain or increase the reserve for operating cash established under paragraph 11.6. Deposits to this reserve and earnings from this reserve may only be used for items related to the operation of The Community.

**11.3.6** An amount to maintain or increase the amount of any reserve required by the laws of the State of Connecticut.

**11.3.7** There shall then be subtracted the projected net revenues to be received in the coming fiscal year from (i) The Community health center operations; (ii) investment income from the health center resident loans escrow and from the balance of deposits in the waiting list escrow; (iii) fees for additional services to the residents as provided in Sections 5 and 6 of this Agreement; (iv) space rentals from such support services as barber/beauty shops; (v) income from investment of operating reserves, including reserves required by the State of Connecticut; (vi) nonrecurring operating income; (vii) an amount equal to fifty percent (50%) of marketing costs (defined as salaries and wages and all fringe benefits paid to marketing personnel employed by The Community, and promotional expenses), which shall be contributed by us; and (viii) an amount equal to the costs of repainting and recarpeting apartments/cottages incurred after the apartment/cottage has been released to us but prior to reoccupancy by a new resident, which shall be contributed by us.

**11.4 Allocation of Cash Requirements.** Allocation of the sum of the Cash Requirements described in paragraph 11.3 to each individual resident's apartment/cottage and all second persons shall be accomplished by:

**11.4.1** Multiplying the number of apartments/cottages in The Community of each size and the number of second person residents therein by the following factors, and then summing such products:



Number of One-Bedroom Convertible Apartments x 77.9 percent factor	Number of Two-Bedroom Deluxe with Den Apartments (or Three-Bedroom) x 115.5 percent factor
Number of One-Bedroom Traditional Apartments x 84.5 percent factor	Number of Two-Bedroom Custom with Den Apartments x 115.5 percent factor
Number of One-Bedroom Deluxe Apartments x 92.2 percent factor	Number of Essex Suites x 129.7 percent factor
Number of One-Bedroom Custom Apartments x 95.8 percent factor	Number of Meadows Suites x 137.3 percent factor
Number of Two-Bedroom Traditional/One-Bedroom with Den Apartments x 100.0 percent factor	Number of Three-Bedroom Custom Apartments x 171.5 percent factor
Number of Two-Bedroom Deluxe Apartments x 106.8 percent factor	Number of Silver Star Cottages x 142.4 percent factor
Number of Two-Bedroom Custom Apartments x 106.8 percent factor	Number of Columbia Cottages x 149.9 percent factor
Number of Two-Bedroom Enhanced Apartments x 111.8 percent factor	Number of Charter Oak Cottages x 154.4 percent factor
	Number of Lexington Cottages x 165.7 percent factor
	Number of Second Persons x 47.1 percent factor

To take into account the combination or addition of different apartments/cottages to The Community, or similar events which require the addition of new factors, factors may be added to or deleted from the above formula upon thirty (30) days' prior written notice.

**11.4.2** Multiplying the sum determined in paragraph 11.4.1 above by a factor representing the projected apartment/cottage occupancy rate.

**11.4.3** Dividing the sum of the Cash Requirements determined under paragraph 11.3 by the amount determined under paragraph 11.4.2 to arrive at the arithmetic quotient.

**11.4.4** The Fair Share for each apartment/cottage size and for the second person shall be the product of multiplying the arithmetic quotient determined under paragraph 11.4.3 by the factor assigned

to each apartment/cottage and to the second person in paragraph 11.4.1. The amount of increase or decrease in the Monthly Fee will be the difference between the new Fair Share for each apartment/cottage size and for the second person and the applicable Fair Share for the preceding year, divided by twelve (12).

**11.5 Implementation of Fair Share.** At least thirty (30) days prior to the end of each fiscal year, we will notify you of the new Monthly Fee that will go into effect at the start of the next fiscal year.

**11.6 Additional Reserves.** Essex Meadows has established reserves as follows: (a) a reserve for replacement (as described in paragraph 11.3.2) and (b) a reserve for operating cash (as described in paragraph 11.3.5). To the extent permitted by Connecticut law, the total amount of the operating cash reserve and of the reserve for replacement will be used to satisfy operating reserves required by Connecticut law. Any amounts necessary to maintain or increase such additional reserves shall, however, be included in your Fair Share. Copies of these reserve agreements with the bank are available upon request.

**12. NO JURY TRIALS.** Resident or Essex Meadows may submit any dispute, claim or controversy of any kind between them arising out of, or in connection with or relating to this Agreement and any amendment hereof, or the breach hereof, for judicial resolution in any court of appropriate jurisdiction. Resident and Essex Meadows each waives any and all right to request or have a jury trial in any such proceeding, and agrees that the judge in any such proceeding shall be the decider of all fact issues, as well as all law issues, subject to the right of either party to appeal the judge's decision as provided by law.

**13. AMENDMENTS.**

**13.1 This Agreement.** This Agreement may be amended by agreement of the parties to this Agreement.

**13.2 All Agreements.** In addition, any designated residency agreements, which may include this Agreement, may be amended in any respect with the approval of: (a) not less than eighty percent (80%) of the residents of The Community apartments/ cottages; and (b) us; provided, however, that no such amendment shall:

**13.2.1** reduce the aforesaid percentage of residents which is required to consent to any such amendment; or

**13.2.2** permit the preference or priority of any resident over any other resident without the consent of each resident.

Upon evidence of approval by Essex Meadows of any such amended residency agreement, and upon evidence of the approval of not less than eighty percent (80%) of the apartment/cottage residents as aforesaid, such amendment shall be effective, and any designated residency agreements, which may include this Agreement, shall automatically be amended accordingly.

**13.3 Laws and Regulations.** This Agreement may be modified by us at any time in order to comply with Federal or State laws and regulations.

#### **14. MISCELLANEOUS LEGAL PROVISIONS.**

**14.1 Governing Law.** This Agreement will be interpreted according to the laws of the State of Connecticut and will become effective upon acceptance and execution by us. The Glossary which sets forth the definitions of certain terms used in this Agreement is by this reference incorporated herein and made a part of this Agreement.

**14.2 Separability.** The invalidity of any restriction, condition, or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

**14.3 Capacity.** This Agreement has been executed by a duly authorized agent of Essex Meadows, and no partner, officer, director, agent, or employee of Essex Meadows shall have any personal liability hereunder to Resident under any circumstances.

**14.4 Residents.** When Resident consists of more than one person, the rights and obligations of each are joint and several, except as the context otherwise requires.

**14.5 Resident Rights.** As a resident of The Community, you have certain rights under the Connecticut continuing care law (Conn Gen. Stat. §17b-520 et. seq.), a copy of which is available upon request. You also have certain rights if you receive services from The Community as a

managed residential community. A copy of those rights is attached hereto as Exhibit B.

**14.6 Nature of Rights.** You understand and agree that (a) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to reimbursement of the amounts as described in Section 2; (b) this Agreement and your contractual right to occupy The Community shall exist and continue to exist during your lifetime unless canceled by you or us as provided herein; (c) this Agreement grants you a right to occupy and use space in The Community, but does not give you exclusive possession of the Residence as against us, and you shall not be entitled to any rights of specific performance but shall be limited to such remedies as set forth herein; (d) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (e) this Agreement grants to us complete decision making authority regarding the management and operation of The Community.

**14.7 Release.** We are not responsible for loss of or damage to your personal property, however caused, and you release us therefrom. You are required to obtain at your own expense insurance to protect against such losses.

**14.8 Indemnity.** We shall not be liable for, and you agree to indemnify, defend, and hold us 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 to the extent caused by, resulting from, attributable to, or in any way connected with your negligent or intentional act or omission.

**14.9 Reimbursement for Loss or Damage.** You or your representative, if applicable, will reimburse us for any loss or damage to The Community as the result of your intentional, careless, or negligent acts or omissions or that of your guests.

**14.10 Entire Agreement.** This Agreement and any Addenda or Exhibits contain our entire understanding with respect to your residency.

**14.11 Tax Considerations.** Each person considering executing this Agreement should consult with his or her tax advisor regarding the tax

considerations associated with this Agreement. Tax considerations are discussed in the Disclosure Statement.

**14.12 Subordination.** Except for your right of cancellation prior to occupancy, you agree that all your rights under this Agreement will always be subordinate and junior to the lien of all indentures of trust, mortgages, or other documents creating liens encumbering The Community or any of the assets of Essex Meadows, which have been or will be executed by us. Upon request, you agree to sign, acknowledge, and deliver to such lender or lenders such further written evidence of such subordination as such lenders may reasonably require. You will not be liable for any such indebtedness except to the extent, if any, payable as part of your Monthly Fee.

**14.13 Transfers.** We may from time to time issue additional equity interests, or sell or transfer interests in The Community, provided that, in such latter event, the buyer shall agree to assume all existing residency agreements. In addition, we may sell or otherwise transfer the land or other portions of The Community and lease back such land or other portions. Your signature hereto constitutes your consent and approval to any such future transfer.

**14.14 Residents' Association.** Residents shall have the right to organize and operate a residents' association at The Community and to meet privately to conduct business of the residents' association.

**14.15 Private Employee of Resident.** If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. Further, you must comply with our policy regarding personal service providers and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our personal service provider policy. If you fail to follow or enforce the policies and rules set forth therein, then we may elect, at our sole option, to cancel this Agreement.

**14.16 Responsible Party.** You agree to execute and deliver to us within sixty (60) days after assuming occupancy in your Residence a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision making. These

documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us, and you agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of The Community.

**14.17 Compliance with Laws and Regulations.** Essex Meadows will comply with all applicable Municipal, State, and Federal laws and regulations, including consumer protection and protection from financial exploitation.

**14.18 Complaint Resolution Process.** The Community has established a complaint resolution process for residents and families, which is attached hereto as Exhibit C. Residents and family members may use the complaint resolution process without fear of reprisal of any kind.

**15. RESERVE POLICY.** It will be our policy to maintain reserve funds as required by Connecticut law.

**16. RESIDENT REPRESENTATIONS.** By executing this Agreement, you represent and warrant that: (i) you are at least 62 years of age or older at the time of admission; (ii) you are capable of occupancy in your Residence in accordance with our current admissions policy; (iii) you have assets and income which are sufficient under foreseeable circumstances and after provision for payment of your obligations under this Agreement to meet your ordinary and customary living expenses after assuming occupancy; and (iv) all written representations made by you or on your behalf during the admissions process are true.

**17. RESIDENT HANDBOOK.** The Community has established certain rules, policies and guidelines in order to promote the health, safety and welfare of its residents. A copy of the Resident Handbook containing these rules, policies and guidelines will be provided to each resident upon admission to the Community. The Resident Handbook also contains a list of extra charges for additional services available to the residents of The Community. The Community may revise the Resident Handbook from time to time and any revisions will be provided to the residents. Upon receipt of the Resident Handbook, you agree to sign an Acknowledgment form, a copy of which is attached hereto as Exhibit D. Your signed Acknowledgment will be placed in your resident file.

**18. ACKNOWLEDGMENT OF RECEIPT OF DOCUMENTS.** You hereby certify that you received a copy of this Agreement and a copy of our latest disclosure statement before the date hereof, and have been permitted to inspect any additional relevant materials requested to be reviewed by you or your representatives prior to signing this Agreement.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ (year)

**ESSEX MEADOWS  
PROPERTIES, INC.**

\_\_\_\_\_  
RESIDENT  
or  
RESIDENT'S REPRESENTATIVE

By \_\_\_\_\_

Its \_\_\_\_\_

Date \_\_\_\_\_

\_\_\_\_\_  
Witness

\_\_\_\_\_  
RESIDENT  
or  
RESIDENT'S REPRESENTATIVE



Flex Plan Residency Agmt (2014-01-24)

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Residence Type

\_\_\_\_\_  
Residence Number

## **EXHIBIT A**

### **Assisted Living Services at Essex Meadows *Provided by the Resident Health Services Department***

Any resident whose condition is classified by a physician as chronic and stable may receive assisted living services through the Resident Health Services Department. These services may include activities of daily living and/or nursing services in order to maximize the resident's level of independent living.

#### **How does Resident Health Services Assisted Living work?**

- A basic set of services is available to all residents at no charge.
- Resident Health Services staff is available seven (7) days a week with services routinely scheduled between 8 a.m. and 8 p.m. Staffing after these hours is arranged on an as-needed basis.
- A licensed nurse is on call twenty-four (24) hours a day to assure coordination of care at all times.
- A personalized assisted living service package may be designed for the resident based upon individual needs.
- A resident, who needs services only occasionally, or on an intermittent basis, may prefer to choose an "a-la-carte" program.
- Medication management programs are available.
- Continental breakfast or meal delivery may be arranged for any resident who medically requires assistance with meals.

#### **Services Available at No Charge**

- Resident care and/or consultation provided in the nursing office
- Occasional wheelchair escort within The Community
- Occasional social visits
- Discharge planning assistance
- Meal tray delivery for three (3) days during an illness
- Follow-up visit after illness or injury
- Arrangements for special medical equipment
- Assistance with coordination of outside agency services
- Consultation with physician and family
- Weekly bed linen changes for residents who have a medical need
- Weekly blood pressure clinic



### **Services Available for a Fee**

- Admission to the Assisted Living Services Program - \$120.00
- Re-assessment every 120 days or change in condition - \$75.00
- Management of the ATC (Around The Clock) medication system - \$190.00 monthly (apartment resident) and \$230.00 monthly (cottage resident)
  - If needed, medication reminders up to 3 times daily by a CNA are included
  - Resident is responsible for the cost of the medication
- A request for a nursing visit to your residence will be charged at the current In-home visit rate
- Case management fees will apply to residents employing private homecare agencies without nursing supervision
- Nursing and/or nurses aide services provided in your residence:
  - “A-la-carte” services are available during routine hours - \$8.50 per each 15-minute period (apartments) and \$10.00 per each 15-minute period with \$20.00 minimum (cottages)
  - Service packages are available - for example, a four-hour per week package that includes assistance with one or two activities of daily living can be provided for \$600 per month
  - Costs for services provided outside of routine hours are arranged on an individual basis
- Local transportation to medical appointments:
  - A 24-hour notice is requested and service is subject to care and driver availability
  - \$15.00 one way; \$25.00 local round trip; additional \$20.00 per hour if driver is requested to wait for you
- Companion services by a non-certified staff person: \$10.00 per 15-minute period; if service is one hour or more, the charge is \$25.00 per hour
- Regularly scheduled visits by podiatrist and audiologist in the Residential Health Services office are coordinated by request.

*Fees are subject to change upon notice to the residents.*

## **EXHIBIT B**

### **MANAGED RESIDENTIAL COMMUNITY RESIDENTS' BILL OF RIGHTS**

You have the right to:

- Live in a clean, safe and habitable private residential unit;
- Be treated with consideration, respect and due recognition of your personal dignity, individuality and the need for privacy;
- Privacy within your private residential unit, subject to the Community's rules reasonably designed to promote your health, safety and welfare;
- Retain and use your personal property within your residence so as to maintain individuality and personal dignity, provided that your use of personal property does not infringe on the rights of other residents or threaten the health, safety and welfare of other residents;
- Private communications, including receiving and sending unopened correspondence, telephone access and visiting with persons of your choice;
- Freedom to participate in and benefit from community services and activities so as to achieve the highest possible level of independence, autonomy and interaction within the community;
- Directly engage or contract with licensed health care professionals and providers of your choice to obtain necessary health care services in your private residence, or such other space in the Community as may be available to residents for such purposes;
- Manage your own financial affairs;
- Exercise civil and religious liberties;
- Present grievances and recommend changes in policies, procedures and services to our Executive Director or staff, government officials or any other person without restraint, interference, coercion, discrimination or reprisal from the Community, including access to representatives of the

Department of Public Health or the Office of the Long-Term Care Ombudsman;

- Upon request, obtain the name of the Residential Health Services Director or any other persons responsible for resident care or the coordination of resident care;
- Confidential treatment of all records and communications to the extent required by state and federal law;
- Have all reasonable requests responded to promptly and adequately within the capacity of the Community and with due consideration given to the rights of other residents;
- Be fully advised of the relationship that the Community has with any Assisted Living Services Agency, health care facility or educational institution to the extent that such relationship relates to resident medical care or treatment and to receive an explanation about the relationship;
- Receive a copy of any rules or regulations of the Community;
- Refuse care and treatment and participate in the planning for the care and services you need or receive, provided, however, that your refusal of care and treatment may preclude you from being able to continue to reside in the Community; and
- If you are a continuing care resident, all rights afforded under Conn. Gen. Stat. § 17b-520 et seq. and any other applicable laws. If you rent your residence, all rights and privileges afforded to tenants under title 47a of the Connecticut General Statutes (Connecticut's landlord tenant laws).

We hope that any complaints or concerns that you have can be resolved by our staff. However, you also have the right to contact the following state agencies regarding complaints or concerns:

Department of Public Health  
Faculty Licensing and Investigations  
410 Capitol Ave., P.O. Box 340308  
MS#12HSR  
Hartford, CT 06134-0308

Information/General: Loan Nguyen  
Supervising Nurse Consultant (860) 509-7400

Complaints: Janet Williams, R.N.  
Public Health Services Manager (860) 509-7400

Nancy Shaffer, State Long Term Care Ombudsman  
Office of the Long Term Care Ombudsman  
25 Sigourney Street  
Hartford, CT 06106  
(866) 388-1888 or (860) 424-5200

Southern Region Long Term Care Ombudsman - 860-823-3366  
Contacts:

Brenda Torres  
414 Chapel Street, Suite 301  
New Haven, CT 06511

Brenda Foreman  
401 West Thames Street  
Norwich, CT 06360

If you are receiving nursing or personal care from an Assisted Living Services Agency, you also have other rights set forth separately in the Assisted Living Clients' Bill of Rights.

Please sign below to acknowledge that we have provided you with a copy of the Managed Residential Community Residents' Bill of Rights and explained them to you.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Resident's Representative

\_\_\_\_\_  
Relationship to Resident

## **EXHIBIT C**

### **COMPLAINT RESOLUTION PROCESS**

It is the goal of The Community to take all problems and complaints seriously and to solve each one in a timely and caring fashion. Residents and family members are free to communicate grievances to the staff of The Community and to outside representatives of their choice, without restraint, interference, coercion, discrimination, or reprisal. All grievances will be properly documented and responded to.

A resident or his/her family member may pursue the resolution of a problem in any of the following ways:

- All emergency service problems can be resolved by calling the Reception Desk at The Community at 767-7201. The Receptionist will then contact the appropriate personnel to resolve the problem. Even after normal business hours, please contact the Reception Desk. Your call will automatically transfer to the Health Center if the Receptionist is not on duty.
- You may contact:
  - ✓ The Department Director by calling, writing a letter, and/or scheduling an appointment.
  - ✓ The Executive Director by calling, writing a letter, contacting the Office Manager, and/or scheduling an appointment.
  - ✓ The Chairperson of the specific Residents Council Committee.
  - ✓ Your Residents Council Wing Representative.
  - ✓ The Chairperson of the Residents Council.
- You may voice your concern or complaint at a monthly Resident Update Meeting.

- You may write a letter to the President of the Board of Directors; Essex Meadows Properties, Inc.; 400 Locust Street, Suite 830; Des Moines, IA 50309-2334.
- If your issues are not resolved by using the above channels, you may write a letter to the Director of Operations Management; Life Care Services LLC; 119 Liberty Drive; Newtown, PA 18940.

**EXHIBIT D**

**Acknowledgment of Receipt of Resident Handbook**

I, the undersigned, acknowledge receipt of the Essex Meadows Resident Handbook dated \_\_\_\_\_, 20\_\_\_\_, which contains certain rules, policies, and guidelines in order to promote the health, safety and welfare of the residents of The Community.

The Resident Handbook also contains a list of extra charges as referenced in the Residency Agreement.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Resident's Representative

\_\_\_\_\_  
Relationship to Resident

\_\_\_\_\_  
Date

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Resident's Representative

\_\_\_\_\_  
Relationship to Resident



**EXHIBIT F**

**ESSEX MEADOWS PROPERTIES, INC.**

Financial Statements and Supplementary Information

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)





KPMG LLP  
2500 Ruan Center  
666 Grand Avenue  
Des Moines, IA 50309

## Independent Auditors' Report

The Board of Directors  
Essex Meadows Properties, Inc.:

We have audited the accompanying financial statements of Essex Meadows Properties, Inc., which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of operations and accumulated deficit, comprehensive income, and cash flows for the years 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 financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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



**Opinion**

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Essex Meadows Properties, Inc. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Des Moines, Iowa  
April 10, 2013

**ESSEX MEADOWS PROPERTIES, INC.**

Balance Sheets

December 31, 2012 and 2011

Assets	2012	2011
Current assets:		
Cash	\$ 527,948	78,672
Trade accounts receivable, net	771,923	822,524
Prepays and other assets	169,553	204,254
Due from parent	1,216,140	3,053,984
Total current assets	2,685,564	4,159,434
Assets limited as to use (notes 2 and 5)	6,703,523	6,644,990
Property and equipment, net (note 4)	25,343,810	26,275,538
Cost of acquiring initial contracts, net of amortization of \$759,006 and \$750,010 at December 31, 2012 and 2011, respectively	56,227	65,223
Total assets	\$ 34,789,124	37,145,185
<b>Liabilities and Stockholder's Deficit</b>		
Current liabilities:		
Current installments of long-term debt (note 6)	\$ 31,260	29,356
Accounts payable	271,754	289,643
Advance deposits – health center	67,770	55,611
Accrued expenses and payroll withholding	733,719	674,846
Total current liabilities	1,104,503	1,049,456
Long-term debt, less current installments (note 6)	813,711	844,809
Mortgage loans and health center loans from residents (note 5)	42,281,369	42,041,585
Other long-term liability – residents' fair share	3,101,842	2,898,537
Refundable deposits – residency agreements	438,242	582,550
Deferred fees	2,874,613	3,152,013
Total liabilities	50,614,280	50,568,950
Stockholder's deficit:		
Common stock of \$0.10 par value. Authorized 400,000 shares; issued and outstanding 155,089 shares	15,509	15,509
Additional paid-in capital	489,739	489,739
Accumulated other comprehensive loss	(67,823)	(91,482)
Accumulated deficit	(16,262,581)	(13,837,531)
Total stockholder's deficit	(15,825,156)	(13,423,765)
Total liabilities and stockholder's deficit	\$ 34,789,124	37,145,185

See accompanying notes to financial statements.

**ESSEX MEADOWS PROPERTIES, INC.**

Statements of Operations and Accumulated Deficit

Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Apartment service fees	\$ 9,591,370	9,241,093
Health center and assisted living service fees	3,947,178	3,740,443
Fair share adjustment	(203,305)	10,100
Miscellaneous income	193,234	203,452
Total operating revenues	<u>13,528,477</u>	<u>13,195,088</u>
Operating expenses:		
General and administrative (notes 3 and 8)	3,196,091	3,118,058
Plant	2,334,847	2,236,389
Environmental services	833,114	791,859
Food and beverage	2,670,818	2,463,381
Medical and resident services	4,424,232	4,360,120
Total operating expenses	<u>13,459,102</u>	<u>12,969,807</u>
Excess of operating revenues over expenses	<u>69,375</u>	<u>225,281</u>
Other revenues:		
Entrance fees and cancellation penalties	2,678,677	2,109,858
Supervision fees	151,235	149,488
Working capital fees	141,646	196,318
Interest income	17,964	5,759
Miscellaneous income	27,250	29,400
Total other revenues	<u>3,016,772</u>	<u>2,490,823</u>
Other expenses:		
Depreciation and amortization	1,558,676	1,530,436
Interest expense	54,710	56,348
Miscellaneous expense	97,811	98,875
Total other expenses	<u>1,711,197</u>	<u>1,685,659</u>
Net income	1,374,950	1,030,445
Accumulated deficit at beginning of year	(13,837,531)	(14,867,976)
Distributions paid	(3,800,000)	—
Accumulated deficit at end of year	\$ <u>(16,262,581)</u>	<u>(13,837,531)</u>

See accompanying notes to financial statements.

**ESSEX MEADOWS PROPERTIES, INC.**

Statements of Comprehensive Income

Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Net income	\$ 1,374,950	1,030,445
Change in net unrealized gains (losses) on securities	<u>23,659</u>	<u>5,697</u>
Comprehensive income	<u><u>1,398,609</u></u>	<u><u>1,036,142</u></u>

See accompanying notes to financial statements.

**ESSEX MEADOWS PROPERTIES, INC.**

Statements of Cash Flows

Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Net income	\$ 1,374,950	1,030,445
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,558,676	1,530,436
Amortization of deferred fees	(1,958,837)	(1,377,941)
Realized losses on sale of assets limited as to use	2,566	440
Changes in assets and liabilities:		
Trade accounts receivable, net	50,601	(223,513)
Prepays and other assets	34,701	(31,748)
Accounts payable	104,152	(115,638)
Accrued expenses and payroll withholding	58,873	43,921
Other long-term liability – residents' fair share	203,305	(10,100)
Net cash provided by operating activities	<u>1,428,987</u>	<u>846,302</u>
Cash flows from investing activities:		
Purchases of property and equipment	(739,993)	(660,856)
Proceeds from assets limited as to use	4,025,380	4,438,864
Purchases of assets limited as to use	(4,062,820)	(4,846,199)
Net cash used in investing activities	<u>(777,433)</u>	<u>(1,068,191)</u>
Cash flows from financing activities:		
(Payments of) proceeds from refundable deposits, net	(132,149)	334,946
Proceeds from loans and entrance fees from residents	5,243,617	6,493,889
Repayments on loans and entrance fees from residents	(3,322,396)	(3,368,553)
Receipts (disbursements) related to due from parent	1,837,844	(3,998,885)
Payments on long-term debt	(29,194)	(27,556)
Distributions paid	(3,800,000)	—
Net cash used in financing activities	<u>(202,278)</u>	<u>(566,159)</u>
Net increase (decrease) in cash	449,276	(788,048)
Cash at beginning of year	<u>78,672</u>	<u>866,720</u>
Cash at end of year	\$ <u><u>527,948</u></u>	<u><u>78,672</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 54,709	56,348
Supplemental disclosure of noncash investing activity:		
Accounts payable incurred for property and equipment	—	122,041

See accompanying notes to financial statements.

**ESSEX MEADOWS PROPERTIES, INC.**

Notes to Financial Statements

December 31, 2012 and 2011

**(1) Summary of Significant Accounting Policies and Related Matters**

Essex Meadows Properties, Inc. (the Company) was incorporated on November 14, 1985 in the state of Iowa. The Company was formed to develop and operate a life care retirement community in Essex, Connecticut. The Company is a wholly owned subsidiary of Essex Meadows, Inc. (the Parent).

The Company is comprised of two divisions – the Operations Division and the Finance Division. The Operations Division is responsible for the day to day operations of the facility, including the receipt of monthly service fees and skilled nursing facility revenues from residents and patients, and the payment of the costs of providing services to the residents and maintaining the facility. The Finance Division is responsible for matters relating to the sale of units and net asset management. These financial statements present both divisions.

**(a) Description of Business**

The Company owns and operates a life care retirement community designed for senior adults located in Essex, Connecticut. The community, known as Essex Meadows, is intended to address the needs of individuals aged 62 or older who are in good health but no longer desire to reside in their own homes or apartments. The facility is designed to create a total living environment specifically adapted to the requirements of senior adults. The Company conducts business in only one business segment, service enhanced housing for senior adults.

**(b) Cash Equivalents**

Money market accounts and other cash equivalents included in assets limited as to use are not considered cash equivalents for purposes of the statements of cash flows.

**(c) Trade Accounts Receivable, Net**

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Allowance for doubtful accounts are based on historical experience and management's analysis of past-due accounts.

**(d) Assets Limited as to Use**

Assets limited as to use are funds held in accordance with contractual requirements with the residents. In addition, approximately \$1,172,709 and \$1,129,000 at December 31, 2012 and 2011, respectively, is required to be held in accordance with regulatory requirements. All investment securities are classified as available-for-sale. Available-for-sale securities are recorded at fair value with unrealized holding gains and losses excluded from earnings and reported as a separate component of accumulated other comprehensive loss until realized.

**(e) Property and Equipment, Net**

Property and equipment are carried at cost. Depreciation is computed over the estimated useful lives of the respective assets using the straight-line method.

The cost of maintenance and repairs is expensed as incurred and renewals and betterments are capitalized.

**ESSEX MEADOWS PROPERTIES, INC.**

Notes to Financial Statements

December 31, 2012 and 2011

**(f) Cost of Acquiring Initial Contracts**

The costs of acquiring initial continuing-care contracts include those costs incurred to originate a contract that result from and are essential to acquiring initial contracts. These costs are amortized using the straight-line method over the average expected remaining lives of the initial residents under contract.

**(g) Revenue**

Entrance fees are received to undertake the project's risk and planning and are not fees in return for future services and use of the facilities. A portion of the entrance fees is deferred and is recognized as revenue when the right to access a housing unit is established through the closing of a transaction and when the fees are no longer refundable under the terms of the residency agreement and are included in entrance fees and cancellation penalties on the statements of operations and accumulated deficit. Deferred fees, classified as noncurrent liabilities, include entrance fees and are refundable if the residency agreement is terminated. A supervision fee established upon occupancy for each resident is paid and earned monthly. These fees are unrestricted as to use by the Company.

Residents pay a monthly apartment, health center, or assisted living service fee, determined annually. The service fees are earned monthly, and relate to operating expenses, debt service for nonresident debt, repairs and replacements, and working capital. A one-time working capital fee is paid and earned upon occupancy of a housing unit. These fees may only be used for purposes specified in the residency agreement.

A limited number of residents have entered into flex plan residency agreements under which loans are not made by the residents (note 5). In lieu of the loan, a lesser amount is paid as an entrance fee and is nonrefundable over a period of time. These fees are recognized as revenue over a period of 48 months when the fees are no longer refundable under the terms of the residency agreement and are included in entrance fees and cancellation penalties on the statements of operations and accumulated deficit. Other fees under these flex plan agreements are consistent with the fees described in the preceding paragraphs.

Operating revenues are adjusted annually by a fair share adjustment, which represents the operations division's excess of current year operating revenues (expenses) and includes fair share capital and repair and replacement reserve expenditures. The fair share adjustment equitably apportions the cost of operating the community among its residents. The residents' fair share is classified in other long-term liabilities.

**(h) Fair Value of Financial Instruments**

Financial instruments include cash, assets limited as to use, long-term debt, and mortgage loans and health center loans from residents. Management believes the fair value of each of these financial instruments approximate their carrying value as of the balance sheet date.

The Company holds certain assets and liabilities that are required to be measured at fair value on a recurring basis. These include the Company's assets limited as to use. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability between market participants at the measurement date. The fair value of the assets limited as to use is determined based on readily



**ESSEX MEADOWS PROPERTIES, INC.**

Notes to Financial Statements

December 31, 2012 and 2011

available quoted prices in active markets. The Company is required to group its assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

**Level 1** – Valuation is based upon quoted prices for identical instruments traded in active markets.

**Level 2** – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

**Level 3** – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company’s own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques. The Company does not hold any Level 3 investments at December 31, 2012 and 2011.

The following tables show the Company’s financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2012 and 2011:

	<b>December 31, 2012</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total at fair value</b>
Assets limited as to use – mutual funds and money market and other cash equivalents	\$ 6,703,523	—	6,703,523
	<u>\$ 6,703,523</u>	<u>—</u>	<u>6,703,523</u>
	<b>December 31, 2011</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total at fair value</b>
Assets limited as to use – mutual funds and money market and other cash equivalents	\$ 6,644,990	—	6,644,990
	<u>\$ 6,644,990</u>	<u>—</u>	<u>6,644,990</u>

**(i) Income Taxes**

On January 1, 2003, the Parent (and in turn, the Company) filed an election to be taxed under the provisions of the Internal Revenue Code regulating small business corporations (SubChapter “S”). Under the provisions of SubChapter “S”, certain income and loss related tax liabilities and benefits arising after the date of conversion to SubChapter “S” flow through to the stockholders of the Parent; therefore, no provisions or liabilities have been recorded in the financial statements as of December 31, 2012 and 2011.

**ESSEX MEADOWS PROPERTIES, INC.**

Notes to Financial Statements

December 31, 2012 and 2011

**(j) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(2) Assets Limited as to Use**

Assets limited as to use on the balance sheet at December 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Operating reserves held to satisfy regulatory requirements	\$ 1,591,779	1,665,517
Health center loan escrow	2,440,825	2,025,754
Entrance fee and wait list escrows	756,396	969,968
Repair and replacement reserves	<u>1,914,523</u>	<u>1,983,751</u>
	\$ <u>6,703,523</u>	<u>6,644,990</u>

The fair value of available-for-sale securities by class of security at December 31, 2012 and 2011 was as follows:

<u>Description</u>		<u>2012</u>	<u>2011</u>
Money market and other cash equivalents	\$	1,420,399	967,677
Mutual funds		<u>5,283,124</u>	<u>5,677,313</u>
	\$	<u>6,703,523</u>	<u>6,644,990</u>

<u>Description</u>	<u>Amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Fair value</u>
2012:				
Money market and other cash equivalents	\$ 1,420,399	—	—	1,420,399
Mutual funds	<u>5,350,947</u>	—	<u>(67,823)</u>	<u>5,283,124</u>
	\$ <u>6,771,346</u>	—	<u>(67,823)</u>	<u>6,703,523</u>
2011:				
Money market and other cash equivalents	\$ 967,677	—	—	967,677
Mutual funds	<u>5,768,795</u>	—	<u>(91,482)</u>	<u>5,677,313</u>
	\$ <u>6,736,472</u>	—	<u>(91,482)</u>	<u>6,644,990</u>

**ESSEX MEADOWS PROPERTIES, INC.**

Notes to Financial Statements

December 31, 2012 and 2011

**(3) Management Agreement**

The Company has a management agreement with Life Care Services, LLC (LCS), which provides for general management and related services. The agreement may be terminated by either party if the other party files, or has a petition or complaint in receivership or bankruptcy filed against it, or if the other party fails to properly perform its obligations, in accordance with the terms of the agreement. Management fees paid to LCS totaled \$479,799 and \$460,052 during the years ended December 31, 2012 and 2011, respectively, and are included in general and administrative expenses.

**(4) Property and Equipment, Net**

A summary of property and equipment at December 31, 2012 and 2011 is as follows:

	<u>Useful lives</u>	<u>2012</u>	<u>2011</u>
Land		\$ 753,155	753,155
Building and building improvements	5 – 60 years	41,087,773	40,612,768
Equipment	2 – 25 years	2,050,128	1,963,756
Furniture and fixtures	5 – 15 years	3,729,185	3,672,610
		<u>47,620,241</u>	<u>47,002,289</u>
Less accumulated depreciation		<u>22,276,431</u>	<u>20,726,751</u>
Property and equipment, net		<u>\$ 25,343,810</u>	<u>26,275,538</u>

**(5) Mortgage Loans and Health Center Loans from Residents**

Upon occupancy, residents who have not entered into flex plan residency agreements make loans to the Company, which are secured by a Mortgage and Indenture of Trust, subject to certain permitted encumbrances. The loans will be repaid upon termination of residency and satisfaction of the terms of the loan agreement. The residents agree to look solely to the assets, which secure the loan for repayment of the loan. Any amounts due to the Company may be offset against loan repayments. The loan becomes due and payable in full upon the date the Company receives the next admission fee for the residence. In no event shall the loan be paid more than 24 months after the residence is released for reoccupancy. Mortgage loans classified as noncurrent at December 31, 2012 and 2011 were \$39,342,014 and \$39,486,935, respectively.

When a resident moves to the health center, the resident's loan amount, as described in the residency agreement, is transferred to the health center reserve escrow fund, which is included in assets limited as to use. Health center reserves are held for repayment of the related loans and are not secured by the Mortgage and Indenture of Trust. Health center loans classified as noncurrent at December 31, 2012 and 2011 were \$2,939,355 and \$2,554,650, respectively.

**ESSEX MEADOWS PROPERTIES, INC.**

Notes to Financial Statements

December 31, 2012 and 2011

**(6) Long-Term Debt**

Long-term debt at December 31, 2012 and 2011 consists of the following:

	<u>2012</u>	<u>2011</u>
\$950,000 term loan with bank due January 1, 2029, principal and interest payments payable monthly, with interest at 6.25%	\$ 844,971	874,165
Less current installments	<u>(31,260)</u>	<u>(29,356)</u>
Total long-term debt	<u>\$ 813,711</u>	<u>844,809</u>

The term loan at December 31, 2012 is collateralized by property and equipment and may be prepaid in part or in whole, along with an additional fee as described in the agreement. The annual aggregate maturities of the term loan are as follows:

2013	\$ 31,260
2014	33,300
2015	35,472
2016	37,786
2017	40,252
Thereafter	<u>666,901</u>
	<u>\$ 844,971</u>

**(7) Employee Retirement Benefit Plan**

The Company has a defined contribution employee benefit plan covering all eligible employees. Matching contributions made by the Company totaled \$84,508 and \$78,020 at December 31, 2012 and 2011, respectively. The Company does not provide postretirement healthcare or life insurance benefits for its employees.

**(8) Related-Party Transactions**

For the years ended December 31, 2012 and 2011, the Company's Parent provided certain management and advisory services in exchange for a fee of \$108,962 and \$118,488, respectively. This fee is classified as a general and administrative expense in the statements of operations and accumulated deficit.

**(9) Subsequent Events**

The Company has evaluated subsequent events from the balance sheet date through April 10, 2013, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.



KPMG LLP  
2500 Ruan Center  
666 Grand Avenue  
Des Moines, IA 50309

### Independent Auditors' Report on Supplementary Information

The Board of Directors  
Essex Meadows Properties, Inc.:

We have audited the financial statements of Essex Meadows Properties, Inc. as of and for the years ended December 31, 2012 and 2011, and have issued our report thereon dated April 10, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in Schedules 1 through 4 is presented for the purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

KPMG LLP

Des Moines, Iowa  
April 10, 2013

## Schedule 1

## ESSEX MEADOWS PROPERTIES, INC. – OPERATIONS DIVISION

## Schedule of Assets, Liabilities, and Division Equity Information

December 31, 2012 and 2011

Assets	<u>2012</u>	<u>2011</u>
Current assets:		
Cash	\$ 438,934	39,788
Trade accounts receivable, net	771,923	822,524
Prepays and other assets	238,902	204,253
Due from finance division	146,214	112,872
Total current assets	<u>1,595,973</u>	<u>1,179,437</u>
Assets limited as to use	<u>3,456,198</u>	<u>3,612,565</u>
	<u>\$ 5,052,171</u>	<u>4,792,002</u>
<b>Liabilities and Division Equity</b>		
Current liabilities:		
Accounts payable	\$ 276,188	294,001
Accrued expenses and payroll withholding	733,719	674,846
Refundable deposits	102,295	86,491
Total current liabilities	<u>1,112,202</u>	<u>1,055,338</u>
Due to health center loan escrow	500,000	500,000
Other long-term liability – residents' fair share	<u>1,142,466</u>	<u>1,117,752</u>
Total liabilities	<u>2,754,668</u>	<u>2,673,090</u>
Division equity	<u>2,297,503</u>	<u>2,118,912</u>
	<u>\$ 5,052,171</u>	<u>4,792,002</u>

See accompanying independent auditors' report on supplementary information.

## Schedule 2

## ESSEX MEADOWS PROPERTIES, INC. – OPERATIONS DIVISION

## Schedule of Operating Revenues and Expenses Information

Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues:		
Apartment service fees	\$ 9,591,370	9,241,093
Health center and assisted living service fees	3,947,178	3,740,443
Space rental	3,600	3,600
Investment income	143,966	143,239
Other	187,314	252,931
	<u>13,873,428</u>	<u>13,381,306</u>
Expenses:		
General and administrative	2,802,658	2,691,306
Plant	2,334,847	2,236,389
Environmental services	833,114	791,859
Food and beverage	2,670,818	2,463,381
Medical and resident services	4,424,232	4,360,120
Interest	54,710	56,348
Other	29,194	27,555
	<u>13,149,573</u>	<u>12,626,958</u>
Revenues in excess of expenses, before fair share capital expenditures	723,855	754,348
Fair share capital expenditures	<u>244,232</u>	<u>252,783</u>
Excess of current operating revenues before contribution to and interest earnings on repair and replacement reserves and fair share adjustment	479,623	501,565
Contribution to repair and replacement reserves	(403,872)	(364,152)
Interest earnings on repair and replacement reserves	(51,037)	(51,089)
Surplus of fair share operating revenues which may be used to offset future year results	<u>(24,714)</u>	<u>(86,324)</u>
Net operating results	<u>\$ —</u>	<u>—</u>

See accompanying independent auditors' report on supplementary information.

## Schedule 3

**ESSEX MEADOWS PROPERTIES, INC. – OPERATIONS DIVISION**

## Schedule of Changes in Division Equity Information

Years ended December 31, 2012 and 2011

Balance at December 31, 2010	\$	2,215,336
Interest earnings on the reserves		51,089
Funding of the reserves		364,152
Expenditures from the reserves		<u>(511,665)</u>
Balance at December 31, 2011		2,118,912
Interest earnings on the reserves		51,037
Funding of the reserves		403,872
Expenditures from the reserves		<u>(276,318)</u>
Balance at December 31, 2012	\$	<u><u>2,297,503</u></u>

See accompanying independent auditors' report on supplementary information.



## ESSEX MEADOWS PROPERTIES, INC. – OPERATIONS DIVISION

## Schedule of Cash Flows Information

Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in:		
Trade accounts receivable, net	\$ 50,601	(223,513)
Prepays and other assets	(34,649)	(31,748)
Accounts payable	(17,813)	14,203
Accrued expenses and payroll withholding and refundable deposits	74,677	77,062
Other long-term liability – residents' fair share	24,714	86,221
Net cash provided by (used in) operating activities	<u>97,530</u>	<u>(77,775)</u>
Cash flows from investing activity:		
Proceeds from (additions to) assets limited as to use, net	<u>334,958</u>	<u>(421,023)</u>
Net cash provided by (used in) investing activity	<u>334,958</u>	<u>(421,023)</u>
Cash flows from financing activities:		
(Payments to) advances from finance division, net	<u>(33,342)</u>	<u>63,427</u>
Net cash (used in) provided by financing activities	<u>(33,342)</u>	<u>63,427</u>
Net increase (decrease) in cash	399,146	(435,371)
Cash at beginning of year	<u>39,788</u>	<u>475,159</u>
Cash at end of year	<u>\$ 438,934</u>	<u>39,788</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 54,709	56,348

See accompanying independent auditors' report on supplementary information.



**EXHIBIT F**

**ESSEX MEADOWS PROPERTIES, INC.**  
**Financial Statements and Supplementary Information**  
**December 31, 2011 and 2010**  
**(With Independent Auditors' Report Thereon)**



KPMG LLP  
2500 Ruan Center  
666 Grand Avenue  
Des Moines, IA 50309

## Independent Auditors' Report

The Board of Directors  
Essex Meadows Properties, Inc.:

We have audited the accompanying balance sheets of Essex Meadows Properties, Inc. (the Company), as of December 31, 2011 and 2010, and the related statements of operations and accumulated deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Essex Meadows Properties, Inc. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

*KPMG LLP*

April 27, 2012

**ESSEX MEADOWS PROPERTIES, INC.**

Balance Sheets

December 31, 2011 and 2010

Assets	2011	2010
Current assets:		
Cash	\$ 78,672	866,720
Trade accounts receivable, net	822,524	599,011
Prepays and other assets	204,254	172,506
Due from parent	3,053,984	—
Total current assets	4,159,434	1,638,237
Assets limited as to use (notes 2 and 5)	6,644,990	6,232,398
Property and equipment, net (notes 4 and 5)	26,275,538	27,014,080
Cost of acquiring initial contracts, net of amortization of \$750,010 and \$741,013 at December 31, 2011 and 2010, respectively	65,223	74,220
Total assets	\$ 37,145,185	34,958,935
<b>Liabilities and Stockholder's Deficit</b>		
Current liabilities:		
Current installments of long-term debt (note 6)	\$ 29,356	27,558
Accounts payable	289,643	283,240
Advance deposits – health center	55,611	10,726
Accrued expenses and payroll withholding	674,846	630,822
Due to parent	—	944,901
Total current liabilities	1,049,456	1,897,247
Long-term debt, less current installments (note 6)	844,809	874,163
Mortgage loans and health center loans from residents (note 5)	42,041,585	40,681,532
Other long-term liability – residents' fair share	2,898,537	2,908,740
Refundable deposits – residency agreements	582,550	292,489
Deferred fees	3,152,013	2,764,671
Total liabilities	50,568,950	49,418,842
Stockholder's deficit:		
Common stock of \$0.10 par value. Authorized 400,000 shares; issued and outstanding 155,089 shares	15,509	15,509
Additional paid-in capital	489,739	489,739
Accumulated other comprehensive loss	(91,482)	(97,179)
Accumulated deficit	(13,837,531)	(14,867,976)
Total stockholder's deficit	(13,423,765)	(14,459,907)
Total liabilities and stockholder's deficit	\$ 37,145,185	34,958,935

See accompanying notes to financial statements.

**ESSEX MEADOWS PROPERTIES, INC.**

Statements of Cash Flows

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Net income	\$ 1,030,445	1,152,079
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,530,436	1,530,931
Amortization of deferred fees	(1,377,941)	(2,509,270)
Realized gains on sale of assets limited as to use	440	(300,414)
Changes in assets and liabilities:		
Trade accounts receivable, net	(223,513)	(34,838)
Prepays and other assets	(31,748)	17,212
Accounts payable	(115,638)	(2,963)
Accrued expenses and payroll withholding	43,921	61,117
Other long-term liability – residents’ fair share	(10,100)	508,939
Net cash provided by operating activities	<u>846,302</u>	<u>422,793</u>
Cash flows from investing activities:		
Purchases of property and equipment	(660,856)	(504,065)
Proceeds from assets limited as to use	4,438,864	8,640,357
Purchases of assets limited as to use	(4,846,199)	(8,265,475)
Net cash used in investing activities	<u>(1,068,191)</u>	<u>(129,183)</u>
Cash flows from financing activities:		
Proceeds from (payments of) refundable deposits, net	334,946	(26,877)
Proceeds from loans and entrance fees from residents	6,493,889	4,423,522
Repayments on loans and entrance fees from residents	(3,368,553)	(3,938,092)
Disbursements related to due from parent	(3,998,885)	(424,858)
Payments on long-term debt	(27,556)	(25,867)
Net cash (used in) provided by financing activities	<u>(566,159)</u>	<u>7,828</u>
Net (decrease) increase in cash	(788,048)	301,438
Cash at beginning of year	<u>866,720</u>	565,282
Cash at end of year	\$ <u><u>78,672</u></u>	<u><u>866,720</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 56,348	58,036
Supplemental disclosure of non-cash investing activity:		
Accounts payable incurred for property and equipment	122,041	—

See accompanying notes to financial statements.

**ESSEX MEADOWS PROPERTIES, INC.**

Notes to Financial Statements

December 31, 2011 and 2010

**(1) Summary of Significant Accounting Policies and Related Matters**

Essex Meadows Properties, Inc. (the Company) was incorporated on November 14, 1985 in the state of Iowa. The Company was formed to develop and operate a life care retirement community in Essex, Connecticut. The Company is a wholly owned subsidiary of Essex Meadows, Inc. (the Parent).

The Company is comprised of two divisions – the Operations Division and the Finance Division. The Operations Division is responsible for the day to day operations of the facility, including the receipt of monthly service fees and skilled nursing facility revenues from residents and patients, and the payment of the costs of providing services to the residents and maintaining the facility. The Finance Division is responsible for matters relating to the sale of units and net asset management. These financial statements present both divisions.

**(a) Description of Business**

The Company owns and operates a life care retirement community designed for senior adults located in Essex, Connecticut. The community, known as Essex Meadows, is intended to address the needs of individuals aged 62 or older who are in good health but no longer desire to reside in their own homes or apartments. The facility is designed to create a total living environment specifically adapted to the requirements of senior adults. The Company conducts business in only one business segment, service enhanced housing for senior adults.

**(b) Cash Equivalents**

Money market accounts and other cash equivalents included in assets limited as to use are not considered cash equivalents for purposes of the statements of cash flows.

**(c) Trade Accounts Receivable, net**

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Allowance for doubtful accounts are based on historical experience and management's analysis of past due accounts.

**(d) Assets Limited as to Use**

Assets limited as to use are funds held in accordance with contractual requirements with the residents. In addition, approximately \$1,129,000 and \$1,075,000 at December 31, 2011 and 2010, respectively, is required to be held in accordance with regulatory requirements. All investment securities are classified as available-for-sale. Available-for-sale securities are recorded at fair value with unrealized holding gains and losses excluded from earnings and reported as a separate component of accumulated other comprehensive loss until realized.

**(e) Property and Equipment, net**

Property and equipment are carried at cost. Depreciation is computed over the estimated useful lives of the respective assets using the straight line method.

The cost of maintenance and repairs is expensed as incurred and renewals and betterments are capitalized.

**ESSEX MEADOWS PROPERTIES, INC.**

Notes to Financial Statements

December 31, 2011 and 2010

**(f) Cost of Acquiring Initial Contracts**

The costs of acquiring initial continuing-care contracts include those costs incurred to originate a contract that result from and are essential to acquiring initial contracts. These costs are amortized using the straight-line method over the average expected remaining lives of the initial residents under contract.

**(g) Revenue**

Entrance fees are received to undertake the project's risk and planning and are not fees in return for future services and use of the facilities. A portion of the entrance fees are deferred and are recognized as revenue when the right to access a housing unit is established through the closing of a transaction and when the fees are no longer refundable under the terms of the residency agreement and are included in entrance fees and cancellation penalties on the statements of operations and accumulated deficit. Deferred fees, classified as noncurrent liabilities, include entrance fees and are refundable if the residency agreement is terminated. A supervision fee established upon occupancy for each resident is paid and earned monthly. These fees are unrestricted as to use by the Company.

Residents pay a monthly apartment, health center, or assisted living service fee, determined annually. The service fees are earned monthly, and relate to operating expenses, debt service for nonresident debt, repairs and replacements, and working capital. A one-time working capital fee is paid and earned upon occupancy of a housing unit. These fees may only be used for purposes specified in the residency agreement.

A limited number of residents have entered into flex plan residency agreements under which loans are not made by the residents (note 5). In lieu of the loan, a lesser amount is paid as an entrance fee and is nonrefundable over a period of time. These fees are recognized as revenue over a period of 48 months when the fees are no longer refundable under the terms of the residency agreement and are included in entrance fees and cancellation penalties on the statements of operations and accumulated deficit. Other fees under these flex plan agreements are consistent with the fees described in the preceding paragraphs.

Operating revenues are adjusted annually by a fair share adjustment, which represents the difference between budgeted expenditures and actual fees billed to residents. The fair share adjustment equitably apportions the cost of operating the community among its residents. The residents' fair share is classified in other long-term liabilities.

**(h) Fair Value of Financial Instruments**

Financial instruments include cash, assets limited as to use, long-term debt, and mortgage loans and health center loans from residents. Management believes the fair value of each of these financial instruments approximate their carrying value as of the balance sheet date.

The Company holds certain assets and liabilities that are required to be measured at fair value on a recurring basis. These include the Company's assets limited as to use. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability between market participants at the measurement date. The fair value of the assets limited as to use is determined based on readily available quoted prices in active markets. The Company is required to group its assets and liabilities

**ESSEX MEADOWS PROPERTIES, INC.**

Notes to Financial Statements

December 31, 2011 and 2010

at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

**Level 1** – Valuation is based upon quoted prices for identical instruments traded in active markets.

**Level 2** – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

**Level 3** – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The following table shows the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2011 and 2010:

	<b>December 31, 2011</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total at fair value</b>
Assets limited as to use – mutual funds and money market and other cash equivalents	\$ 6,644,990	—	6,644,990
	<u>\$ 6,644,990</u>	<u>—</u>	<u>6,644,990</u>
	<b>December 31, 2010</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total at fair value</b>
Assets limited as to use – mutual funds and money market and other cash equivalents	\$ 6,232,398	—	6,232,398
	<u>\$ 6,232,398</u>	<u>—</u>	<u>6,232,398</u>

**(i) Income Taxes**

On January 1, 2003, the Parent (and in turn, the Company) filed an election to be taxed under the provisions of the Internal Revenue Code regulating small business corporations (SubChapter "S"). Under the provisions of SubChapter "S", certain income and loss related tax liabilities and benefits arising after the date of conversion to SubChapter "S" flow through to the stockholders of the Parent; therefore, no provisions or liabilities have been recorded in the financial statements as of December 31, 2011 and 2010.

**(j) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts



**ESSEX MEADOWS PROPERTIES, INC.**

Notes to Financial Statements

December 31, 2011 and 2010

The fair value of available-for-sale securities by class of security at December 31, 2011 and 2010 was as follows:

<u>Description</u>	<u>2011</u>	<u>2010</u>
Money market and other cash equivalents	\$ 967,677	946,716
Mutual funds	<u>5,677,313</u>	<u>5,285,682</u>
	\$ <u>6,644,990</u>	<u>6,232,398</u>

<u>Description</u>	<u>Amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Fair value</u>
2011:				
Money market and other cash equivalents	\$ 967,677	—	—	967,677
Mutual funds	<u>5,768,795</u>	—	<u>(91,482)</u>	<u>5,677,313</u>
	\$ <u>6,736,472</u>	—	<u>(91,482)</u>	<u>6,644,990</u>
2010:				
Money market and other cash equivalents	\$ 946,716	—	—	946,716
Mutual funds	<u>5,382,861</u>	—	<u>(97,179)</u>	<u>5,285,682</u>
	\$ <u>6,329,577</u>	—	<u>(97,179)</u>	<u>6,232,398</u>

**(3) Management Agreement**

The Company has a management agreement with Life Care Services, LLC (LCS), which provides for general management and related services. The agreement may be terminated by either party if the other party files, or has a petition or complaint in receivership or bankruptcy filed against it, or if the other party fails to properly perform its obligations, in accordance with the terms of the agreement. Management fees paid to LCS totaled \$460,052 and \$425,949 during the years ended December 31, 2011 and 2010, respectively, and are included in general and administrative expenses.

**ESSEX MEADOWS PROPERTIES, INC.**

Notes to Financial Statements

December 31, 2011 and 2010

**(6) Long-Term Debt**

Long-term debt at December 31, 2011 and 2010 consists of the following:

	<u>2011</u>	<u>2010</u>
\$950,000 term loan with bank due January 1, 2029, principal and interest payments payable monthly, with interest at 6.25%	\$ 874,165	901,721
Less current installments	<u>(29,356)</u>	<u>(27,558)</u>
Total long-term debt	<u>\$ 844,809</u>	<u>874,163</u>

The term loan at December 31, 2011 is collateralized by property and equipment and may be prepaid in part or in whole, along with an additional fee as described in the agreement. The annual aggregate maturities of the term loan are as follows:

2012	\$ 29,356
2013	31,271
2014	33,311
2015	35,484
2016	37,799
Thereafter	<u>706,944</u>
	<u>\$ 874,165</u>

**(7) Employee Retirement Benefit Plan**

The Company has a defined contribution employee benefit plan covering all eligible employees. Matching contributions made by the Company totaled \$78,020 and \$73,620 at December 31, 2011 and 2010, respectively. The Company does not provide postretirement healthcare or life insurance benefits for its employees.

**(8) Related-Party Transactions**

For the years ended December 31, 2011 and 2010, the Company's Parent provided certain management and advisory services in exchange for a fee of \$118,488 and \$103,252, respectively. This fee is classified as a general and administrative expense in the statements of operations and accumulated deficit.

**(9) Subsequent Events**

The Company has evaluated subsequent events from the balance sheet date through April 27, 2012, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.



KPMG LLP  
2500 Ruan Center  
666 Grand Avenue  
Des Moines, IA 50309

## Independent Auditors' Report on Supplementary Information

The Board of Directors  
Essex Meadows Properties, Inc.:

We have audited the financial statements of Essex Meadows Properties, Inc. as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated April 27, 2012, which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The supplementary information included in Schedules 1 through 4 is presented for the purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*KPMG LLP*

April 27, 2012

## Schedule 2

**ESSEX MEADOWS PROPERTIES, INC. – OPERATIONS DIVISION**

## Schedule of Operating Revenues and Expenses Information

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Revenues:</b>		
Apartment service fees	\$ 9,241,093	8,703,912
Health center and assisted living service fees	3,740,443	3,455,940
Space rental	3,600	3,600
Investment income	143,239	528,796
Other	252,931	205,183
	<u>13,381,306</u>	<u>12,897,431</u>
<b>Expenses:</b>		
General and administrative	2,691,306	2,436,296
Plant	2,236,389	2,037,282
Environmental services	791,859	777,556
Food and beverage	2,463,381	2,355,600
Medical and resident services	4,360,120	4,290,145
Interest	56,348	58,036
Other	27,555	25,868
	<u>12,626,958</u>	<u>11,980,783</u>
Revenues in excess of expenses, before fair share capital expenditures	754,348	916,648
Fair share capital expenditures	<u>252,783</u>	<u>157,693</u>
Excess of current operating revenues before contribution to and interest earnings on repair and replacement reserves and fair share adjustment	501,565	758,955
Contribution to repair and replacement reserves	(364,152)	(360,000)
Interest earnings on repair and replacement reserves	(51,089)	(78,666)
Surplus of fair share operating revenues which may be used to offset future year results	<u>(86,324)</u>	<u>(320,289)</u>
Net operating results	<u>\$ —</u>	<u>—</u>

See accompanying independent auditors' report on supplementary information.

**Schedule 3**

**ESSEX MEADOWS PROPERTIES, INC. – OPERATIONS DIVISION**

Schedule of Changes in Division Equity Information

Years ended December 31, 2011 and 2010

Balance at December 31, 2009	\$ 2,026,686
Interest earnings on the reserves	78,666
Funding of the reserves	360,000
Expenditures from the reserves	<u>(250,016)</u>
Balance at December 31, 2010	2,215,336
Interest earnings on the reserves	51,089
Funding of the reserves	364,152
Expenditures from the reserves	<u>(511,665)</u>
Balance at December 31, 2011	<u>\$ 2,118,912</u>

See accompanying independent auditors' report on supplementary information.

## Schedule 4

## ESSEX MEADOWS PROPERTIES, INC. – OPERATIONS DIVISION

## Schedule of Cash Flows Information

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in:		
Trade accounts receivable, net	\$ (223,513)	(34,838)
Prepays and other assets	(31,748)	17,213
Accounts payable	14,203	(21,784)
Accrued expenses and payroll withholding and refundable deposits	77,062	62,802
Other long-term liability – residents' fair share	86,221	320,289
Net cash (used in) provided by operating activities	<u>(77,775)</u>	<u>343,682</u>
Cash flows from investing activity:		
Additions to repair and replacement reserves, net	<u>(421,023)</u>	<u>(155,849)</u>
Net cash used in investing activity	<u>(421,023)</u>	<u>(155,849)</u>
Cash flows from financing activities:		
Advances from finance division, net	<u>63,427</u>	<u>(25,093)</u>
Net cash provided by (used in) financing activities	<u>63,427</u>	<u>(25,093)</u>
Net (decrease) increase in cash	(435,371)	162,740
Cash at beginning of year	<u>475,159</u>	<u>312,419</u>
Cash at end of year	<u>\$ 39,788</u>	<u>475,159</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 56,348	58,036

See accompanying independent auditors' report on supplementary information.

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