

DUNCASTER, INC.
DISCLOSURE STATEMENT

August 2016

All materials required to be filed with the department are on file, and contained within. The address of the Department is:

<http://www.ct.gov/dss/cwp/view.asp?A=4655&Q=548606>

This Disclosure Statement is filed with the Connecticut Department of Social Services, Elderly Services Division. Filing of the Disclosure Statement does not constitute approval, recommendation, or endorsement of the Disclosure Statement by the Department of Social Services, Elderly Services Division, or the State of Connecticut nor does it evidence the accuracy or completeness of the information contained in the Disclosure Statement.

Financial information contained in the Disclosure Statement is based on an annual fiscal year ending December 31st. New Disclosure Statements are published annually.

TABLE OF CONTENTS

	<u>Page</u>
Introduction	3
Directors and Officers	3
Management	4
Duncaster Accommodations and Amenities	5
Residency	5
Provision of Services	5
Entrance and Monthly Maintenance Fees	6
Termination of the Residency Agreement	6
Personal Property of Resident	7
Principal Obligations, Indebtedness and Liabilities	7
Judicial Proceedings	8
Department of Social Services Filing	8
Escrow Accounts	8
Notice to Prospective Resident	8
Exhibit A - Residency and Care Agreement	
Exhibit B - Entrance Fees/Monthly Maintenance Fees	
Exhibit C - Audited and Certified Financial Statements	
Exhibit D - Projected Financial Statements and Actuarial/Financial Assumptions	
Exhibit E – Variances from FY 2015 Financial Projections	
Exhibit F – Escrow and Investment Information	

Introduction

Duncaster is a community designed for those seeking an alternative to traditional retirement living. Duncaster offers independent living in residential apartment homes and provides a variety of personal and recreational services. In addition, Duncaster provides residents the security and comfort of knowing that should they require skilled nursing (at no additional cost) and certain medical care, they can receive such care for either short or long periods of time at the Duncaster health center, in close proximity to family or friends.

A Connecticut non-stock, not-for-profit corporation, Duncaster is located at 10-80 Loeffler Road, Bloomfield, Connecticut 06002. It was incorporated on December 15, 1980, and opened in May 1984. Duncaster is not affiliated with any religious, charitable or other non-profit or for-profit organization. It is tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

Directors and Officers

The business affairs and property of Duncaster are managed by a Board of Directors. The responsibilities of the Board of Directors include general policy decisions, setting Entrance Fees and Monthly Maintenance Fees, and general financial and operational planning for Duncaster. Residents of Duncaster are eligible to serve on the Board of Directors.

Present members of Duncaster's Board of Directors and their occupations are listed below:

<u>Name</u>	<u>Occupation</u>
Frank W. Barrett	Executive Vice President, TD Bank North - Retired
James Betts, Esq.	Trust & Estate Lawyer, Shipman & Goodwin LLP
Timothy B. Caron	Senior Vice President, Santander Bank
Brian Clemow	Partner, Shipman & Goodwin LLP
William J. Cochran (Treasurer)	Treasurer & Secretary, Bartram & Cochran, Inc. (Real Estate Consulting)
John Downes Sr.	President & Chairman of the Board -The Downes Group – Retired
Marcia L. Hincks	Duncaster Residents' Association Representative, current Duncaster Resident
Sondra L. King (Secretary)	Director of Public Information, Connecticut Association for Home Care, Inc. Retired
R. Frederic Knauft	Physician, private practice
Deborah Koltenuk (1 st Vice Chairman)	Vice President, Head of Finance, Corporate Initiatives, Aetna - Retired

Nancy V. Leonard	Director of Social Work, New England Homecare
Robert B. Loomis	Robert Hensley & Associates, LLC: Insurance and Financial Services
Michael A. O'Brien	President and CEO, Duncaster
David W. Parmelee	Trust Co. Of CT – Retired
Catherine C. Reynolds	Duncaster Residents' Association Representative – current Duncaster Resident
Keith E. Robertson	Director, Ziegler Investment Banking
Mary Sargent	Duncaster Residents' Association President, current Duncaster Resident
Noreen A. Shugrue	Research Associate, UConn Center of Aging
John D. Shulansky	Partner, EldersChoice of CT, LLC
Dr. Marie Spivey	Chief Medical Officer, Nurses at Home, Inc.
Daniel C. Tracy (Chairman of the Board)	CPA, Arthur Anderson & Co. - Retired
John H. P. Wheat (2 nd Vice Chairman)	Principal, Wheat & Associates

Management

Duncaster's day-to-day operations are supervised by the following principal administrative personnel:

Michael A. O'Brien, MHA, FACHE, President and Chief Executive Officer. Mr. O'Brien received his BA from Fairfield University and a Masters in Health Administration from St. Louis University. Prior to joining Duncaster, he was the President of the Connecticut Alliance for Long-Term Care and previously was a Vice President at Waterbury Hospital.

Lisa Holloway, BS, MS, MBA, FACHE, LNHA, Vice President-Health Services/Administrator Caleb Hitchcock Health Center. Ms. Holloway received her Bachelor's Degree in Sociology from Southern Connecticut State University, her Master's in Social Work from the University of Connecticut and her Master's of Science in Management and a Master's in Business Administration from Albertus Magnus College. She is a Fellow in the American College of Health Care Administrators. She is a licensed Nursing Home Administrator and received her Long-Term Care Management Certification from the University of Connecticut. Prior to joining Duncaster, she was the Administrator at Hebrew Health Care in West Hartford, and prior to that served for ten years as the Administrator of Health Care Operations at the Covenant Retirement Community in Cromwell.

Duncaster Accommodations and Amenities

Duncaster is located on approximately 64 acres of land in Bloomfield, Connecticut, a suburban residential community located 6 miles from the state capital of Hartford. The Duncaster Foundation owns an additional 31 acres of open space. It offers 194 apartment homes. Both the residential and common areas contain equipment and features designed for safety and security.

The residential neighborhoods containing the apartments are configured around the area known as the Commons. The Commons houses dining rooms, several multi-purpose rooms, library, gathering rooms, a large meeting room, a salon, a bank, a gift store, and administrative offices. Adjacent to the Commons is the Aquatic and Fitness Center that includes a large pool, a therapy pool, physical, occupational and speech therapy rooms, exercise studio and gym. A clinic, managed by Hartford Healthcare Medical Group, includes physicians' offices and examination rooms, dental, optometric and podiatric offices. Above the Commons is a neighborhood of 18 assisted living apartment homes plus gathering and dining spaces. The Caleb Hitchcock Health Center, located at Duncaster at 10 Loeffler Road, includes 60 skilled nursing accommodations and 24 assisted living accommodations. Twelve of the skilled nursing and 24 of the assisted living accommodations are for those requiring memory care. The nursing center is primarily intended for use by persons living at Duncaster; however, non-residents who require nursing care may be admitted directly to the nursing center on a per-diem basis as available. The square footage of the Commons building and apartment buildings is 405,000 square feet; the aquatic and fitness center is 14,000 square feet. The total square footage of the Caleb Hitchcock Health Center is 80,000 square feet.

The area surrounding Duncaster is generally residential. Duncaster provides scheduled transportation for residents to local shopping, recreational centers, physician offices and other nearby areas. Parking is available on the premises for residents and guests.

Residency

Each prospective resident must successfully complete a financial review and a health assessment. While residency eligibility to Duncaster is not based upon religious, racial or geographic requirements, it is Duncaster's policy only to accept persons aged 62 or older, although one member of a couple may be younger than 62. Prospective residents are required to give Duncaster an initial refundable deposit of 10% of the Entrance Fee to initiate the application process. Duncaster and the prospective resident then enter into a signed contractual relationship by virtue of the Residency Agreement ("Agreement"), attached as Exhibit A, pursuant to which the resident agrees to pay Duncaster an Entrance Fee and the Monthly Maintenance Fees, and Duncaster agrees to provide the resident with lifetime living accommodations, and with the services described below under "Provision of Services." The Agreement does not give the resident any title or interest in the real property of Duncaster, but simply gives the resident the contractual right to occupy an Apartment Home at Duncaster and to receive services provided by Duncaster.

Provision of Services

Residents are entitled under the Agreement to a wide variety of residential, personal, and medical services. Non-medical services provided by Duncaster include use of the community and recreational spaces, dining service, housekeeping services, apartment maintenance and repairs, all utilities except telephone and internet service, security service, payment of local real estate taxes, scheduled transportation to appointments and shopping and meal delivery service upon approval of Duncaster's Assisted Living Services Agency. Residents have a dining allowance to use as they wish.

Monthly Maintenance Fees may cover certain health services provided at Duncaster. Duncaster offers assessment and monitoring of residents' health needs, and assistance in coping with temporary illnesses or chronic conditions at home. Duncaster also provides short- and long-term comprehensive care at its nursing center. Residents are required to maintain Medicare Part A, and Medicare Part B insurance coverage and one supplemental health insurance policy covering hospitalization and other related costs or an insurance program with equivalent medical coverage, in each case, acceptable to Duncaster. Prospective residents should consult the Agreement for a more complete description of the services provided by Duncaster and for the extent to which medical services are covered by the Monthly Maintenance Fee.

Entrance Fee and Monthly Maintenance Fee

Prospective residents are required to pay an Entrance Fee to Duncaster. Entrance Fees and Monthly Maintenance Fees vary on the basis of the type of Apartment Home selected. Duncaster seeks to keep the fees as low as is consistent with the need to operate Duncaster on a sound financial basis and to provide amenities and services to residents in accordance with the Agreement. Entrance Fees and Monthly Maintenance Fees may be adjusted from time to time. Increases in Maintenance Fees are generally made once a year and are preceded by disclosure to residents regarding the reasons for the adjustment. A schedule setting forth Entrance Fees and Monthly Maintenance Fees is attached as Exhibit B.

A resident's Entrance Fee and Monthly Maintenance Fee may be adjusted if the resident marries, takes a partner or roommate, experiences the death of a spouse/partner or roommate, or transfers within Duncaster. An adjustment of Monthly Maintenance Fees corresponds to the change in number of occupants. In addition, the single occupancy Entrance Fee paid is adjusted to the double occupancy Entrance Fee in effect at the time of the additional occupant. In the event of the death of one occupant, the Monthly Maintenance Fee is immediately adjusted to a single rate. Consult the Agreement for a complete description of Entrance Fee and Monthly Fee stipulations.

If a resident transfers within Duncaster, adjustments, when applicable, to the original Entrance Fee and Monthly Maintenance Fees paid by that resident are made in accordance with the Agreement. Residents residing in the nursing center continue to be residents of Duncaster and receive benefits in accordance with the Agreement.

No interest will be paid on any amounts received as deposits or Entrance Fees and Duncaster retains any interest earned on such funds.

The payment of an Entrance Fee and Monthly Maintenance Fees may make residents eligible for significant tax adjustments in the year of entrance and each succeeding year. Residents should consult with their tax attorney or accountant as to the extent of the adjustment.

Termination of the Residency Agreement

Each Agreement remains in effect during the life of Resident unless it is terminated by either Duncaster or Resident. Duncaster may terminate the Agreement for any cause which, in its judgment, is in the best interests of the other residents of Duncaster, including but not limited to: (a) failure on the part of the Resident to abide by the rules adopted by Duncaster, (b) a material misrepresentation or omission made by Resident in connection with the application process, (c) breach by Resident of any terms of the Agreement, or (d) behavior by Resident which makes Resident's continued presence seriously disruptive or a threat to the safety of that Resident or other residents. Termination occurs only with the approval of the Board of Directors of Duncaster and following written notice to Resident in accordance with the provisions of the Agreement. Resident is required to vacate Duncaster on or before the termination date specified in any such notice.

Resident may terminate the Agreement at any time, without cause, by delivering to Duncaster a written notice of termination. The written notice must specify the date upon which such termination will be effective and resident must vacate Duncaster by that date. Notice of a resident's intent to terminate the contract must be in writing. The Agreement terminates automatically upon the death of Resident. A surviving spouse who is not a resident has no rights to the Residency Agreement. A surviving spouse who is a resident retains all the rights of the Agreement. Further discussion of termination of the Agreement is found under Article IX, Sec. A-B and Article X, Sections A-F of the Agreement.

Resident's obligation to pay the Monthly Maintenance Fee ceases on the effective date of termination, except in the event of the death of Resident, in which case it ceases when the resident's storage, Apartment Home, other accommodations and/or garage/carport are vacated. A portion of the Entrance Fee may be refundable in accordance with the terms of the Agreement.

Personal Property of the Resident

Resident's personal property is not affected by a temporary transfer to Duncaster's nursing center. If Resident is permanently transferred to the nursing center, or in the event of the death of Resident, the family of Resident is notified to remove Resident's personal property from Duncaster within 30 days or may pay a fee for additional days. If the property is not removed, Duncaster may remove and store it without liability for such property.

Principal Obligations, Indebtedness and Liabilities

Duncaster is obligated under the Agreement to provide long-term health and nursing care to residents.

Duncaster's liabilities consist principally of:

- i. trade accounts payable;
- ii. various accrued expenses incurred in operations;
- iii. obligations under an outstanding issue of Series 2010 A \$20,770,000 Revenue Refunding Bonds of the Connecticut Development Authority (now called Connecticut Innovations). The unpaid principal amount of the bonds as of December 31, 2015 was \$16,442,000;
- iv. obligations under an outstanding issue of bonds of the Connecticut Health and Educational Facilities Authority Series 2014 Revenue Refunding Bonds. The unpaid principal as of December 31, 2015 was \$12,000,000.

On December 30, 2010, Duncaster refinanced their Series 1999A and Series 2002 bonds by issuing Series 2010A Revenue Refunding Bonds. In accordance with the refunding escrow deposit agreement, the funds received from the Series 2010 bonds were deposited into an irrevocable trust as of December 31, 2010 in order to make all debt service payments and to pay off the 1999A and 2002 bonds, which occurred in February 2011 and August 2012 respectively. Duncaster has been fully released of any responsibility relating to the 1999A and 2002 bonds, and as such, they were removed from the consolidated statement of financial position as of December 31, 2010.

The proceeds from the sale of the Series 2014 bonds was used, along with a short-term bank loan, which was paid off prior to December 31, 2015, to construct 12 new independent living apartment homes and 12 new memory care assisted living accommodations as well as the purchase of land. The proceeds were also used to fund debt service reserves, pay bond insurance premiums and pay certain costs of issuance.

As required by the loan agreements and indenture, Duncaster has covenanted to maintain certain levels of liquidity ratios and debt service coverage ratios as well as refraining from undertaking additional financial obligations other than those permitted under the loan agreements and indenture.

For further information see:

- Exhibit C – Duncaster’s audited and certified financial statements for fiscal year ended December 31, 2015
- Exhibit D – Projected financial statements for fiscal years 2016-2018

Judicial Proceedings

There are no proceedings or cases pending against Duncaster at this time, and the directors and administration of Duncaster are not aware that any action, suit, or proceeding before a court or any government body has been instituted or threatened against Duncaster.

Department of Social Services, Elderly Division Services, Filings

On file at the State of Connecticut Department of Social Services, 25 Sigourney Street, Hartford, CT, are Duncaster’s Annual Filings and Disclosure Statements. Current regulations effective October 1, 2015, eliminate the requirement for the Annual Filing but additional information is now required to be included in the Disclosure Statement. The legislation is Public Act No. 15-115, An Act Establishing a Bill of Rights for Residents of Continuing Care Retirement Communities.

Escrow Accounts

Duncaster is required to establish and maintain on a current basis a portion of all entrance fees received in 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 operation of Duncaster for a one-month period, excluding debt service and capital expenditures.

Notice to Prospective Resident

In accordance with P.A. 98-250, Sec. 23 (a), Section 17b-522, of the CT General Statutes governing continuing care retirement communities, Duncaster duly notifies you that:

1. A continuing care contract is a financial investment on your part and your investment may be at risk.
2. Duncaster’s ability to meet its contractual obligations under such contract depends on its financial performance.
3. You should consult with an attorney or other professional experienced in matters relating to investments before signing a contract with Duncaster.
4. The Connecticut Department of Social Services does not guarantee the security of such investment.

DUNCASTER RESIDENCY AND CARE AGREEMENT

Recitals:

Duncaster owns and operates a senior living community where it provides residential living accommodations, healthcare and related services. The community is located on Loeffler Road in Bloomfield, Connecticut, and is called Duncaster in this Agreement. Capitalized terms used in this Agreement and not elsewhere defined shall have the respective meanings assigned to them in the Glossary attached to this Agreement. In consideration of the mutual promises set forth in this Agreement, Resident and Duncaster hereby agree as follows:

I. DESCRIPTION OF APARTMENT HOME

Subject to the terms and conditions of this Agreement and any Addendum to this Agreement, Duncaster agrees to make Apartment Home # _____, (the "Apartment Home" or "Apartment"), at _____ Loeffler Road, Bloomfield, Connecticut 06002, available for Resident's use for life and to provide the services described in this Agreement.

II. DESCRIPTION OF SERVICES

A. Services Included in Monthly Maintenance Fee. Services included in the Monthly Maintenance Fee are subject to policies and procedures established by Duncaster in its published Residents' Manual, as amended from time to time by Duncaster in its sole discretion so long as such amendment does not modify the specific rights provided to Resident pursuant to this Agreement (the "Policies and Procedures"). Duncaster will provide Resident with the following services included in the Monthly Maintenance Fee:

1. Meals in a Duncaster dining room in accordance with the following dining plan selected by Resident:
 - a. Flexible Choice Plan A - \$660 per month
 - b. Flexible Choice Plan B - \$550 per month with a \$35 credit per month
 - c. Flexible Choice Plan C - \$440 per month with a \$70 credit per month
2. Dining delivery approved by authorized personnel of Duncaster based on medical necessity for up to three (3) meals in the initial 24-hour period.
3. Utilities including heat, air conditioning, water, sewage, trash removal, electricity, and expanded basic cable television.
4. Wiring for phone jacks, internet access and cable television hook-ups. Resident will pay for installation and all fees associated with the telephone and Internet. Additional phone or cable television hook-ups available for an additional fee.
5. One (1) telephone with voice-mail and emergency pre-programmed numbers.
6. Maintenance and repair of buildings and grounds. Maintenance and upkeep of Apartment Home, appliances and systems.

DUNCASTER RESIDENCY AND CARE AGREEMENT

7. Weekly light housekeeping and semi-annual heavy-duty cleaning.
8. Weekly flat-linen service.
9. Social, recreational and cultural activities planned by Duncaster.
10. Uncovered parking for one (1) vehicle per Resident.
11. Fire detection, smoke alarms and sprinklers.
12. Emergency call-system.
13. Appliances provided: refrigerator, stove, microwave, dishwasher and disposal, and most apartment homes include a washer/dryer.
14. Twenty-four (24) hour response service provided by personnel designated by Duncaster who will contact emergency personnel and persons you identify to be contacted in an emergency.
15. Certain medical, nursing and rehabilitative services in Duncaster's Caleb Hitchcock Health Center (the "Health Center"), or in the event that such services are not available at Duncaster, an alternative health center selected by Duncaster when medically necessary and appropriate and when included in the Monthly Maintenance Fee as described in Articles III and VII of this Agreement.
16. Access to and use of the Common Areas provided for the enjoyment of residents of Duncaster. Common Areas include dining rooms, library, meeting rooms, social, recreational and fitness amenities and areas located in, on or about Duncaster and intended for the common use of Duncaster residents.
17. One storage bin.
18. Scheduled transportation.
19. Property taxes.

B. Services Available at Additional Cost. Certain services that are not set forth in Section II.A above and not included in the Monthly Maintenance Fee are available from Duncaster. These additional services can be arranged with Duncaster and are outlined in Duncaster's annual published rates. Additional services may include:

1. Meals beyond those covered by the dining plan.
2. Dining delivery beyond three (3) meals in the initial twenty-four (24) hour period of medical necessity.
3. Internet service.
4. Additional housekeeping.

DUNCASTER RESIDENCY AND CARE AGREEMENT

5. Carport and garage parking, when available.
6. Salon and barber services.
7. Guest meals and guest suites when available.
8. Assistance with activities of daily living.
9. Medical, nursing and rehabilitative services to include respite care in the Health Center when medically necessary and appropriate and when not covered by the LifeCare benefits as described in Section VII of this Agreement.
10. Additional storage bins, when available.
11. Private car/driver transportation.
12. Dog walking services.
13. Memory care.

III. ENTRANCE AND MONTHLY FEES

- A. Entrance Fee. For the right to use the Apartment Home and to receive services described in this Agreement, Resident will pay Duncaster an Entrance Fee in the amount shown on Schedule A of this Agreement (the "Entrance Fee"). Deposits previously paid to Duncaster also are shown on Schedule A. A Processing Fee will be deducted from the Deposit if Resident fails to execute the Residency Application.
- B. Monthly Maintenance Fee. Resident will pay starting on the Occupancy Date (defined below in Section IV.A) a monthly fee (the "Monthly Maintenance Fee" or "Monthly Fee") determined by Duncaster and billed to Resident.
 1. Initial Monthly Maintenance Fee is shown on Schedule A of this Agreement.
 2. Duncaster will have the right, in its sole and absolute discretion, to increase the Monthly Fee from time to time and at any time upon at least 30-days prior written notice to Resident.
 3. Duncaster will endeavor to maintain the Monthly Maintenance Fee at the lowest possible amount consistent with operating Duncaster on a sound financial basis and furnishing the services and amenities required under its agreements. Duncaster will endeavor, without being so obligated, to follow a policy whereby any increase in the Monthly Fee will be made once in each calendar year and only following disclosure to the residents of the reasons for the increase.
 4. Upon a temporary or permanent transfer of Resident to the Health Center, the fees shall be as follows:

DUNCASTER RESIDENCY AND CARE AGREEMENT

- a) Temporary Transfer. Resident shall continue to pay the Monthly Maintenance Fee. In addition all temporary transfers to the Health Center must be deemed medically necessary by the Medical Director for the LifeCare benefit to apply.

For temporary stays of personal choice not deemed necessary by the Medical Director, Resident is responsible for the Monthly Maintenance Fee as well as a per-diem charge that may not be covered by insurance, including any Federal or private insurance. Duncaster may deny Resident a temporary stay of personal choice.

- b) Permanent Transfer. Upon permanent transfer to the Health Center, Resident shall pay the Monthly Maintenance Fee plus the cost of two meals per day.

If Resident's stay in the Health Center is eligible for Medicare Part A or equivalent, Resident continues to pay the Monthly Maintenance Fee and additional meals will be covered by Medicare or equivalent insurance.

5. Upon permanent transfer to Assisted Living or Memory Care, Resident shall continue to pay Monthly Maintenance Fee plus Supportive Service costs and the cost of two additional meals per day.

6. The skilled nursing and assisted living neighborhoods of Duncaster that provide care and services specifically to residents with cognitive impairment and/or memory loss, charge an additional fee.

7. When Residents share an Apartment Home, and one Resident dies or is permanently transferred to a hospital or center that provides care not available at or paid for by Duncaster, the Monthly Maintenance Fee for the remaining Resident shall be adjusted to the current single-occupancy rate.

C. Monthly Statements. Duncaster will provide Resident with a monthly statement of charges that will include:

1. Amount of the Monthly Maintenance Fee;
2. Credits to which the Resident may be entitled;
3. Charges for additional services rendered to Resident during the preceding month;
4. Any other amounts due Duncaster from Resident.

All amounts, charges and fees due to Duncaster, including the Monthly Maintenance Fees, will be due and payable within ten (10) days after Resident receives the statement of charges. Resident may be charged interest monthly on any unpaid balances at the rate

DUNCASTER RESIDENCY AND CARE AGREEMENT

set forth, as amended from time to time, which interest rate shall at the time of execution of this Agreement initially be 1% per month.

- D. **Away Allowances.** Duncaster will credit Resident with an “away allowance” for certain unused dining. Resident must provide advance written notice and the planned absence must be for 14 or more consecutive days.

The Allowance is a credit on Resident's monthly statement of charges. The same credits apply if Resident is in the hospital for 14 consecutive days or more. Resident will not be entitled to a credit for other missed dining.

IV. TERMS OF RESIDENCY

- A. **Apartment Home Occupancy Date.** Resident will have the exclusive privilege to occupy and use the Apartment Home for the remainder of Resident's life, subject to the terms and conditions of this Agreement and any Addendum. The rights and privileges granted to Resident under this Agreement do not include any right, title or interest in or to any part of the personal property, land, buildings or improvements owned or administered by Duncaster. The term “Occupancy Date” as used in this Agreement is the earlier of the dates set forth on Schedule A that the Apartment Home will be available for occupancy for Resident or the date on which Resident places belongings into the Apartment Home. Resident must pay the Entrance Fee and the first Monthly Maintenance Fee prior to the Occupancy Date.
- B. **Care of Apartment Home and Personal Property by Resident.** Resident, at Resident's sole cost and expense, will take good care of the Apartment and, upon termination of this Agreement, at the death of Resident or otherwise, Resident or Resident's legal representative will return the Apartment Home to Duncaster in as good condition as existed upon the Occupancy Date, subject to reasonable wear and tear. Resident, at Resident's expense, shall be responsible for any damage or injury suffered by Duncaster, Apartment Home, other apartments or Common Areas, caused by Resident or by any guest or agent of Resident. If Resident fails to maintain the Apartment in such good condition and repair, Resident hereby irrevocably authorizes Duncaster to restore the Apartment Home to such condition and repair and will reimburse Duncaster for all expenses incurred by Duncaster in doing so. Resident will be responsible for maintenance, repair and replacement of all personal property of Resident. Resident is required to maintain property/tenant's insurance, and a copy of the declaration page must be provided to Duncaster prior to move-in.
- C. **Alterations.** Resident will not make any alterations to the Apartment Home without prior written approval from Duncaster. If Resident makes approved alterations, Resident will use a contractor approved by Duncaster and will pay the cost of such alterations prior to completion. Upon termination of this Agreement, Resident will pay the cost of returning the Apartment to its condition prior to the alteration. Duncaster may, at its sole discretion, decide not to charge Resident such cost if Duncaster believes the alteration enhances the future marketability of the Apartment Home. Duncaster may make alterations to the

DUNCASTER RESIDENCY AND CARE AGREEMENT

Apartment (1) to meet requirements of any applicable statute, law or regulation of any federal, state or municipal governmental authority or (2) to reduce the risk to the health or safety of Resident or other persons or ensure the comfort and safety of Resident if Duncaster, in its sole discretion, determines that such alterations achieve such health, safety or comfort.

- D. Smoking. Duncaster is a smoke-free community. Smoking is not allowed anywhere on Duncaster property. If Resident or their guests violate this policy, there may be financial and disciplinary consequences.
- E. Use of Apartment Home. No person other than Resident may occupy the Apartment Home except for visits by guests of Resident or with the express written approval of Duncaster. Resident will use the Apartment for residential purposes and not for business or professional purposes in any manner that violates zoning requirements or other federal, state or local law or regulation.
- F. Appliances and Furnishings. Duncaster will furnish the Apartment Home with a dishwasher, disposal, stove, microwave, refrigerator and telephone in good working condition. Additional appliances and furnishings within the Apartment and in adjacent alcoves will be provided by Resident at Resident's expense; shall not be such as to interfere with the health, safety or general welfare of other residents; and shall meet local, state and federal laws and regulations. Most Apartment Homes include a washer/dryer.
- G. Voluntary Change of Apartment. Resident may change his place of residence to another apartment home with Duncaster's consent and in accordance with Article IX of this Agreement. Resident will provide Duncaster with an updated Financial Statement to receive consent.
- H. Right of Entry. Resident irrevocably consents to and authorizes (1) the immediate entry to the Apartment Home by appropriate Duncaster personnel at any time when Duncaster in its sole discretion deems such entry necessary or desirable to protect the health, safety, welfare or comfort of Resident or other resident of Duncaster or the physical conditions of the Apartment or other areas constituting Duncaster, (2) the entry to the Apartment by Duncaster housekeeping personnel at all times when housekeeping services have been scheduled, and (3) the entry to the Apartment by Duncaster personnel for any reasonable purpose at any time after ten (10) days have elapsed following the death of Resident or Resident's vacating of the Apartment for any other reason. Resident will not place any locking devices on entry doors to the Apartment other than the ones in place at the time Resident takes occupancy.
- I. Use of Common Areas. Resident's privilege to use Common Areas shall be subject at all times to the exclusive right of Duncaster to establish, modify and enforce policies and procedures with respect to Common Areas and grounds.
- J. Private Duty Personnel. Subject to written approval by Duncaster and subject to the satisfaction of the conditions set forth in this Section, Resident may hire private duty

DUNCASTER RESIDENCY AND CARE AGREEMENT

personnel to provide assistance to Resident in activities of daily living including live-in assistance ("Private Personnel"). While Resident is free to choose any Private Personnel, the use of designated Duncaster employees through the Assisted Living Department is recommended.

Resident will be solely responsible for the decision to seek help, the nature and scope of the help, the selection of appropriate persons to provide help and the payment of the fees and expenses of such persons. Duncaster hereby expressly disclaims (other than Duncaster employees rendering services on behalf of Duncaster) any responsibility for decisions related to Private Personnel on the part of Resident, for care provided by such persons, the terms of their employment or for payment of their fees and expenses.

If Resident hires Private Personnel, Resident will obtain written approval for such persons from Duncaster's Human Resources Department. As a condition of rendering services to Resident, Private Personnel (other than Duncaster employees rendering services on behalf of Duncaster) shall (1) execute an Agreement certifying that Private Personnel shall comply with all policies and procedures of Duncaster applicable to employees of Duncaster, including, without limitation, background checks and drug testing, (2) provide proof of education and training establishing that Private Personnel are qualified to render services requested by Resident; (3) execute a Release and Indemnification Agreement signed by the Private Personnel in the form set forth in the Policies and Procedures, and (4) provide proof of workers' compensation and professional liability insurance in amounts not less than those set forth in the Policies and Procedures.

As applicable to the duties performed, Resident hereby indemnifies Duncaster and holds it harmless from any claims, actions, proceeding or damages of any kind (including reasonable attorneys' fees) resulting from any act or omission of Private Personnel hired by Resident (other than Duncaster employees rendering services on behalf of Duncaster), injury or death to any person or damage to or destruction or theft of property caused by Private Personnel hired by Resident (other than Duncaster employees rendering services on behalf of Duncaster).

Duncaster reserves the right, but does not have the obligation, to terminate Private Personnel on behalf of Resident, whether or not Private Personnel are employed by Duncaster, in the event that (1) Private Personnel fail to comply with the Policies and Procedures, (2) Private Personnel fail to provide services when scheduled, (3) Duncaster believes that the provision of services by Private Personnel is a threat to the health, safety or welfare of Resident or other resident or personnel of Duncaster, or (4) Private Personnel interfere with the peaceful enjoyment of Duncaster by other residents.

DUNCASTER RESIDENCY AND CARE AGREEMENT

V. CHANGE IN RESIDENT STATUS

A. Joint Occupancy.

1. If two persons sign this Agreement, the term "Resident" shall apply to each Resident jointly and severally unless otherwise provided herein. Each Joint Resident remains jointly and severally liable for all fees and charges due under this Agreement.
2. If there is one Resident and Resident and a non-resident desire to live together at Duncaster, the other person is required to apply for residency and provide Duncaster with the same health, financial and other information as Duncaster requires of applicants. Duncaster may grant or withhold residency in its sole discretion.

If the non-resident is granted residency, Resident and the new resident shall enter into a new Residency Agreement to replace this Agreement, in which case both will be treated as "Residents" under such Agreement. First- and second-person Monthly Maintenance Fees and an additional Entrance Fee will be paid.

If the non-resident is granted dual occupancy as a non-resident, non- resident will sign a Rental Agreement and accept occupancy as a non-resident of Duncaster. No additional Entrance Fee will be required. The Resident and the new Resident or non-resident will be required to pay the applicable first- and second-person Monthly Maintenance Fees.

If the non-resident is not granted residency or dual occupancy, they shall have no rights to occupy the Apartment Home.

3. If two Residents, residing in separate apartment homes wish to live together, they may either release one apartment home and reside together in the other or release both and move into another apartment home as available.

If they elect to release one apartment home and reside together in the other, Duncaster will require that they enter into a new Residency Agreement. Duncaster will pay any refund due in accordance with the Residency Agreement applicable to the vacated Apartment at such time as the Apartment Home has been reoccupied and Duncaster has been paid a new Entrance Fee.

If they elect to release and surrender both Apartment Homes and move into another Apartment, Duncaster will require that they enter into a new Residency Agreement for the new apartment and pay Duncaster the then current applicable Entrance Fee for the new Apartment Home. The Entrance Fee paid for the Apartments being surrendered will be credited against the new Entrance Fee. Any deficit will be paid prior to occupancy and any excess will be refunded when

DUNCASTER RESIDENCY AND CARE AGREEMENT

the vacated Apartment Homes have been reoccupied and Duncaster has been paid new Entrance Fees for such.

Residents will pay applicable first- and second-person Monthly Maintenance Fees.

B. Separation, Divorce or Death of Joint Residents.

1. If the term "Resident" as used in this Agreement, includes two people, then such two people (called "Joint Residents") shall be subject to these rules if Joint Residents separate or divorce.
2. Separation or Divorce of Joint Residents.
 - a) If each party desires a separate Apartment Home and one party remains in the Apartment that is the subject of the existing Residency Agreement, the remaining party shall retain all rights to the Apartment as Resident. Duncaster will not give any refund of the Entrance Fee. In addition, Joint Resident moving into the new Apartment must enter into a new Residency Agreement for such apartment and pay the then applicable Entrance Fee for such. Each Joint Resident will pay the applicable first-person Monthly Maintenance Fee for his or her Apartment Home.
 - b) If one party terminates residency at Duncaster and moves elsewhere, the remaining party shall retain all rights to the Apartment Home, but shall not be obligated to pay a second-person Monthly Maintenance Fee, and the departing Resident shall have no rights to the Apartment Home. Neither party shall be entitled to any refund of the Entrance Fee at the time the departing Resident leaves Duncaster, provided that the remaining Resident (not the departing Resident) may be entitled to a future refund of the Entrance Fee if permitted pursuant to this Agreement.
 - c) If both Residents desire to terminate the Residency Agreement, Duncaster will follow the refund provisions of this Agreement.
3. Death of One Joint Resident. In the case of the death of a Joint Resident, the surviving party shall retain all rights to the Apartment Home, but shall not be obligated to pay a second-person Monthly Maintenance Fee, and the representative or estate of the deceased Joint Resident shall have no rights to the Apartment. Neither Joint Resident nor the representative or estate of the deceased Joint Resident shall be entitled to a refund of any part of the Entrance Fee, provided that the remaining Joint Resident (and not the deceased Joint Resident or the deceased Joint Resident's representative or estate) may be entitled to a future refund of the Entrance Fee if permitted pursuant to this Agreement. If the surviving Joint Resident desires to leave Duncaster, the termination and Entrance Fee refund provisions of the Agreement shall be applicable.

DUNCASTER RESIDENCY AND CARE AGREEMENT

VI. TRANSPORTATION

Duncaster will provide transportation for Resident based on Duncaster's designated schedule to shopping centers, doctors and dentists within the local area as defined by Duncaster as such transportation is available. Transportation will be provided in accordance with the Policies and Procedures, which may include a fee. Duncaster reserves the right to require an aide or companion, at Resident's expense, to accompany Resident to assure the health or safety of Resident. If Resident resides at Duncaster's Health Center, an aide will be required to accompany Resident at Resident's expense. Resident will pay for the cost of an ambulance used by Resident when it is not paid for by Resident's insurance.

VII. HEALTH SERVICES

- A. Health Center. Duncaster will provide skilled nursing care and services for Resident in its Caleb Hitchcock Health Center (Health Center) as provided in Paragraph B. Resident shall pay the Monthly Maintenance Fee at all times Resident is in the Health Center (or substitute center as described below), even if the stay is paid under Medicare Part A or other insurance. If space in the Health Center is temporarily unavailable, Duncaster will arrange for substitute care to be provided in an appropriate long term care center (the "Substitute Center"). Duncaster will pay for the cost of Substitute Center, but not for costs in excess of the rate for semi-private rooms at the Substitute Center, except that Resident will pay for those items which would be charged to Resident if Resident were in the Health Center. Resident will be entitled to transfer to Duncaster's Health Center as soon as appropriate space becomes available, but if Resident fails to do so, Duncaster will not be obligated to make further payments for Substitute Center.
- B. Skilled Nursing. If a physician prescribes skilled nursing care for Resident, Duncaster includes with this Agreement such care and services for Resident either at the Health Center or at a Substitute Center or, if medically appropriate, in the Apartment Home. In the event that in the judgment of Duncaster such nursing care should be provided in a hospital, acute care center or specialty treatment center, Duncaster will not provide such care and this provision shall not be applicable.
- C. Prescription Medication. Duncaster will not have any liability for any part of Resident's prescription medication costs.
- D. Other Items or Services. When prescribed by a physician, other medical items or services including general medical care, and speech, physical and occupational therapy will be made available to Resident on a fee-for-service basis to the extent such items or services are available at Duncaster. Resident will pay all charges for such items not covered by insurance, and Duncaster will not have liability for any part of such charges. If Resident desires maintenance or wellness therapeutic services, Duncaster will bill Resident for such charges at Duncaster's published rates.

DUNCASTER RESIDENCY AND CARE AGREEMENT

- E. Memory Care and/or Assistance in Activities of Daily Living in Apartment Home. If a physician or other authorized healthcare provider determines that Resident would benefit from such care, Duncaster will make such service available to Resident at Duncaster's published rates.
- F. Items or Services Not Covered. Resident will be solely responsible for obtaining and paying for all items and services not covered by this Agreement, including, without limitation, the following items and services: (1) diagnosis and treatment of any medical condition; (2) hearing aids; (3) dentistry, dentures, and inlays; (4) orthopedic appliances and assistive devices; (5) podiatry; (6) diagnosis, therapy or drugs for psychiatric disorders or substance abuse including costs for room and board at a special treatment center or hospital; (7) oxygen; (8) eyeglasses, contact lenses, and routine eye care; (9) experimental treatments, medication and procedures; (10) cosmetic surgery; (11) over-the-counter products; (12) items or services rendered by physicians or allied health professionals, and (13) items or services rendered by medical centers, including hospitals and acute care centers, other than as set forth in Section VII.A and B.
- G. Limitations on Care. Duncaster does not provide care anywhere on its campus to persons who require diagnosis or treatment for alcohol or drug abuse or specialized psychiatric care or other diagnosis or treatment not authorized or permitted under applicable state or federal laws or regulations.
- H. Illness or Accident While Away From Duncaster. If Resident suffers an accident or illness while away from Duncaster, Resident will notify Duncaster as soon as possible. If medically feasible, Resident will return at Resident's expense to Duncaster as soon as possible. Resident will be solely responsible for the costs of all medical care incurred by Resident while away from Duncaster, and Duncaster will not have any responsibility for the payment of such costs.

DUNCASTER RESIDENCY AND CARE AGREEMENT

I. Temporary and Permanent Transfers.

1. Temporary Transfers. Upon determination by Duncaster's Medical Director or President that it is necessary or appropriate because of Resident's physical or mental health or other condition for Resident to transfer from the Apartment Home to Duncaster's Health Center or Assisted Living or other area in which Duncaster provides care deemed appropriate by Resident's physician, then Resident will abide by such determination and move his or her residency to such area. Duncaster will consult with Resident or Resident's legal representative before or as soon thereafter of such transfer. If Resident requires care that cannot be reasonably provided in any area at Duncaster, the Medical Director or Duncaster's President may require Resident to be transferred to a hospital or other center that provides care, in which case Resident will abide by such determination and make such transfer. During a temporary stay at Duncaster's Health Center, Resident shall pay the fees set forth in Sections III.B.3.a and VII.A of this Agreement. During all temporary transfers, Resident shall pay in addition to the Monthly Maintenance Fee, all charges applicable to the care not covered by this Agreement. Resident shall return to the Apartment Home when the Medical Director or Resident's physician determine that temporary care at the Health Center or other area in which Duncaster provides care is not necessary.

2. Permanent Transfers.

a) In the event that Resident is transferred to Duncaster's Health Center (or Substitute Center) and stays longer than thirty (30) consecutive days and the transfer is determined permanent by the Medical Director, Duncaster may require Resident to permanently transfer to the Health Center (or Substitute Center on a temporary basis pending transfer to the Health Center on a permanent basis). Duncaster may also require that Resident permanently transfer to an area in which Duncaster provides another level of care or to a hospital or other center providing care not available at Duncaster, but only upon the recommendation of the Medical Director subject to consultation with Duncaster's Transition Committee. Duncaster will consult with Resident or Resident's legal representative before such transfer occurs.

If Resident is transferred to the Health Center (or Substitute Center on a temporary basis pending transfer to Duncaster's Health Center on a permanent basis) or to an area in which Duncaster provides other care, Resident shall remain a member of Duncaster and shall be entitled to all of the rights and subject to all of the obligations set forth in this Agreement, except the right to occupy the Apartment Home or maintain use of any storage bin previously assigned.

If Resident is permanently transferred to a hospital or center that provides care that is not available at Duncaster, Resident or Duncaster may

DUNCASTER RESIDENCY AND CARE AGREEMENT

terminate this Agreement. Upon any such transfer of a permanent nature, the Apartment Home shall be vacated and available for assignment to another resident, unless it is already occupied by another resident who is a party to this Agreement. In the event that Resident released the Apartment, but this Agreement did not terminate due to a permanent transfer to another area at Duncaster, and Resident is later able in the opinion of the Medical Director to return to an apartment home, Duncaster will provide Resident with an apartment of the same type as the Resident's prior apartment home as soon as such becomes available.

- b) Resident will pay the Monthly Maintenance Fee set forth in Sections III.B.3.b and VII.A of this Agreement, less the calculated prepaid medical portion of the Fee and less food costs included in this Fee for the Apartment Home in addition to their full Monthly Maintenance Fee for care and occupancy in another area of Duncaster until such time as the Apartment Home, including storage bin, is vacated of all personal belongings and Resident's vehicle is removed from Duncaster. If the Apartment is vacated less than 30 days after Duncaster determines that the transfer will be of a permanent nature and the transition date is set, or upon termination of this Agreement, Resident shall not be responsible to pay the Monthly Maintenance Fee for the Apartment Home during those 30 days. Upon transfer to an area in which Duncaster provides other care, the Resident shall continue to pay the fees set forth in Sections III.B.3.b. and VII.A of this Agreement and all charges applicable to care not covered by this Agreement, and Resident shall not be entitled to a refund of any portion of the Entrance Fee at this time as a result of the transfer.

If this Agreement is terminated because Resident is permanently transferred to a hospital or center that provides care that is not available at Duncaster, Resident shall be entitled to any refund owed to Resident pursuant to Article IX of this Agreement. If Resident fails to remove his or her personal belongings from the Apartment, Duncaster will have the right to remove them and store or dispose of them as it sees fit at Resident's expense and risk of loss. Resident or Resident's legal representative shall permit Duncaster to enter and pass through the Apartment Home or any part thereof, at any time following ten (10) days after the transfer is determined to be permanent for any reason.

VIII. ADDITIONAL COVENANTS

- A. Duncaster intends to maintain its tax-exempt not-for-profit status.
- B. Duncaster will not terminate this Agreement if Resident is in default solely by reason of financial inability of Resident to pay the Monthly Maintenance Fee and such inability is due to financial circumstances beyond control of Resident or others legally representing Resident. Duncaster has established resident assistance funds through the Duncaster

DUNCASTER RESIDENCY AND CARE AGREEMENT

Foundation, and at any time Resident believes Resident cannot or may in the foreseeable future not be financially able to pay the Monthly Maintenance Fee, Resident shall make a confidential application to the President or Chief Financial Officer for a subsidy. If the application presents evidence which, in Duncaster's opinion is in accordance with Duncaster's Financial Assistance Policy, justifies subsidy, Duncaster may in its discretion partly or wholly subsidize Resident's Monthly Maintenance Fee. Resident will remain liable for payment of the Monthly Maintenance Fee, but Duncaster will take no action to collect such Fee from Resident if this Agreement remains in effect. Duncaster shall have the right to set off all such fees from any refund of the Entrance Fee upon termination of this Agreement or collect such fees from the estate of Resident. The estate of Resident shall be liable to Duncaster for reimbursement of the full amount of the subsidy and Resident or the estate of Resident shall cooperate in the execution and delivery of instruments and documents and shall take all action necessary to implement the provisions of this paragraph. This paragraph will apply whether or not Resident is in residence at Duncaster at time of death. As part of any application for subsidy, Resident will provide Duncaster with information as Duncaster reasonably shall request to confirm that Resident has not made any gift, transfer of assets or transfer of real or personal property in contemplation of the execution of this Agreement, nor, subsequent to the execution of this Agreement made any such gift, transfer of assets, or transfer of real or personal property, which would impair Resident's ability to satisfy Resident's financial obligations under this Agreement.

- C. Resident covenants and agrees with Duncaster that Resident will:
1. Comply with all current and future Policies and Procedures.
 2. Pay when due the Entrance Fee and each month's Monthly Maintenance Fee, as provided in this Agreement.
 3. Upon application for residency, deliver to Duncaster a statement ("Medical Statement") describing Resident's current and historical medical and psychiatric history and any other additional medical information that Duncaster may request.
 4. Upon application for residency and at any time requested by Duncaster, deliver to Duncaster a true and complete financial statement ("Financial Statement") and additional financial information that Duncaster may request.
 5. Grant to Duncaster a right of subrogation: Should you be injured by a third party and such injury requires Duncaster to provide health care services under this Agreement, Duncaster shall be subrogated, to the extent allowed by Connecticut law, to your rights against such other third party to the extent necessary to reimburse Duncaster for the costs incurred in providing health care services under this Agreement.
 6. Furnish to Duncaster reasonable evidence that Resident has not made any gift or other transfer of property in contemplation of the execution of this Agreement

DUNCASTER RESIDENCY AND CARE AGREEMENT

except for transfers disclosed on Resident's application for residency. Resident will not make any gift or transfer in the future that will impair Resident's ability to meet Resident's financial obligations under this Agreement.

7. Observe and perform all of the terms and provisions of this Agreement required on the part of Resident.

IX. REFUND OF ENTRANCE FEE

A. Prior to the Occupancy Date.

1. Termination of this Agreement Within Thirty (30) Days After Signature. If within thirty (30) days after signing this Agreement ("Grace Period"), Resident terminates this Agreement, Duncaster will refund to Resident or estate of Resident the Deposit and the amount of the Entrance Fee previously paid to Duncaster, without interest, less a processing fee not to exceed the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee as set forth on Exhibit A ("Processing Fee") and less any costs specifically incurred by Duncaster at the request of Resident and set forth in this Agreement. Notice of such intent to terminate this Agreement must be in writing and delivered by registered or certified mail during the Grace Period.
2. Termination after the Grace Period but Prior to Occupancy. If after the Grace Period Resident dies before occupying the Apartment Home, or on account of illness, injury or incapacity is precluded from occupying the Apartment, Resident may terminate this Agreement and Duncaster will refund to Resident or estate of Resident the Deposit and the amount of the Entrance Fee previously paid to Duncaster, without interest, less the Processing Fee and if the Occupancy Date has passed less the Monthly Maintenance Fee for the Apartment prorated on a per-diem basis for the period beginning seven (7) days after the latter of the date the Apartment was available for occupancy or the execution of this Agreement and ending on the last day of the month in which Duncaster receives notice that Resident will not occupy the apartment. Notice of such intent to terminate this Agreement must be in writing and delivered by registered or certified mail.
3. Reduction of Refund. Duncaster shall be entitled to reduce the refund by the amount of any costs incurred for customization of the Apartment Home at the request of Resident.
4. No Interest. No interest will accrue to the benefit of Resident or Resident's estate on any amount required to be refunded under this Agreement and no interest will be paid upon termination or refund.

- B. After Occupancy. Duncaster offers the option to select one of two entrance fee plans. These are: an 80% refundable plan and a 2% declining-balance refundable plan. Resident

DUNCASTER RESIDENCY AND CARE AGREEMENT

has selected the refund option indicated on Schedule A to this Agreement. The provisions applicable to the option selected by Resident are set forth below in the appropriate paragraph. Resident's selection is irrevocable.

1. 80% Refundable Option – Applicable Only to Residents Who Select This Option
 - a) If this Agreement is terminated by Resident or Duncaster after the later of the Grace Period or Occupancy of the Apartment Home (“Refund Start Date”), Duncaster will refund the Entrance Fee, without interest, minus two percent (2%) of the amount of the Entrance Fee for each month of occupancy or portion thereof after the Refund Start Date, up to a maximum of ten (10) months. The refund shall be paid to Resident, or to estate of Resident, but only when a new resident has entered into a residency agreement with respect to the Apartment and has paid to Duncaster the entire Entrance Fee required under new resident’s agreement.
 - b) If this Agreement is terminated by Resident or Duncaster, or otherwise terminates after the Refund End Date, Duncaster will refund eighty percent (80%) of the amount of the Entrance Fee, without interest. The refund shall be paid to Resident, or to estate of Resident, but only when a new resident has entered into a residency agreement with respect to the Apartment and has paid to Duncaster the entire Entrance Fee required under new resident's agreement.
2. 2% Declining-Balance Refundable Option – Applicable Only to Residents Who Select This Option
 - a) If this Agreement is terminated by Resident or Duncaster, or otherwise terminates after the Refund Start Date, Duncaster will refund a portion of the Entrance Fee (as described below), without interest to Resident or, to estate of Resident, but only when a new resident has entered into a residency agreement with respect to the Apartment and has paid to Duncaster the entire Entrance Fee required under such new resident's agreement.
 - b) The portion of the Entrance Fee to be refunded will be an amount equal to (i) the entire Entrance Fee minus (ii) 2% (two percent) of the Entrance Fee for each calendar month (or portion thereof) that has elapsed after the Refund Start Date.
3. Upon Transfer to Smaller Apartment Home. If Resident, with the consent of Duncaster, transfers to an Apartment Home that is smaller than the Apartment described on Schedule A of this Agreement, and at the time of transfer the applicable entrance fee for such new apartment is less than the Entrance Fee paid pursuant to this Agreement, no refund of the Entrance Fee will be made at the time of the transfer. Any refund due at the time this Agreement is terminated will

DUNCASTER RESIDENCY AND CARE AGREEMENT

be based on the original Entrance Fee, and will be refunded in accordance with this Agreement and the refund option selected by Resident. Resident shall pay Duncaster for all restoration expenses associated with the change prior to the move and shall pay after the move the applicable Monthly Maintenance Fee. Resident is responsible for all moving costs and for hiring movers.

4. Upon Transfer to Larger Apartment Home. If Resident, with the consent of Duncaster, transfers to an apartment that is larger than the Apartment Home described on Schedule A of this Agreement and, at the time of transfer, the applicable entrance fee payable by Resident for the larger apartment is more than the Entrance Fee paid pursuant to this Agreement, Resident will pay an additional Entrance Fee equivalent to the difference between the original Entrance Fee and the current Entrance Fee prior to moving. Any refund due at the time this Agreement is terminated will be based on the new Entrance Fee, and will be refunded in accordance with this Agreement and the refund option selected by the Resident upon execution of this Agreement. If there is no refund of the original Entrance Fee due to Resident, the new Entrance Fee shall be immediately amortized in full and there will be no refund of the original Entrance Fee or the new Entrance Fee. Resident shall pay Duncaster for all restoration expenses associated with the change prior to the move and shall pay after the move the applicable Monthly Maintenance Fee. Resident is responsible for all moving costs and for hiring movers.
5. Upon Transfer to Other Area at Duncaster. If Resident shall transfer or be transferred as a permanent resident to Duncaster's Health Center or to any other area at Duncaster, Resident shall not be entitled to a refund of any part of the Entrance Fee at that time.
6. Additional Conditions to Refunds. In the event of any termination of this Agreement, Duncaster will not make any required refund until such time as:
 - a) Resident surrenders the Apartment Home to Duncaster in good condition and repair, reasonable wear and tear excepted, and restored from alterations, if Duncaster so requires, as provided in Article IV, Section C of this Agreement.
 - b) Resident has paid to Duncaster all accrued and unpaid Monthly Maintenance Fees and other accrued and unpaid charges payable by Resident under this Agreement.
 - c) Duncaster has entered into a new residency agreement with a new resident for the Apartment Home formerly occupied by Resident and the new resident has paid the entire Entrance Fee for the Apartment, except for refunds made pursuant to Sections IX.A.1 or IX.A.2 of this Agreement, or subject to Connecticut Law, after 3 years, whichever occurs first.

DUNCASTER RESIDENCY AND CARE AGREEMENT

- d) Resident pays Duncaster all amounts owed to it by Resident and any reasonable expenses incurred in connection with the termination, including, but not limited to:
 - i) Cost of any repair or replacement of property assigned to Resident's use, including restoration of grounds to original condition.
 - ii) Painting or other refurbishment of Resident's Apartment Home in excess of that required by normal wear and tear.
 - iii) The cumulative amount of any uncompensated services or subsidy provided to Resident by Duncaster.

Duncaster may offset any amounts owed to it by Resident against any refund due Resident or Estate.

X. TERMINATIONS

- A. Termination by Resident. Resident may terminate this Agreement at any time before occupying the Apartment Home in accordance with Section XI.A of this Agreement. After Resident occupies the Apartment Home, Resident may terminate this Agreement at any time by delivering to Duncaster written notice of termination specifying a date when the termination becomes effective. Resident will pay the Monthly Maintenance Fee for 60 days after vacating Duncaster property.
- B. Termination by Duncaster. Duncaster may terminate this Agreement at any time before Resident occupies the Apartment Home if Resident fails to satisfy any condition of occupancy. After Resident takes occupancy, Duncaster may terminate this Agreement with the approval of its Board of Directors upon not less than thirty (30) days written notice to Resident, for any of the following reasons:
 - 1. Resident refuses to pay any Monthly Maintenance Fee by the last day of the month in which it is due;
 - 2. Resident fails to observe or comply with any other terms or provisions of this Agreement or published guidelines.
 - 3. Any representation or warranty made by Resident in Resident's Medical or Financial Statement or in writing in connection with Resident's application for residency shall prove to have been incorrect in any material respect; and
 - 4. Duncaster, in its sole and absolute judgment, believes that (i) Resident's continued presence has become seriously disruptive to any of the other residents of Duncaster, (ii) Resident's continued presence has become a threat to the health, safety or welfare of Resident, any other resident or any personnel, (iii) Resident's continued presence is detrimental to the peaceful enjoyment of Duncaster by

DUNCASTER RESIDENCY AND CARE AGREEMENT

others, (iv) termination otherwise would be in the best interest of other residents of Duncaster, or (iii) Duncaster will be unable to provide services that meet the emotional, psychological or physical needs of Resident at a reasonable cost.

- C. Termination Upon Permanent Transfer. This Agreement may be terminated in accordance with Section VII.I.2.b in the event Resident is transferred permanently to a hospital or other center for care that Duncaster does not provide.
- D. Termination by Death. This Agreement shall terminate at the death of Resident.
- E. Termination Date. The Termination Date is the date on which Resident's personal effects, including vehicle(s) are removed from Duncaster property, including storage areas.
- F. Effect of Termination.
1. On or before the effective date of any termination of this Agreement, Resident or his legal representative shall surrender the Apartment Home to Duncaster in good order and repair, reasonable wear and tear excepted, and free of any alterations, if Duncaster so requires as provided in Article IV, Part C, and shall remove all of Resident's personal effects from Duncaster property. On such effective date, all of the rights of Resident and all of the obligations of Duncaster under this Agreement shall cease except that Resident (a) shall remain liable for all Monthly Maintenance Fees and other charges accrued through the later of the effective date of termination or the date upon which all personal effects are removed from Duncaster property, including any expenses incurred by Duncaster to satisfy Resident's obligations under this Agreement, and (b) shall be entitled to any Entrance Fee refund required to be paid to Resident under Article IX.
 2. Resident will continue to pay the Monthly Fee when belongings remain in Apartment Home, storage bin, assisted living apartment at Duncaster beyond 30 days following termination of this Agreement and/or will continue to pay the daily/monthly fee when belongings remain in health center/memory care accommodations beyond 48 hours of termination of this Agreement. Duncaster may remove such property and store and/or dispose of the same as it sees fit at Resident's expense and risk of loss. Resident or Resident's legal representative shall permit Duncaster to enter the Apartment Home at any time following ten (10) days after termination of this Agreement for any reason.

XI. MISCELLANEOUS

- A. Non-Solicitation. Resident shall not, directly or indirectly, without the written consent of Duncaster, (1) solicit, negotiate with or enter into any agreement with any employee, agent or independent contractor of Duncaster, or (2) hire, seek to hire or assist in hiring any employee, agent or independent contractor of Duncaster.

DUNCASTER RESIDENCY AND CARE AGREEMENT

B. Modification of Agreement and Policies and Procedures. Duncaster reserves the right to unilaterally modify this Agreement to conform to changes in law or regulation. Duncaster also reserves the right to modify and amend in its sole discretion its Policies and Procedures, including without limitation, those policies in Duncaster's published Residents' Manual, so long as such modification or amendment does not modify the rights provided to Resident pursuant to this Agreement.

C. Indemnification and Liability.

1. Indemnification by Resident. Resident will indemnify and defend Duncaster, at Resident's cost and expense, against all claims, expenses, damages and liabilities (including without limitation reasonable attorneys' fees and expenses and costs of investigations) arising out of any occurrence at Duncaster, any breach by Resident of this Agreement or of any representation or warranty made by Resident to Duncaster, or any negligent, reckless, intentional, willful or other act or omission of Resident or of any guest or agent of Resident.

Such indemnification shall not apply to any claim arising out of the negligence or willful misconduct of Duncaster or its agents or by default on the part of Duncaster under this Agreement.

2. No Liability for Claims. Duncaster will not be liable for any claims, damages or expenses, including attorney fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with the negligent or intentional act or omission of any resident unless caused by the gross negligence or willful misconduct of Duncaster or its agents or by a default on the part of Duncaster under this Agreement.

D. Insurance.

1. Enrollment in any plan that is not Traditional Medicare must be pre-approved by Duncaster. Resident shall not enroll in any medical insurance program in which Duncaster is not a participant.

2. Resident will enroll in Medicare Part A, or an insurance that provides a comparable payment structure, Medicare Part B, prescription coverage and any other healthcare program providing insurance coverage for which Resident is eligible and one supplemental health insurance policy covering hospitalization and other related costs, or an insurance program with equivalent hospital (and other facilities), medical and prescription drug coverage acceptable to Duncaster.

For services provided by Duncaster, Resident will assign to Duncaster all benefits payable under any policy of insurance and will execute and deliver to Duncaster such instruments of assignment and other documents as Duncaster reasonably may request. Resident will pay the costs of items not covered by insurance,

DUNCASTER RESIDENCY AND CARE AGREEMENT

except as otherwise expressly provided in this Agreement. If Resident fails to maintain insurance required under this Agreement, Resident will reimburse Duncaster for all costs and expenses incurred by it that would have been reimbursed under insurance if it had been maintained.

3. Resident will maintain personal-property insurance for the purpose of insuring Resident's personal possessions against fire, theft and similar casualties in an amount at least equal to the replacement cost of such possessions, subject to a reasonable deductible. In the case where insurance has not been maintained, Duncaster is not responsible for replacement of Resident's property.
 4. Resident will maintain liability insurance, in the amount of \$300,000, covering bodily injury and property damage occurring in, on or about Duncaster. Any change in insurance shall be communicated to Duncaster. Duncaster reserves the right to verify insurance coverage at any time.
 5. Resident will maintain automobile liability insurance in the amount of \$100,000/\$300,000 and uninsured motorist insurance in the amount of \$300,000 as long as Resident owns or operates a vehicle. This coverage is necessary to ensure that Resident's assets are not depleted as a result of an uninsured claim. Resident will increase coverage to such amounts as Duncaster reasonably shall require from time to time.
 6. At Duncaster's request Resident will provide Duncaster with copies of insurance policies or certificates of insurance evidencing compliance with this requirement.
- E. Property Taxes. Duncaster will pay all taxes assessed on any real or personal property owned by it. Resident will pay all taxes assessed on any real and personal property owned by Resident.
- F. Tax Deductions. Resident may be entitled to take Federal tax deductions as a result of residency at Duncaster including deduction of a portion of the Monthly Fee as a medical expense. Each year, Duncaster provides Resident with the percentage of the Monthly Fee that has been determined to be attributable to the cost of supporting residents in the Health Center. All deductions are subject to limitations imposed by the Internal Revenue Code. Resident should consult his or her tax advisor before utilizing any deduction.
- G. Pets. Subject to the approval of Duncaster, Resident may have one or more domestic pets in accordance with the Policies and Procedures. Exotic pets are not allowed. Resident shall pay Duncaster for any damage caused by the pet(s). Duncaster reserves the right to rescind its approval of any pet(s) if the pet(s) threaten the peaceful enjoyment of Duncaster or constitute a nuisance or threat to the health, safety or welfare of Resident, other residents or personnel.
- H. Vehicle. Resident may operate a vehicle on Duncaster property in accordance with applicable signs, markings and Policies and Procedures. Duncaster may prohibit Resident

DUNCASTER RESIDENCY AND CARE AGREEMENT

from operating a vehicle on Duncaster property in the event Resident is no longer able to drive safely or does not abide by signs and markings or Policies and Procedures. In the event Resident owns a vehicle, Resident shall maintain vehicle liability insurance covering, at a minimum, liability and medical expenses arising from injury to Resident or others or damage to property of Duncaster or others. No vehicle may be parked at Duncaster by Resident if it is not or cannot be driven. Residents who have a vehicle and no longer drive, but have the vehicle for purposes of others driving it, must park the vehicle in spots farthest from entries.

- I. Exoneration. Duncaster shall not be responsible or liable for any loss or injury suffered by Resident or any property of Resident caused by (1) any defect, latent or otherwise, anywhere on Duncaster property or in any equipment installed therein, (2) theft, fire or any other casualty or (3) another resident, unless caused by the gross negligence or willful misconduct of Duncaster or any of its agents or by a default on the part of Duncaster under this Agreement.
- J. Advanced Directives; Arrangements for Conservator. Resident shall provide any advanced directive or designation of healthcare agent or attorney-in-fact to Duncaster. Resident shall provide revisions or changes made to the advanced directive or designation to Duncaster upon the effective date of such revisions, changes or designation. If Resident becomes unable to care properly for himself or herself or for Resident's property and has made no designation of a person or legal entity to serve as a conservator of Resident or of Resident's property, Resident hereby authorizes Duncaster to propose, subject to approval by a court of competent jurisdiction as provided by law, a person or entity to serve as such conservator, and Resident releases and holds harmless Duncaster from any liability from proposing a conservator or from any acts or omissions of the conservator.
- K. Notices. Notices, when required by the terms of this Agreement, shall be given in writing and delivered to Duncaster at its administrative office at 40 Loeffler Road, Bloomfield, Connecticut 06002, marked to the attention of the President, and, in the case of the Resident, when delivered, prior to the Occupancy Date, at the address given on the Residency Application, and, after the Occupancy Date, as to either party, at such other address as such party shall specify in writing to the other party.
- L. Interpretation. The captions and numbers appearing in this Agreement are inserted only as a matter of convenience and are not intended to define or limit or describe the scope or contents of any Article or Section. This Agreement shall be governed by and construed in accordance with the provisions of Connecticut law.
- M. Non-Assignability. This Agreement, with any attachments, schedules, exhibits, riders or addenda attached hereto, constitutes the entire agreement between Duncaster and Resident, and supersedes any prior conversations or writings. No subsequent amendment to or modification of this Agreement shall be binding upon Duncaster or Resident unless reduced to writing and signed by both parties. Neither this Agreement nor any of the rights of Resident hereunder may be assigned by Resident.

DUNCASTER RESIDENCY AND CARE AGREEMENT

- N. Benefit and Burden. Subject to the restrictions upon assignment of this Agreement by Resident, this Agreement shall be binding upon and shall inure to the benefit of Duncaster and Resident and their respective successors, assigns, heirs and personal representatives.
- O. Severability. If any provision of this Agreement is determined by a court, judicial or administrative tribunal of appropriate jurisdiction to be invalid or unenforceable, such provision shall be severed and the balance of this Agreement shall remain in full force and effect.
- P. Waiver. No act of forbearance or failure of Duncaster to insist upon performance of any term of this Agreement shall be construed as a waiver of any of the rights granted to Duncaster or limit Duncaster's ability to enforce all provisions of this Agreement.
- Q. Arbitration. Resident agrees that any dispute, appeal, claim or controversy of any kind between the parties arising out of, in connection with, or relating to this Agreement and any amendment hereof, or the breach hereof, which cannot be resolved by mutual agreement or in small claims court, will be submitted to and determined by arbitration in Hartford County, Connecticut in accordance with the Federal Arbitration Act. Resident and Duncaster will jointly agree on an arbitrator and will select the arbitrator according to procedure set forth in State Law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by Resident will be borne by Resident. Costs of arbitration, including Duncaster's legal costs and attorneys' fees, and similar costs, will be borne by all residents of Duncaster, provided that the arbitrator may choose to award the costs of arbitration against Duncaster if the arbitrator determines that the proposed resolution urged by Duncaster was not reasonable. If the issue affects more than one resident, Duncaster may elect to join all affected residents into a single arbitration proceeding, and Resident hereby consents to such joinder.

Resident may withdraw Resident's agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of Resident's withdrawal to Duncaster. This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all unresolved claims and disputes.

DUNCASTER RESIDENCY AND CARE AGREEMENT

Duncaster Residency Agreement

Schedule A

Resident name(s):

Apartment Home #:

Refund Option:

Apartment Home Style:

Contract Option:

Contract Date Estimate:

90 days from taking an apartment home or sooner when you take keys/move in any item

Contract Date Actual:

Occupancy Date (your monthly fee will start):

90 days from taking an apartment home or sooner when you take keys/move in any item

Entrance Fee:

Deposit(s) Paid: _____

Subtotal Deposits: _____

Entrance Fee Balance Due: _____

Monthly Maintenance Fee: _____

NOTES:

Dining Plan Options:

Single occupant

Plan A:	\$660 <i>included</i> in monthly fee
Plan B:	\$550 <i>included</i> in monthly fee plus a \$35 credit each month
Plan C:	\$440 <i>included</i> in monthly fee plus a \$70 credit each month

Double occupants

Plan A:	\$1320 <i>included</i> in monthly fee
Plan B:	\$1100 <i>included</i> in monthly fee plus a \$70 credit each month
Plan C:	\$880 <i>included</i> in monthly fee plus a \$140 credit each month

Duncaster CEO/President

Resident

Date

Resident

DUNCASTER RESIDENCY AND CARE AGREEMENT

IN WITNESS WHEREOF, DUNCASTER and the person or persons whose names appear below have signed and delivered duplicate counterparts of this Agreement at Bloomfield, Connecticut, on the date indicated below.

DUNCASTER

By: _____

Name: _____

Title: President/CEO

Date: _____

Acknowledged and Agreed to:

RESIDENT(S):

WITNESS:

Signature

Signature

Name (Print)

Name (Print)

Date

Signature

Signature

Name (Print)

Name (Print)

Date

GLOSSARY

DUNCASTER RESIDENCY AND CARE AGREEMENT

Agreement: This refers to the Residency and Care Agreement that you sign.

Assistive Devices: Equipment to enhance mobility such as canes, walkers, motorized carts and wheelchairs.

Away Allowance: An allowance for dining credited to Residents when Resident is away from the Community for fourteen (14) or more consecutive days. Refer to Article III of the Agreement.

Common Areas: These are the areas in Duncaster to which all residents have access.

Community: This means the community owned and operated by Duncaster and located on Loeffler Road in Bloomfield, Connecticut.

Deposit: This refers to an amount paid to Duncaster as partial payment of the Entrance Fee.

Entrance Fee: The fee established by Duncaster payable by a prospective resident for the right to use the Apartment Home and to receive the services described in the Agreement.

Financial Assistance Policy: This means the policy by which Duncaster will determine if Resident qualifies for a subsidy in the event Resident cannot afford to pay the Monthly Maintenance Fee.

Financial Statement: This refers to financial information that must be delivered to Duncaster prior to application for Residency and any time that it is requested by Duncaster, illustrating the financial condition of Resident, including assets and sources of income.

Grace Period: This refers to the period starting once Resident signs the Agreement and ends thirty (30) days thereafter.

Health Center: This refers to the Caleb Hitchcock Health Center or an alternative health Center selected by Duncaster if the Caleb Hitchcock Health Center is unavailable and such Services are included in the Monthly Maintenance Fee.

Apartment Home: This refers to a specific address for which Resident has paid an Entrance Fee and is listed on Schedule A of the Agreement.

Medical Director: This refers to the physician designated as medical director of Duncaster's Health Center.

Individual Personal and Health History and Physician Statement: These refer to descriptions of the Resident's current and historical medical and psychiatric history and any other additional medical information that Duncaster may request, to be provided prior to residency eligibility.

Medicare Part A: A federally funded program that provides health insurance, primarily to people

DUNCASTER RESIDENCY AND CARE AGREEMENT

entitled to Social Security, age 65 or older. Part A coverage is for inpatient care in an acute care hospital or long-term-care center provided that certain medical criteria are met. The maximum stay covered under Part A in a long-term-care center is 100 days. Persons can qualify for additional coverage after a defined time period without skilled services.

Medicare Part B: This part of Medicare pays for physician services, ancillary services such as laboratory, radiology, outpatient rehabilitation and other specialized services related to care.

Medicare Part D: This part of Medicare pays for prescription drug coverage.

Monthly Maintenance Fee: This refers to the monthly fee charge. This fee may be increased from time to time and at any time with at least 30-day prior written notice to Resident.

Non-Resident Rental Agreement: An Agreement pursuant to which a non-resident is permitted to rent space at Duncaster but when the non-resident does not have the rights of a Resident, including, without limitation, any rights to services for assisted living, personal care, health care or nursing care, or to residency in Duncaster's Health Center. A non-resident who enters into a Non-Resident Rental Agreement may, if such services are available, purchase such services at the then current prices for such services.

Occupancy Date: This is the date on which the balance of the Entrance Fee is due and payable and Resident's obligation to pay the Monthly Maintenance Fee begins. It is either so designated on Schedule A of the Agreement or is the date on which Resident moves into the Apartment Home or places any belongings at Duncaster, whichever occurs first.

Personal Property: This is property that is personally owned by Resident.

Private Personnel: This means any personnel hired by Resident to provide assistance to Resident in activities of daily living.

Processing Fee: A non-refundable application fee charged to prospective resident.

Refund End Date: This refers to the date ten (10) months after the refund Start Date.

Refund Start Date: This refers to the later of either the end of the Grace Period or the date of occupancy by Resident.

Residency & Care Agreement: Contract between Resident and Duncaster, otherwise referred to as "Agreement."

Resident: Person whose name appears on Schedule A under the heading "Resident." If the names of two persons appear on Schedule A, then the word "Resident" as used throughout the Agreement means both persons collectively.

Residents' Manual: This is the published manual that contains the policies and procedures established by Duncaster.

DUNCASTER RESIDENCY AND CARE AGREEMENT

Substitute Center: This means an appropriate long-term care center that may be provided by Duncaster, in accordance with Article VII of the Agreement, if space at the Health Center is temporarily unavailable.

Supplemental Health Insurance Policy: Resident is required to purchase insurance to cover the deductible or costs not covered by their primary insurance such as Medicare Parts A, B, and D. Such insurance may be referred to as “Medi-Gap” insurance.

Termination Date: This refers to the date on which Resident’s personal effects are removed in full from Garage, Carport, Apartment Home, Assisted Living Apartment, Skilled Nursing Accommodation and/or any other Duncaster building or property, upon termination of the Agreement.

Transition Committee: This is a specific committee that oversees and decides final determination for transitioning a resident for permanent placement from an Apartment Home to Duncaster’s Health Center or Assisted Living, or any area in which Duncaster provides a level of care, or a hospital or center not available at Duncaster.

THIS GLOSSARY IS PROVIDED FOR CONVENIENCE ONLY AND IS NOT PART OF THE AGREEMENT.

LifeCare Plans

2% Declining Entrance Fee Life Care Plan*

Apartment Home	Square Footage	Single Occupancy Entrance Fee	Single Occupancy Monthly Fee	Double Occupancy Entrance Fee	Double Occupancy Monthly Fee
Avon/Studio	514	\$102,000	\$2,630	N/A	N/A
Bloomfield I/One Bedroom	657	\$134,000	\$3,182	\$192,000	\$4,574
Bloomfield II/One Bedroom	669	\$136,000	\$3,301	\$194,000	\$4,738
Canton/One Bedroom	822	\$185,000	\$3,743	\$247,000	\$5,166
Cheshire/One Bedroom/Office	837	\$189,000	\$3,827	\$250,000	\$5,266
Cheshire/One Bedroom/Den	867	\$191,000	\$3,838	\$252,000	\$5,276
Cornwall/Two Bedroom	986	\$200,000	\$4,047	\$260,000	\$5,499
Farmington/Two Bedroom	1,126	\$229,000	\$4,536	\$289,000	\$5,983
Granby/Two Bedroom	1,171	\$271,000	\$4,894	\$327,000	\$6,345
Haddam/One Bedroom, Den	1,171	\$274,000	\$4,894	\$330,000	\$6,345
Haddam II (Granby II)	1,241	\$278,000	\$4,949	\$335,000	\$6,400
Hartford/Two Bedroom	1,260	\$280,000	\$5,090	\$337,000	\$6,517
Litchfield/Two Bedroom	1,336	\$284,000	\$5,263	\$343,000	\$6,659
Litchfield Plus/Two Bedroom	1,356	\$285,000	\$5,370	\$347,000	\$6,766
Milford/Two Bedroom	1,400	\$332,000	\$5,782	\$377,000	\$7,413
Simsbury/Two Bedroom	1,500	\$341,000	\$6,272	\$384,000	\$8,114
Suffield/Two Bedroom	1,560	\$357,000	\$6,525	\$398,000	\$8,365
Tolland/Two Bedroom w/Den	1,600	\$358,000	\$6,556	\$410,000	\$8,389
Weatogue/Three Bedroom	1,643	\$364,000	\$6,574	\$416,000	\$8,415
Woodstock	1,993	\$450,000	\$7,870	\$497,000	\$9,571
Woodstock II	2,157	\$465,000	\$8,082	\$516,000	\$9,890

*Entrance fee is refundable in an amount that diminishes 2% per month of occupancy as per Residency Agreement

80% Refundable Entrance Fee LifeCare Plan**

Apartment Home	Square Footage	Single Occupancy Entrance Fee	Single Occupancy Monthly Fee	Double Occupancy Entrance Fee	Double Occupancy Monthly Fee
Avon/Studio	514	\$146,000	\$3,127	N/A	N/A
Bloomfield I/One Bedroom	657	\$194,000	\$3,580	\$242,000	\$5,420
Bloomfield II/One Bedroom	669	\$196,000	\$3,712	\$244,000	\$5,611
Canton/One Bedroom	822	\$277,000	\$3,907	\$327,000	\$5,862
Cheshire/One Bedroom/Office	837	\$287,000	\$4,124	\$337,000	\$6,046
Cheshire/One Bedroom/Den	867	\$289,000	\$4,134	\$339,000	\$6,057
Cornwall/Two Bedroom	986	\$314,000	\$4,699	\$365,000	\$6,538
Farmington/Two Bedroom	1,126	\$356,000	\$5,375	\$406,000	\$7,213
Granby/Two Bedroom	1,171	\$376,000	\$5,577	\$424,000	\$7,417
Haddam/One Bedroom, Den	1,171	\$379,000	\$5,577	\$427,000	\$7,417
Haddam II (Granby II)	1,241	\$383,000	\$5,632	\$431,000	\$7,472
Hartford/Two Bedroom	1,260	\$425,000	\$6,000	\$456,000	\$7,839
Litchfield/Two Bedroom	1,336	\$433,000	\$6,363	\$481,000	\$8,201
Litchfield Plus/Two Bedroom	1,356	\$434,000	\$6,472	\$482,000	\$8,309
Milford/Two Bedroom	1,400	\$479,000	\$6,701	\$519,000	\$8,714
Simsbury/Two Bedroom	1,500	\$487,000	\$7,144	\$535,000	\$8,983
Suffield/Two Bedroom	1,560	\$508,000	\$7,432	\$555,000	\$9,270
Tolland/Two Bedroom w/Den	1,600	\$530,000	\$7,651	\$577,000	\$9,654
Weatogue/Three Bedroom	1,643	\$541,000	\$7,825	\$587,000	\$9,666
Woodstock	1,993	\$655,000	\$8,827	\$698,000	\$10,273
Woodstock II	2,157	\$664,000	\$9,252	\$699,000	\$10,954

Entrance fee is 80% refundable as per Residency Agreement**

TAX DEDUCTIONS: Revenue Ruling 76-481; A portion of the Entrance and Monthly Fee may be considered deductible



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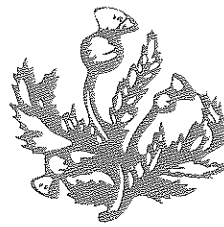


TAX DEDUCTIONS: Revenue Ruling 76-481; A portion of the Entrance and Monthly Fee may be considered deductible

	100% Refundable Entrance	Monthly Fee
Garage	\$33,000	\$75

Effective May 11, 2016
 Pricing subject to change

Garage Entrance fee is 100% refundable as per Agreement.



Fee for Service

80% Refundable

Apartment Home	Square Footage	Single Occupancy Entrance Fee	Single Occupancy Monthly Fee	Double Occupancy Monthly Fee
Avon/Studio	514	\$96,000	\$2,126	N/A
Bloomfield/One Bedroom	657	\$143,000	\$2,434	\$3,683
Bloomfield II/One Bedroom	669	\$146,000	\$2,528	\$3,818
Canton/One Bedroom	822	\$227,000	\$2,734	\$3,982
Cheshire/ One Bedroom/Office	837	\$237,000	\$2,860	\$4,113
Cheshire/ One Bedroom/Den	867	\$239,000	\$2,870	\$4,124
Cornwall/Two Bedroom	986	\$265,000	\$3,193	\$4,444
Farmington/Two Bedroom	1,126	\$306,000	\$3,652	\$4,903
Granby/Two Bedroom	1,171	\$325,000	\$3,791	\$5,041
Haddam/One Bedroom, Den	1,171	\$325,000	\$3,791	\$5,041
Haddam II (Granby II)	1,241	\$330,000	\$3,846	\$5,097
Hartford/Two Bedroom	1,260	\$379,000	\$4,077	\$5,326
Litchfield/Two Bedroom	1,336	\$380,000	\$4,326	\$5,573
Litchfield/Two Bedroom	1,336	\$380,000	\$4,326	\$5,573
Litchfield Plus/Two Bedroom	1,356	\$381,000	\$4,434	\$5,681
Milford/Two Bedroom	1,400	\$389,000	\$4,466	\$5,713
Simsbury/Two Bedroom	1,500	\$434,000	\$4,856	\$6,104
Suffield/Two Bedroom	1,560	\$459,000	\$5,050	\$6,298
Tolland/Two Bedroom w/Den	1,600	\$460,000	\$5,101	\$6,349
Weatogue/Three Bedroom	1,643	\$484,000	\$5,318	\$6,569
Woodstock	1,993	\$587,000	\$6,062	\$7,976
Woodstock II	2,157	\$634,000	\$6,913	\$8,295

Entrance fee is 80% refundable at any time as per Residency Agreement.

Second Person Entrance Fee = \$25,000.

	100% Refundable Entrance Fee	Monthly Fee
Garage	\$33,000	\$75

Effective: Through December 31, 2016
 Pricing subject to change

LifeCare Plans

2% Declining Entrance Fee Life Care Plan*

Apartment Home	Square Footage	Single Occupancy Entrance Fee	Single Occupancy Monthly Fee	Double Occupancy Entrance Fee	Double Occupancy Monthly Fee
Avon/Studio	514	\$102,000	\$2,547	N/A	N/A
Bloomfield/One Bedroom	657	\$133,000	\$3,082	\$191,000	\$4,430
Bloomfield II/One Bedroom	669	\$136,000	\$3,097	\$194,000	\$4,445
Canton/One Bedroom	822	\$185,000	\$3,625	\$247,000	\$5,003
Cheshire/One Bedroom/Office	837	\$189,000	\$3,707	\$250,000	\$5,100
Cheshire/One Bedroom/Den	867	\$191,000	\$3,717	\$252,000	\$5,110
Cornwall/Two Bedroom	986	\$200,000	\$3,920	\$260,000	\$5,326
Farmington/Two Bedroom	1,126	\$229,000	\$4,393	\$289,000	\$5,795
Granby/Two Bedroom	1,171	\$271,000	\$4,740	\$327,000	\$6,145
Haddam/One Bedroom, Den	1,171	\$271,000	\$4,740	\$327,000	\$6,145
Haddam II (Granby II)	1,241	\$275,000	\$4,793	\$332,000	\$6,199
Hartford/Two Bedroom	1,260	\$280,000	\$4,930	\$337,000	\$6,312
Litchfield/Two Bedroom	1,336	\$281,000	\$5,097	\$340,000	\$6,449
Litchfield Plus/Two Bedroom	1,356	\$282,000	\$5,201	\$344,000	\$6,553
Milford/Two Bedroom	1,400	\$332,000	\$5,600	\$377,000	\$7,180
Simsbury/Two Bedroom	1,500	\$338,000	\$6,075	\$381,000	\$7,859
Suffield/Two Bedroom	1,560	\$357,000	\$6,320	\$398,000	\$8,102
Tolland/Two Bedroom w/Den	1,600	\$358,000	\$6,350	\$410,000	\$8,125
Weatogue/Three Bedroom	1,643	\$359,000	\$6,367	\$411,000	\$8,150
Woodstock	1,993	\$445,000	\$7,622	\$492,000	\$9,270
Woodstock II	2,157	\$460,000	\$7,828	\$511,000	\$9,579

*Entrance fee is refundable in an amount that diminishes 2% per month of occupancy as per Residency Agreement

80% Refundable Entrance Fee LifeCare Plan**

Apartment Home	Square Footage	Single Occupancy Entrance Fee	Single Occupancy Monthly Fee	Double Occupancy Entrance Fee	Double Occupancy Monthly Fee
Avon/Studio	514	\$146,000	\$3,029	N/A	N/A
Bloomfield/One Bedroom	657	\$193,000	\$3,467	\$241,000	\$5,249
Bloomfield II/One Bedroom	669	\$196,000	\$3,482	\$244,000	\$5,264
Canton/One Bedroom	822	\$277,000	\$3,784	\$327,000	\$5,677
Cheshire/One Bedroom/Office	837	\$287,000	\$3,994	\$337,000	\$5,856
Cheshire/One Bedroom/Den	867	\$289,000	\$4,004	\$339,000	\$5,866
Cornwall/Two Bedroom	986	\$314,000	\$4,551	\$365,000	\$6,332
Farmington/Two Bedroom	1,126	\$356,000	\$5,206	\$406,000	\$6,986
Granby/Two Bedroom	1,171	\$376,000	\$5,401	\$424,000	\$7,184
Haddam/One Bedroom, Den	1,171	\$376,000	\$5,401	\$424,000	\$7,184
Haddam II (Granby II)	1,241	\$380,000	\$5,455	\$428,000	\$7,237
Hartford/Two Bedroom	1,260	\$425,000	\$5,811	\$456,000	\$7,592
Litchfield/Two Bedroom	1,336	\$430,000	\$6,163	\$478,000	\$7,943
Litchfield Plus/Two Bedroom	1,356	\$431,000	\$6,268	\$478,000	\$8,047
Milford/Two Bedroom	1,400	\$479,000	\$6,490	\$519,000	\$8,440
Simsbury/Two Bedroom	1,500	\$484,000	\$6,919	\$532,000	\$8,700
Suffield/Two Bedroom	1,560	\$508,000	\$7,198	\$555,000	\$8,978
Tolland/Two Bedroom w/Den	1,600	\$530,000	\$7,410	\$577,000	\$9,350
Weatogue/Three Bedroom	1,643	\$536,000	\$7,579	\$582,000	\$9,362
Woodstock	1,993	\$650,000	\$8,549	\$696,000	\$9,950
Woodstock II	2,157	\$659,000	\$8,961	\$699,000	\$10,609

Entrance fee is 80% refundable as per Residency Agreement**

(over)

TAX DEDUCTIONS: Revenue Ruling 76-481; A portion of the Entrance and Monthly Fee may be considered deductible



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TAX DEDUCTIONS: Revenue Ruling 76-481; A portion of the Entrance and Monthly Fee may be considered deductible

	100% Refundable Entrance	Monthly Fee
Garage	\$33,000	\$75

Effective through December 31, 2015
 Pricing subject to change

Garage Entrance fee is 100% refundable as per Agreement.



Fee for Service

80% Refundable

Apartment Home	Square Footage	Single Occupancy Entrance Fee	Single Occupancy Monthly Fee	Double Occupancy Monthly Fee
Avon/Studio	514	\$96,000	\$2,060	N/A
Bloomfield/One Bedroom	657	\$143,000	\$2,357	\$3,567
Bloomfield II/One Bedroom	669	\$146,000	\$2,372	\$3,582
Canton/One Bedroom	822	\$227,000	\$2,648	\$3,857
Cheshire/ One Bedroom/Office	837	\$237,000	\$2,770	\$3,984
Cheshire/ One Bedroom/Den	867	\$239,000	\$2,780	\$3,994
Cornwall/Two Bedroom	986	\$265,000	\$3,092	\$4,304
Farmington/Two Bedroom	1,126	\$306,000	\$3,537	\$4,748
Granby/Two Bedroom	1,171	\$325,000	\$3,671	\$4,882
Haddam/One Bedroom, Den	1,171	\$325,000	\$3,671	\$4,882
Haddam II (Granby II)	1,241	\$330,000	\$3,725	\$4,936
Hartford/Two Bedroom	1,260	\$379,000	\$3,948	\$5,158
Litchfield/Two Bedroom	1,336	\$380,000	\$4,190	\$5,398
Litchfield/Two Bedroom	1,336	\$380,000	\$4,190	\$5,398
Litchfield Plus/Two Bedroom	1,356	\$381,000	\$4,294	\$5,502
Milford/Two Bedroom	1,400	\$389,000	\$4,325	\$5,533
Simsbury/Two Bedroom	1,500	\$434,000	\$4,703	\$5,912
Suffield/Two Bedroom	1,560	\$459,000	\$4,891	\$6,100
Tolland/Two Bedroom w/Den	1,600	\$460,000	\$4,940	\$6,149
Weatogue/Three Bedroom	1,643	\$484,000	\$5,151	\$6,362
Woodstock	1,993	\$587,000	\$5,871	\$7,725
Woodstock II	2,157	\$634,000	\$6,695	\$8,034

Entrance fee is 80% refundable at any time as per Residency Agreement.

Second Person Entrance Fee = \$25,000.

	100% Refundable Entrance Fee	Monthly Fee
Garage	\$33,000	\$75

Effective: Through December 31, 2015
 Pricing subject to change



Duncaster

LifeCare Plans:

2% Declining Entrance Fee Life Care Plan*

Apartment Home	Square Footage	Single Occupancy Entrance Fee	Single Occupancy Monthly Fee	Double Occupancy Entrance Fee	Double Occupancy Monthly Fee
Avon/Studio	514	\$101,270	\$2,473	N/A	N/A
Bloomfield/One Bedroom	657	\$132,390	\$2,992	\$191,370	\$4,301
Canton/One Bedroom	822	\$184,845	\$3,519	\$246,951	\$4,857
Cheshire/One Bedroom	867	\$189,000	\$3,599	\$250,000	\$4,952
Cornwall/Two Bedroom	986	\$199,885	\$3,806	\$260,596	\$5,171
Farmington/Two Bedroom	1,126	\$228,255	\$4,265	\$289,803	\$5,626
Granby/Two Bedroom	1,171	\$265,440	\$4,602	\$324,596	\$5,966
Haddam II (aka Granby II)	1,241	\$270,000	\$4,654	\$329,000	\$6,018
Hartford/Two Bedroom	1,260	\$274,000	\$4,786	\$331,756	\$6,128
Litchfield/Two Bedroom	1,336	\$275,820	\$4,949	\$337,800	\$6,261
Simsbury/Two Bedroom	1,500	\$332,990	\$5,898	\$378,096	\$7,630
Suffield/Two Bedroom	1,560	\$346,640	\$6,136	\$392,796	\$7,866
Weatogue/Three Bedroom	1,643	\$347,435	\$6,182	\$406,541	\$7,913
Woodstock	1,993	\$435,000	\$7,400	\$485,600	\$9,000
Woodstock II	2,157	\$455,000	\$7,600	\$505,000	\$9,300

*Entrance fee is refundable in an amount that diminishes 2% per month of occupancy as per Residency Agreement

80% Refundable Entrance Fee LifeCare Plan**

Apartment Home	Square Footage	Single Occupancy Entrance Fee	Single Occupancy Monthly Fee	Double Occupancy Entrance Fee	Double Occupancy Monthly Fee
Avon/Studio	514	\$145,860	\$2,941	N/A	N/A
Bloomfield/One Bedroom	657	\$192,900	\$3,366	\$240,180	\$5,096
Canton/One Bedroom	822	\$276,480	\$3,674	\$326,312	\$5,512
Cheshire/One Bedroom	867	\$286,500	\$3,878	\$336,500	\$5,686
Cornwall/Two Bedroom	986	\$314,280	\$4,418	\$364,217	\$6,148
Farmington/Two Bedroom	1,126	\$355,755	\$5,054	\$405,587	\$6,783
Granby/Two Bedroom	1,171	\$370,560	\$5,244	\$420,392	\$6,974
Haddam II (aka Granby II)	1,241	\$375,000	\$5,296	\$425,000	\$7,026
Hartford/Two Bedroom	1,260	\$415,000	\$5,642	\$449,687	\$7,370
Litchfield/Two Bedroom	1,336	\$424,950	\$5,984	\$474,782	\$7,711
Simsbury/Two Bedroom	1,500	\$478,815	\$6,718	\$528,752	\$8,446
Suffield/Two Bedroom	1,560	\$498,660	\$6,988	\$548,492	\$8,716
Weatogue/Three Bedroom	1,643	\$525,960	\$7,358	\$575,897	\$9,090
Woodstock	1,993	\$640,000	\$8,300	\$690,000	\$9,900
Woodstock II	2,157	\$649,000	\$8,700	\$699,000	\$10,300

Entrance fee is 80% refundable as per Residency Agreement**

TAX DEDUCTIONS: Revenue Ruling 76-481; A portion of the Entrance and Monthly Fee may be considered deductible

	100% Refundable Entrance	Monthly Fee
Garage	\$33,000	\$75



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Effective: January 1, 2014



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Fee for Service

80% Refundable

Apartment Home	Square Footage	Single Occupancy Entrance Fee	Single Occupancy Monthly Fee	Double Occupancy Monthly Fee
Avon/Studio	514	\$95,860	\$2,000	N/A
Bloomfield/One Bedroom	657	\$142,900	\$2,288	\$3,463
Canton/One Bedroom	822	\$226,480	\$2,571	\$3,745
Cheshire/One Bedroom	867	\$236,850	\$2,690	\$3,868
Cornwall/Two Bedroom	986	\$264,280	\$3,002	\$4,178
Farmington/Two Bedroom	1,126	\$305,755	\$3,434	\$4,610
Granby/Two Bedroom	1,171	\$320,560	\$3,564	\$4,740
Haddam/One Bedroom, Den	1,171	\$320,560	\$3,564	\$4,740
Haddam II (aka Granby II) (T401)	1,241	\$325,000	\$3,616	\$4,792
Hartford/Two Bedroom	1,260	\$370,000	\$3,833	\$5,008
Litchfield/Two Bedroom	1,336	\$374,950	\$4,068	\$5,241
Litchfield/Two Bedroom (T206)	1,336	\$382,150	\$4,068	\$5,241
Litchfield Plus/Two Bedroom (T204)	1,536	\$376,000	\$4,169	\$5,342
Simsbury/Two Bedroom	1,500	\$428,815	\$4,566	\$5,740
Suffield/Two Bedroom	1,560	\$448,660	\$4,749	\$5,922
Westogue/Three Bedroom	1,643	\$475,960	\$5,001	\$6,177
Woodstock	1,993	\$577,000	\$5,700	\$7,500
Woodstock II	2,157	\$624,000	\$6,500	\$7,800

Entrance fee is 80% refundable at any time as per Residency Agreement.

Second Person Entrance Fee = \$25,000.

	100% Refundable Entrance	Monthly Fee
Garage	\$33,000	\$75

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Effective: January 1, 2014



Duncaster

LifeCare Plans:

Exhibit B
Disclosure Statement
August 2016
Page 7 of 10

2% Declining

Apartment Home	Square Footage	Single Occupancy Entrance Fee	Single Occupancy Monthly Fee	Double Occupancy Entrance Fee	Double Occupancy Monthly Fee
Avon/Studio	514	\$101,270	\$2,372	N/A	N/A
Bloomfield/One Bedroom	657	\$132,390	\$2,870	\$191,370	\$4,126
Canton/One Bedroom	822	\$184,845	\$3,376	\$246,951	\$4,659
Cheshire/One Bedroom	867	\$189,000	\$3,452	\$250,000	\$4,750
Cornwall/Two Bedroom	986	\$199,885	\$3,651	\$260,596	\$4,960
Farmington/Two Bedroom	1,126	\$228,255	\$4,091	\$289,803	\$5,397
Granby/Two Bedroom	1,171	\$265,440	\$4,414	\$324,596	\$5,723
Haddam/One Bedroom, Den	1,171	\$265,440	\$4,414	\$324,596	\$5,723
Hartford/Two Bedroom	1,260	\$271,705	\$4,591	\$331,756	\$5,878
Litchfield/Two Bedroom	1,336	\$275,820	\$4,747	\$337,800	\$6,006
Simsbury/Two Bedroom	1,500	\$332,990	\$5,658	\$378,086	\$7,319
Suffield/Two Bedroom	1,560	\$346,640	\$5,886	\$392,796	\$7,545
Westogue/Three Bedroom	1,643	\$347,435	\$5,930	\$406,541	\$7,590

Entrance fee is refundable in an amount that diminishes 2% per month of occupancy.

80% Refundable

Apartment Home	Square Footage	Single Occupancy Entrance Fee	Single Occupancy Monthly Fee	Double Occupancy Entrance Fee	Double Occupancy Monthly Fee
Avon/Studio	514	\$145,860	\$2,821	N/A	N/A
Bloomfield/One Bedroom	657	\$192,900	\$3,229	\$240,180	\$4,888
Canton/One Bedroom	822	\$276,480	\$3,524	\$326,312	\$5,287
Cheshire/One Bedroom	867	\$286,500	\$3,720	\$336,500	\$5,454
Cornwall/Two Bedroom	986	\$314,280	\$4,238	\$364,217	\$5,897
Farmington/Two Bedroom	1,126	\$355,755	\$4,848	\$405,587	\$6,506
Granby/Two Bedroom	1,171	\$370,560	\$5,030	\$420,392	\$6,690
Haddam/One Bedroom, Den	1,171	\$370,560	\$5,030	\$420,392	\$6,690
Haddam II (aka Granby II) (T401)	1,241	\$375,000	\$5,080	\$425,000	\$6,740
Hartford/Two Bedroom	1,260	\$399,855	\$5,412	\$449,687	\$7,070
Litchfield/Two Bedroom	1,336	\$424,950	\$5,740	\$474,782	\$7,397
Litchfield/Two Bedroom (T206)	1,336	\$432,159	\$5,740	\$481,982	\$7,397
Litchfield Plus/Two Bedroom (T204)	1,356	\$426,000	\$5,837	\$476,000	\$7,494
Simsbury/Two Bedroom	1,500	\$478,815	\$6,444	\$528,752	\$8,102
Suffield/Two Bedroom	1,560	\$498,660	\$6,703	\$548,492	\$8,361
Westogue/Three Bedroom	1,643	\$525,960	\$7,058	\$575,897	\$8,719

Entrance fee is 80% refundable as per Residency Agreement

TAX DEDUCTIONS: Under Revenue Ruling 76-481: A portion of the Entrance and Monthly Fee may be considered a deductible medical expense for federal income tax purposes

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Effective: January 1, 2013





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Fee for Service

80% Refundable

Apartment Home	Square Footage	Single Occupancy Entrance Fee	Single Occupancy Monthly Fee	Double Occupancy Monthly Fee
Avon/Studio	514	\$95,860	\$1,918	N/A
Bloomfield/One Bedroom	657	\$142,900	\$2,195	\$3,322
Canton/One Bedroom	822	\$226,480	\$2,466	\$3,592
Cheshire/One Bedroom	867	\$236,850	\$2,580	\$3,710
Corwall/Two Bedroom	986	\$264,280	\$2,880	\$4,008
Farmington/Two Bedroom	1,126	\$305,755	\$3,294	\$4,422
Granby/Two Bedroom	1,171	\$320,560	\$3,419	\$4,547
Haddam/One Bedroom, Den	1,171	\$320,560	\$3,419	\$4,547
Hartford/Two Bedroom	1,260	\$349,855	\$3,677	\$4,804
Litchfield/Two Bedroom	1,336	\$374,950	\$3,902	\$5,027
Simsbury/Two Bedroom	1,500	\$428,815	\$4,380	\$5,506
Suffield/Two Bedroom	1,560	\$448,660	\$4,555	\$5,681
Westogue/Three Bedroom	1,643	\$475,960	\$4,797	\$5,925

Entrance fee is 80% refundable at any time as per Residency Agreement.
Second Person Entrance Fee = \$25,000.

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Effective: January 1, 2013



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Life Care Contract

2% Declining

Unit Type	Square Footage	Single Occupancy Entrance Fee	Single Occupancy Monthly Fee	Double Occupancy Entrance Fee	Double Occupancy Monthly Fee
Studio	514	\$101,270	\$2,292	N/A	N/A
One Bedroom A	657	\$132,390	\$2,773	\$191,370	\$3,986
One Bedroom B	822	\$184,845	\$3,262	\$246,951	\$4,501
Two Bedroom A	986	\$199,885	\$3,528	\$260,596	\$4,792
Two Bedroom B	1,126	\$228,255	\$3,953	\$289,803	\$5,215
Two Bedroom C (S/1A)	1,171	\$265,440	\$4,265	\$324,596	\$5,529
Two Bedroom D	1,260	\$271,705	\$4,436	\$331,756	\$5,679
Two Bedroom E (1A/1A, S/1B)	1,336	\$275,820	\$4,587	\$337,800	\$5,803
Two Bedroom F(S/2A)	1,500	\$332,990	\$5,467	\$378,096	\$7,071
Two Bedroom G	1,560	\$346,640	\$5,687	\$392,796	\$7,290
Three Bedroom A (1A/2A)	1,643	\$347,435	\$5,730	\$406,541	\$7,333

Entrance fee is refundable in an amount that diminishes 2% per month of occupancy.

80% Refundable

Unit Type	Square Footage	Single Occupancy Entrance Fee	Single Occupancy Monthly Fee	Double Occupancy Entrance Fee	Double Occupancy Monthly Fee
Studio	514	\$145,860	\$2,726	N/A	N/A
One Bedroom A	657	\$192,900	\$3,120	\$240,180	\$4,723
One Bedroom B	822	\$276,480	\$3,405	\$326,312	\$5,108
Two Bedroom A	986	\$314,280	\$4,095	\$364,217	\$5,698
Two Bedroom B	1,126	\$355,755	\$4,684	\$405,587	\$6,286
Two Bedroom C (S/1A)	1,171	\$370,560	\$4,860	\$420,392	\$6,464
Two Bedroom D	1,260	\$399,855	\$5,229	\$449,687	\$6,831
Two Bedroom E (1A/1A, S/1B)	1,336	\$424,950	\$5,546	\$474,782	\$7,147
Two Bedroom F(S/2A)	1,500	\$478,815	\$6,226	\$528,752	\$7,828
Two Bedroom G	1,560	\$498,660	\$6,476	\$548,492	\$8,078
Three Bedroom A (1A/2A)	1,643	\$525,960	\$6,819	\$575,897	\$8,424

At contract termination, entrance fee is 80% refundable at any time after occupancy.

TAX DEDUCTIONS: Under Revenue Ruling 78-481: A portion of the Entrance and Monthly Fee may be considered a deductible medical expense for federal income tax purposes.



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Effective: January 1, 2012

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Fee for Service

2% Declinig

Unit Type	Square Footage	Single Occupancy Entrance Fee	Single Occupancy Monthly Fee	Double Occupancy Entrance Fee	Double Occupancy Monthly Fee
Studio	514	\$71,270	\$1,586	N/A	N/A
One Bedroom A	657	\$107,390	\$1,968	\$127,390	\$2,709
One Bedroom B	822	\$156,845	\$2,217	\$176,845	\$3,059
Two Bedroom A	986	\$182,885	\$2,587	\$202,885	\$3,256
Two Bedroom B	1,126	\$203,255	\$2,792	\$223,255	\$3,544
Two Bedroom C (S/1A)	1,171	\$213,440	\$2,899	\$233,440	\$3,758
Two Bedroom D	1,260	\$233,705	\$3,120	\$253,705	\$3,860
Two Bedroom E (1A/1A, S/1B)	1,336	\$250,820	\$3,310	\$270,820	\$3,944
Two Bedroom F(S/2A)	1,500	\$287,990	\$3,716	\$307,990	\$4,806
Two Bedroom G	1,560	\$301,640	\$3,865	\$321,640	\$4,955
Three Bedroom A (1A/2A)	1,643	\$320,435	\$4,069	\$340,435	\$5,438

Entrance fee is refundable in an amount that diminishes 2% per month of occupancy.

80% Refundable

Unit Type	Square Footage	Single Occupancy Entrance Fee	Single Occupancy Monthly Fee	Double Occupancy Entrance Fee	Double Occupancy Monthly Fee
Studio	514	\$95,860	\$1,853	N/A	N/A
One Bedroom A	657	\$142,900	\$2,121	\$167,900	\$3,210
One Bedroom B	822	\$226,480	\$2,383	\$251,480	\$3,471
Two Bedroom A	986	\$264,280	\$2,783	\$289,280	\$3,872
Two Bedroom B	1,126	\$305,755	\$3,183	\$330,755	\$4,272
Two Bedroom C (S/1A)	1,171	\$320,560	\$3,303	\$345,560	\$4,393
Two Bedroom D	1,260	\$349,855	\$3,553	\$374,855	\$4,642
Two Bedroom E (1A/1A, S/1B)	1,336	\$374,950	\$3,770	\$399,950	\$4,857
Two Bedroom F(S/2A)	1,500	\$428,815	\$4,232	\$453,815	\$5,320
Two Bedroom G	1,560	\$448,660	\$4,401	\$473,660	\$5,489
Three Bedroom A (1A/2A)	1,643	\$475,960	\$4,635	\$500,960	\$5,725

At contract termination, entrance fee is 80% refundable at any time after occupancy.



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Effective: January 1, 2012

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DUNCASTER, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

DUNCASTER, INC. AND SUBSIDIARY

CONTENTS

Independent Auditors' Report	1-2
Consolidated Statements of Financial Position - December 31, 2015 and 2014	3-4
Consolidated Statements of Activities and Change in Net Assets for the Years Ended December 31, 2015 and 2014	5
Consolidated Statements of Cash Flows for the Years Ended December 31, 2015 and 2014	6
Notes to Consolidated Financial Statements	7-22
Independent Auditors' Report on Supplementary Information	23
Consolidating Schedule of Financial Position - December 31, 2015	24-25
Consolidating Schedule of Financial Position - December 31, 2014	26-27
Consolidating Schedule of Activities and Changes in Net Assets for the Year Ended December 31, 2015	28
Consolidating Schedule of Activities and Changes in Net Assets for the Year Ended December 31, 2014	29

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Independent Auditors' Report

To the Board of Directors
Duncaster, Inc. and The Duncaster Foundation, Inc.

We have audited the accompanying consolidated financial statements of Duncaster, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and change in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duncaster, Inc. and Subsidiary as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note 2, during the year ended December 31, 2015, the Organization elected early adoption of Accounting Standards Update No. 2015-03, *Interest - Imputation of Interest* and Accounting Standards Update No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*. The amendments require retrospective application. As a result, certain amounts related to debt issuance costs and investments have been reclassified as of and for the year ended December 31, 2014. Our opinion is not modified with respect to this matter.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
April 6, 2016

DUNCASTER, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,511,739	\$ 307,231
Accounts receivable, net	1,257,113	943,783
Assets whose use is limited	5,548,597	12,613,062
Prepaid expenses and inventories	163,192	124,502
Total current assets	<u>8,480,641</u>	<u>13,988,578</u>
Investments	<u>18,419,325</u>	<u>20,877,932</u>
Property and Equipment, Net	<u>57,088,922</u>	<u>46,737,529</u>
Other Assets		
Pledges receivable, net	157,521	156,346
Annuity-related investments	27,719	50,081
Total other assets	<u>185,240</u>	<u>206,427</u>
Total Assets	<u>\$ 84,174,128</u>	<u>\$ 81,810,466</u>

The accompanying notes are an integral part of the consolidated financial statements

DUNCASTER, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED) DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of long-term debt	\$ 1,391,000	\$ 1,345,000
Accounts payable and accrued expenses	2,848,827	1,514,759
Accrued salaries and wages	973,919	985,103
Entrance fee refunds payable	3,195,218	2,943,071
Accrued interest payable	311,373	224,143
Entrants' deposits	151,634	181,421
Total current liabilities	<u>8,871,971</u>	<u>7,193,497</u>
Annuities Payable	<u>35,278</u>	<u>43,752</u>
Long-Term Debt, Net of Current Portion, Original Issue Discount and Deferred Costs	<u>25,849,434</u>	<u>27,857,015</u>
Interest Rate Swap Obligation	<u>888,313</u>	<u>1,023,923</u>
Refundable and Nonrefundable Entrance Fees		
Entrance fees refunds payable, net of current portion	16,291,949	14,349,256
Nonrefundable fees, net	20,940,894	18,881,149
Total refundable and nonrefundable entrance fees	<u>37,232,843</u>	<u>33,230,405</u>
Future Service Obligation	<u>1,939,000</u>	<u>2,881,000</u>
Total liabilities	<u>74,816,839</u>	<u>72,229,592</u>
Net Assets		
Unrestricted	(2,830,835)	(3,179,712)
Temporarily restricted	5,956,556	6,550,228
Permanently restricted	6,231,568	6,210,358
Total net assets	<u>9,357,289</u>	<u>9,580,874</u>
Total Liabilities and Net Assets	<u>\$ 84,174,128</u>	<u>\$ 81,810,466</u>

The accompanying notes are an integral part of the consolidated financial statements

DUNCASTER, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Changes in Unrestricted Net Assets		
Operating:		
Revenues and other support:		
Net resident service fee revenue	\$ 9,782,651	\$ 9,548,059
Assisted living revenue	2,127,130	1,943,775
Health center patient revenue	6,361,614	6,352,234
Amortization of entrance fees	2,834,447	3,124,383
Other income	919,897	876,476
Gift and grant income	217,266	286,265
Investment income	289,141	174,677
Net assets released from restrictions	637,589	699,309
Net revenues and other support	<u>23,169,735</u>	<u>23,005,178</u>
Expenses:		
Medical and other resident care	6,509,521	6,265,370
General and administrative	5,930,379	6,016,926
Depreciation and amortization	3,939,143	3,715,163
Dietary	2,575,981	2,468,878
Buildings and grounds	2,938,676	2,917,982
Housekeeping	831,479	740,011
Interest	903,644	819,201
Total expenses	<u>23,628,823</u>	<u>22,943,531</u>
Changes in unrestricted net assets - operating	<u>(459,088)</u>	<u>61,647</u>
Other changes in unrestricted net assets:		
Change in net unrealized gain (loss) on investments	(269,645)	171,412
Change in interest rate swap obligation	135,610	(47,998)
Change in future service obligation	942,000	1,085,000
Total other changes in unrestricted net assets	<u>807,965</u>	<u>1,208,414</u>
Increase in unrestricted net assets	<u>348,877</u>	<u>1,270,061</u>
Changes in Temporarily Restricted Net Assets		
Gift and grant income	185,928	113,397
Investment income	2,113,170	594,270
Net assets released from restrictions	(637,589)	(699,309)
Change in net unrealized loss on investments	(2,255,181)	(150,577)
Decrease in temporarily restricted net assets	<u>(593,672)</u>	<u>(142,219)</u>
Changes in Permanently Restricted Net Assets		
Gift and grant income	<u>21,210</u>	<u>44,225</u>
Increase (Decrease) in Net Assets	<u>(223,585)</u>	<u>1,172,067</u>
Net Assets - Beginning of Year	<u>9,580,874</u>	<u>8,408,807</u>
Net Assets - End of Year	<u>\$ 9,357,289</u>	<u>\$ 9,580,874</u>

The accompanying notes are an integral part of the consolidated financial statements

DUNCASTER, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (223,585)	\$ 1,172,067
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Proceeds from entrance fees	9,573,286	6,444,691
Refunds of entrance fees and entrance fee payable	(2,484,254)	(1,857,379)
Change in future service obligation	(942,000)	(1,085,000)
Amortization of entrance fees	(2,834,447)	(3,124,383)
Depreciation and amortization	3,939,143	3,715,163
Provision for bad debts	140,181	195,608
Gain on disposal of equipment	-	(15,000)
Amortization of deferred costs	62,280	48,888
Change in interest rate swap obligation	(135,610)	47,998
Change in net unrealized (gain) loss on investments	2,524,826	(20,835)
(Increase) decrease in operating assets:		
Accounts receivable	(453,511)	(135,590)
Pledges receivable	(1,175)	1,919
Prepaid expenses and inventories	(38,690)	1,344
Annuity-related investments	22,362	44,507
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	1,334,068	176,618
Accrued salaries and wages	(11,184)	162,621
Accrued interest payable	87,230	(27,191)
Entrants' deposits	(29,787)	77,394
Annuities payable	(8,474)	(2,379)
Net cash provided by operating activities	<u>10,520,659</u>	<u>5,821,061</u>
Cash Flows from Investing Activities		
Purchases of property and equipment, net	(14,290,536)	(6,952,951)
Proceeds from sale of property and equipment	-	15,000
Net sale investments	1,658,189	778,691
Net sale (purchase) of assets whose use is limited	5,340,057	(9,986,188)
Net cash used in investing activities	<u>(7,292,290)</u>	<u>(16,145,448)</u>
Cash Flows from Financing Activities		
Proceeds of long-term debt	-	12,678,478
Payments for bond issuance costs	-	(900,844)
Repayment of long-term debt	(2,023,861)	(1,528,000)
Net cash provided by (used in) financing activities	<u>(2,023,861)</u>	<u>10,249,634</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,204,508	(74,753)
Cash and Cash Equivalents - Beginning of Year	<u>307,231</u>	<u>381,984</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,511,739</u>	<u>\$ 307,231</u>
Cash Paid During the Year for Interest	\$ 754,134	\$ 636,408

The accompanying notes are an integral part of the consolidating financial statements

DUNCASTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Duncaster, Inc. (Duncaster) is a not-for-profit, tax-exempt organization located in Bloomfield, Connecticut, which was formed under the Non-Stock Corporation Act of the State of Connecticut in December 1980 for the purpose of owning and operating a life-care community that opened in 1984. In 1994, Duncaster formed The Duncaster Foundation, Inc. (the Foundation), a separate legal entity. The purpose of the Foundation is to benefit, assist and further the corporate purposes of Duncaster. As Duncaster is the sole member of the Foundation, the activities of the Foundation are being consolidated with those of Duncaster (collectively referred to as the Organization) in the accompanying consolidated financial statements. All intercompany activity has been eliminated in the accompanying consolidated financial statements.

Duncaster consisted of 195 independent living units, 18 social assisted living units, 60 skilled nursing beds and 24 nonskilled memory care units as of December 31, 2015. Duncaster consisted of 183 independent living units, 18 social assisted living units, 60 skilled nursing beds and 12 nonskilled memory care units as of December 31, 2014. Occupancy levels were as follows:

	Average for the Years Ended		As of	
	12/31/15	12/31/14	12/31/15	12/31/14
Independent living	92%	94%	92%	97%
Skilled nursing care	90	88	88	87
Assisted living	82	93	83	80

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Organization, the accounts are maintained on the accrual basis of accounting and, accordingly, the accounts of the Organization are reported in the following net asset categories.

Unrestricted

Unrestricted net assets represent available resources other than donor-restricted contributions.

Temporarily Restricted

Temporarily restricted net assets represent contributions that are restricted by donor as to purpose or time of expenditure and accumulated investment earnings on donor restricted endowment assets that have not been appropriated for expenditure. Temporarily restricted funds consist of capital project, resident assistance, employee or other initiative, and operations. Details of temporarily restricted net assets are included in Note 9.

Permanently Restricted

Permanently restricted net assets represent contributions received with the donor restriction that the principal be invested in perpetuity and that only the investment return thereon be available for operations. See Note 8 for additional details of permanently restricted net assets.

DUNCASTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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. Financial statement areas where management applies the use of estimates consist primarily of the future service obligation, allowance for doubtful accounts, amortization of entrance fees and annuities payable. It is management's opinion that the estimates applied in the accompanying consolidated financial statements are reasonable. However, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all short-term, highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents in bank deposit accounts that, at times, may exceed federally insured limits. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable are considered delinquent and written off when all attempts to collect from individuals or other payor sources have been exhausted. Management maintains an allowance for doubtful accounts that is based on a review of significant balances and past experience. The Organization extends credit to residents without requiring collateral. Accounts receivable are net of allowance for doubtful accounts of \$229,479 and \$183,087 as of December 31, 2015 and 2014, respectively.

Assets Whose Use is Limited

Assets whose use is limited include assets held by trustees under bond agreements of \$3,291,206 and \$9,718,662 as of December 31, 2015 and 2014, respectively, and assets restricted as to use by the State of Connecticut of \$2,257,391 and \$2,894,400 as of December 31, 2015 and 2014, respectively.

Property and Equipment

Property and equipment are recorded at cost. The Organization provides for depreciation using the straight-line method over the estimated useful lives of the various assets as follows:

Land improvements	5-25 years
Buildings and improvements	5-35 years
Furniture, fixtures and equipment	3-25 years
Carports	15 years
Vehicles	3-5 years

Maintenance, repairs and renewals are charged to expense as incurred. Expenditures in excess of \$500 for major renewals and betterments are capitalized.

DUNCASTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the accompanying consolidated statement of financial position with realized and unrealized gains and losses on these investments included in the accompanying consolidated statement of activities and change in net assets as increases or decreases in unrestricted net assets unless the gains and losses apply to endowment assets. The Organization recognized net unrealized losses on investments of \$(2,470,481) in 2015 and net unrealized gain on investments of \$20,835 in 2014, respectively.

The Organization has adopted a policy of reviewing all specific investments that have been below cost by at least 25% for at least nine months. Unless specific evidence exists to the contrary, the cost of these investments is reduced to the fair value at year end. There were no reductions to the cost of investments in 2015 or 2014.

Interest Rate Swap Agreements

In connection with the 2010 Series Revenue Refunding Bonds, the Organization entered into a swap agreement with Citizens Bank with a notional amount of \$20,770,000 to fix the variable rate debt at a rate of 3.96%. The agreement meets the criteria necessary to qualify as an effective hedge, and the Organization has reflected the swap agreement in the accompanying consolidated financial statements at the current market value based on the bank's floating interest rate in effect at December 31, 2015 and 2014, as compared to the fixed rate. The resulting change in the fair value of the swap agreement of \$135,610 and \$(47,998) for the years ended December 31, 2015 and 2014, respectively, is reflected in the accompanying consolidated statements of activities and change in net assets as change in interest rate swap obligation. See Note 6 for further information.

Contributions

Contributions are defined as voluntary, nonreciprocal transfers. Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable. Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statements of activities and change in net assets as net assets released from restrictions due to satisfaction of restrictions. Contributions received whose restrictions are met in the same period are presented with unrestricted net assets.

Deferred Costs

Deferred costs represent costs incurred in connection with the issuance of the bonds and are being amortized over the term of the bonds. Deferred costs are presented as a direct deduction of the carrying amount of the debt. Amortization of debt issuance costs is included in interest expense.

DUNCASTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Life Annuity Gifts

Life annuity gifts (investments) are carried at fair value. The related liability is recorded at the present value of the aggregate liability for annuities payable based on an actuarial method. Life annuity gift income is recognized at the date of receipt and represents the difference between the fair value of the asset received and the present value of the related annuity payable.

Revenue from Residents

Upon occupancy of an independent living unit at Duncaster, residents pay an entrance fee, a portion of which is refundable and a portion of which is nonrefundable (see Note 3). The nonrefundable portion of the entrance fee is deferred and amortized into income over the estimated remaining lives of the individual residents as determined by Duncaster's actuaries.

The accumulated amortization of nonrefundable fees was \$58,908,081 and \$56,073,634 as of December 31, 2015 and 2014, respectively.

Additionally, the residents of the independent living units pay a monthly fee to cover the services they receive. These resident service fees are recorded as revenue when earned.

Residents of the assisted living units are charged a monthly fee for room and board and are charged on a fee schedule for any additional ancillary services.

Health Center Patient Revenues

Revenue from patients is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. Rates charged for services rendered, other than private pay patients and third-party payors, are regulated by Medicare. Duncaster does not participate in the Medicaid program.

Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement. Management believes that the government reimbursement principles have been properly applied and that no material adjustments will occur as a result of an audit.

Other Income

Other income consists of charges for additional resident meals, guest meals, carport rentals, beauty salon services and other miscellaneous charges to residents.

Required Reserve

The State of Connecticut Department of Social Services (DSS) monitors Connecticut retirement communities and their compliance with existing state regulations. Among other things, DSS requires that retirement communities maintain an operating reserve equal to approximately one month's cash operating costs. Duncaster maintained an adequate operating reserve at estimated amounts as of December 31, 2015 and 2014, which are recorded as assets whose use is limited.

DUNCASTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes

Duncaster and the Foundation are not-for-profit organizations described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes pursuant to Section 501(a) of the Code.

Reclassifications

Certain amounts reported in prior periods have been reclassified in order to conform to the current year presentation.

Change in Accounting Principle

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-03, *Interest - Imputation of Interest*, which simplifies the presentation of debt issuance costs. The amendments change the presentation of debt issuance costs from an asset to a direct deduction of the debt on the accompanying consolidated statements of financial position. In addition, the amortization of debt issuance costs is now included in interest expense rather than amortization expense in the accompanying statements of activities. This ASU is effective for annual periods beginning after December 15, 2015. The Organization has elected early adoption of the amendments for the year ended December 31, 2015. The amendments have been retrospectively applied. As a result, deferred costs of \$1,258,463 have been reclassified from assets to a direct deduction of the debt in the consolidated statement of financial position as of December 31, 2014, and \$48,888 of amortization expense has been reclassified to interest expense in the consolidated statement of activities for the year ended December 31, 2014.

Additionally in May 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize investments measured at net asset value within the fair value hierarchy tables. The standard is effective for years beginning after December 15, 2016 and early adoption is permitted. The Organization has elected to early adopt ASU 2015-07 for the year ended December 31, 2015.

Subsequent Events

In preparing these consolidated financial statements, management has evaluated subsequent events through April 6, 2016, which represents the date the consolidated financial statements were available to be issued.

NOTE 3 - RESIDENCY AGREEMENT

In consideration for the resident's payment of an entrance fee upon occupancy, Duncaster agrees to furnish to the resident an independent living unit in the community for his or her personal occupancy for the remainder of the resident's life, unless sooner terminated under the provisions of the residency agreement.

Duncaster offers two plan types, a declining refund plan and a termination refund plan. Within each plan type, various options exist related to the period of refund decline, the percentage of termination refund and the level of services provided.

DUNCASTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All plans require an entrance fee. These entrance fees are allocated to a refundable and nonrefundable portion depending on the type of contract option that was selected.

In a declining refund plan, the resident's refund of the initial entrance fee declines over a set period of months based upon contractual agreements. In a termination refund plan, a percentage of the initial entrance fee is refunded to the resident's estate upon death based on the contractual agreement.

As of December 31, 2015 and 2014, the numbers of each residency agreement in place are summarized as follows (includes agreements for residents in both independent living and skilled care):

	Declining Refund Plan		Termination Refund Plan			
	1%	2%	67%	80%	90%	100%
2015	7	140	5	62	2	1
2014	8	128	5	59	3	1

For the duration of the resident's lifetime or until termination of the residency agreement, Duncaster agrees to furnish to the resident one meal per day in the dining room, utility services, medical facilities, use of the common areas and facilities and other personal services according to the terms and conditions of the applicable agreement. In return, the resident agrees to pay Duncaster a monthly service fee. This fee may be increased at the sole discretion of Duncaster with 30 days written notice.

Duncaster provides medical facilities and skilled nursing care in the on-site health center. Costs incurred in providing this care are paid for by the residents through the continuing payment of the monthly service fee per the applicable agreement. Non-life care agreement holders pay for skilled nursing services based upon established per diem rates.

Annually, Duncaster's actuaries estimate the net cost of future services and use of facilities to be provided to current residents and compare that amount with the estimated future net cash inflows. Should the net cost of future services and use of facilities exceed the estimated future net cash inflows, a liability will be recorded with a corresponding charge to income. An obligation of \$1,939,000 and \$2,881,000 has been recorded for Duncaster as of December 31, 2015 and 2014, respectively.

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1

Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2

Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly, and the Organization has the ability to redeem the asset or liability in the near term subsequent to the measurement date.

DUNCASTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Level 3

Unobservable inputs are used to measure the fair value to the extent that observable inputs are not available, and the Organization does not have the ability to redeem the asset or liability in the near term subsequent to the measurement date.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As a practical expedient, certain investment are measured at fair value on the basis of net asset value (NAV). The fair value of these investments is not included in the fair value hierarchy.

Financial Instruments Measured at Fair Value

The following is a description of the valuation methodologies and investment strategies used for financial instruments measured at fair value:

Cash and Cash Equivalents

Cash, money market funds and certificates of deposit with maturities of greater than 90 days are valued at the closing price reported in the active market in which the securities are traded.

Fixed Income

Fixed income investments may have fixed or variable current income components. These investments are valued using quoted market prices in an active market in which the securities are traded.

Equity

Equity funds are valued at the quoted NAV of shares reported in the active market in which the funds are traded.

Alternative Investments

Interests in investment partnerships are valued using NAVs as determined by the investment manager of the fund in conjunction with the fund's third-party administrator. This NAV is based on the fair value of the underlying assets and liabilities of the related fund at the measurement date.

Interest Rate Swaps

Interest rate swaps are valued using both observable and unobservable inputs, such as quotations received from the counterparty, dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. Interest rate swap agreements have inputs that can generally be corroborated by marked data and are therefore classified as Level 2.

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

There have been no changes in the methodologies used at December 31, 2015 and 2014.

DUNCASTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following is a summary of the source of fair value measurements for assets and liabilities that are measured at fair value as of December 31, 2015 and 2014:

Description	2015			Assets Measured at NAV (a)	Total
	Fair Value Measurements Using				
	Level 1	Level 2	Level 3		
Assets:					
Investments:					
Cash and cash equivalents	\$ 707,899	\$ -	\$ -	\$ -	\$ 707,899
Fixed income investments	4,297,085	-	-	-	4,297,085
Equity investments	13,349,363	-	-	-	13,349,363
Alternative investments	-	-	-	64,978	64,978
Total investments	<u>18,354,347</u>	<u>-</u>	<u>-</u>	<u>64,978</u>	<u>18,419,325</u>
Assets whose use is limited:					
Cash and cash equivalents	3,653,733	-	-	-	3,653,733
Fixed income investments	1,894,864	-	-	-	1,894,864
Total assets whose use is limited	<u>5,548,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,548,597</u>
Annuity related investments:					
Cash and cash equivalents	413	-	-	-	413
Fixed income investments	27,306	-	-	-	27,306
Total annuity related investments	<u>27,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,719</u>
Subtotal	<u>23,930,663</u>	<u>-</u>	<u>-</u>	<u>64,978</u>	<u>23,995,641</u>
Less cash and cash equivalents	<u>4,362,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,362,044</u>
Total Assets Measured at Fair Value	<u>\$ 19,568,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,978</u>	<u>\$ 19,633,597</u>
Liabilities:					
Interest rate swap obligation	\$ -	\$ 888,313	\$ -	\$ -	\$ 888,313
Total Liabilities Measured at Fair Value	<u>\$ -</u>	<u>\$ 888,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 888,313</u>

DUNCASTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Description	2014 Fair Value Measurements Using			Assets Valued at NAV (a)	Total
	Level 1	Level 2	Level 3		
Assets:					
Investments:					
Cash and cash equivalents	\$ 3,756,018	\$ -	\$ -	\$ -	\$ 3,756,018
Fixed income investments	6,704,775	-	-	-	6,704,775
Equity investments	10,379,639	-	-	-	10,379,639
Alternative investments	-	-	-	37,500	37,500
Total investments	<u>20,840,432</u>	<u>-</u>	<u>-</u>	<u>37,500</u>	<u>20,877,932</u>
Assets whose use is limited:					
Cash and cash equivalents	4,016,873	-	-	-	4,016,873
Fixed income investments	8,596,189	-	-	-	8,596,189
Total assets whose use is limited	<u>12,613,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,613,062</u>
Annuity related investments:					
Cash and cash equivalents	10,210	-	-	-	10,210
Fixed income investments	39,871	-	-	-	39,871
Total annuity related investments	<u>50,081</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,081</u>
Subtotal	<u>33,503,575</u>	<u>-</u>	<u>-</u>	<u>37,500</u>	<u>33,541,075</u>
Less cash and cash equivalents	<u>7,783,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,783,101</u>
Total Assets Measured at Fair Value	<u>\$ 25,720,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,500</u>	<u>\$ 25,757,974</u>
Liabilities:					
Interest rate swap obligation	\$ -	\$ 1,023,923	\$ -	\$ -	\$ 1,023,923
Total Liabilities Measured at Fair Value	<u>\$ -</u>	<u>\$ 1,023,923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,023,923</u>

(a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Unfunded commitments for Level 3 investments total \$59,375 at December 31, 2015.

The carrying amounts reflected in the accompanying consolidated statements of financial position for cash and cash equivalents and accounts receivables approximate fair value due to short maturities of those instruments. The 2010 Series Bonds are variable rate bonds, and, therefore, the carrying amount as of December 31, 2015 equals fair value. The 2014 Series Bonds have a fair value at December 31, 2015 of \$12,298,428.

DUNCASTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at cost consists of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land and improvements	\$ 4,926,801	\$ 4,788,189
Buildings and improvements	107,687,064	94,242,459
Furniture, fixtures and equipment	3,355,342	5,291,396
Carports	460,391	460,391
Vehicles	314,279	559,236
	<u>116,743,877</u>	<u>105,341,671</u>
Less accumulated depreciation	59,665,192	62,000,061
	<u>57,078,685</u>	<u>43,341,610</u>
Construction in progress	10,237	3,395,919
	<u>10,237</u>	<u>3,395,919</u>
Net Property and Equipment	<u>\$ 57,088,922</u>	<u>\$ 46,737,529</u>

Depreciation expense totaled \$3,939,143 and \$3,715,163 for the years ended December 31, 2015 and 2014, respectively.

DUNCASTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM DEBT

Long-term debt consists of the following as of December 31, 2015 and 2014:

	2015		2014	
	Principal	Unamortized Debt Issuance Costs	Principal	Unamortized Debt Issuance Costs
2010 Revenue Refunding Bonds: Series 2010 - variable rate debt due 8/1/2032 fixed via a swap agreement at 3.96% through 12/1/2020	\$ 16,442,000	\$ 338,467	\$ 17,782,000	\$ 365,336
2014 Revenue Refunding Bonds: Series 2014 - 5% term bonds due 2025 to 2044	12,000,000	863,099	12,000,000	893,127
2014 Construction Line of Credit, maximum aggregate principal amount of up to \$4,500,000 dated September 24, 2014 with final maturity date of September 24, 2017 bearing interest at adjusted LIBOR of 2.17%. The line was paid off in full during 2015.	-	-	678,478	-
Total	28,442,000	\$ 1,201,566	30,460,478	\$ 1,258,463
Less unamortized debt issuance costs	1,201,566		1,258,463	
Less current portion	<u>1,391,000</u>		<u>1,345,000</u>	
Long-Term Debt, Net of Current Portion, Original Issue Discount and Unamortized Debt Issuance Costs	<u>\$ 25,849,434</u>		<u>\$ 27,857,015</u>	

Principal payments on the Series 2010 Bonds and Series 2014 Bonds for the next five years and thereafter are as follows:

	Series 2010	Series 2014	Total
2016	\$ 1,391,000	\$ -	\$ 1,391,000
2017	1,436,000	-	1,436,000
2018	1,485,000	-	1,485,000
2019	1,525,000	-	1,525,000
2020	1,588,000	-	1,588,000
Thereafter	<u>9,017,000</u>	<u>12,000,000</u>	<u>21,017,000</u>
	<u>\$ 16,442,000</u>	<u>\$ 12,000,000</u>	<u>\$ 28,442,000</u>

DUNCASTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Under the Series 2014 Bond Agreements, the Organization is required to maintain certain reserve funds as follows:

Independent Living Project Fund

Duncaster is required to maintain certain funds for construction of the independent living project. As of December 31, 2015, there was \$655,733 within this fund.

Construction Fund

Duncaster is required to maintain capitalized construction interest within this fund. As of December 31, 2015, there was \$19,095 within this fund.

Miscellaneous Fund

Duncaster is required to maintain funds for other miscellaneous capital expenditures to include a contingency for the independent living and assisted living building projects and the costs associated with the purchase of 120 Mountain Ave. in Bloomfield. As of December 31, 2015, there was \$1,220,036 within this fund.

Debt Service Fund

Duncaster is required to maintain a debt service fund into which monthly deposits must be made in order to fund principal and interest payments on the portion of the bonds as they come due. As of December 31, 2015, there was \$1,396,342 within this fund.

Under state law, the Organization is required to maintain certain reserve funds as follows:

Operation and Maintenance Account

Duncaster is required to maintain one month's budgeted operating expenses in this account as described in Note 2.

Entry Fee Proceeds Account

Duncaster is required to deposit all entrance fees into the entry fee proceeds account as received. Upon the later of the expiration of the applicable statutory rights of the purchaser to rescind (30 days) or the date of occupancy, the balance in the account is available for operations.

The reserve funds are all included within assets whose use is limited on the consolidated statement of financial position.

The 2010 and 2014 Bond Agreements require the Organization to comply with certain financial and nonfinancial covenants.

NOTE 7 - DEFERRED GAIN ON SALE OF ASSET

Deferred gain on sale of asset represents the gain from land that Duncaster sold to the Foundation for \$1,000,000. The gain of \$706,641 is the difference between the sale price and the net book value of the land when it was sold. As the Foundation is a related party, recognition of the gain is not permitted. This gain is eliminated in consolidation.

DUNCASTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - ENDOWMENT

The Organization's endowment is held by the Foundation and consists of numerous funds established for a variety of purposes, mainly designated by donor restrictions. As required by GAAP, net assets associated with endowment funds are classified and reported as permanently restricted net assets, temporarily restricted net assets or unrestricted net assets based on the existence or absence of donor-imposed restrictions.

The Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by Connecticut Prudent Management of Institutional Funds Act (CTPMIFA). In accordance with CTPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (i) the duration and preservation of the fund, (ii) the purposes of the Foundation and the donor-restricted endowment fund, (iii) general economic conditions, (iv) the possible effect of inflation or deflation, (v) the expected total return from income and the appreciation of investments, (vi) other resources of the Foundation, and (vii) the Foundation's investment policies.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or CTPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature as of December 31, 2015 and 2014.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide an expected stream of funding to programs supported by its endowment.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation program to achieve its long-term return objectives within prudent risk constraints.

Annual spending from Foundation funds, including distributions to support operations, is limited to an amount up to but not in excess of 5% of the average market value of the prior four years, measured as a percentage of the total of the endowment fund and designated reserve fund of the Foundation. Funds that are restricted to certain uses pursuant to donor stipulation are subject to appropriation and expenditure for the relevant specified uses. Upon appropriation of net assets, the funds appropriated are classified as unrestricted pending their expenditure.

DUNCASTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Changes in endowment investments for the years ended December 31, 2015 and 2014, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment - 12/31/2013	\$ 40,288	\$ 3,138,555	\$ 6,166,133	\$ 9,344,976
Investment gains	-	443,693	-	443,693
Contributions	-	-	44,225	44,225
Expenditures	(533,400)	-	-	(533,400)
Appropriation of endowment assets for expenditure	<u>533,400</u>	<u>(533,400)</u>	<u>-</u>	<u>-</u>
Endowment - 12/31/2014	40,288	3,048,848	6,210,358	9,299,494
Investment losses	-	(142,012)	-	(142,012)
Contributions	-	-	21,210	21,210
Expenditures	(429,278)	-	-	(429,278)
Appropriation of endowment assets for expenditure	<u>429,278</u>	<u>(429,278)</u>	<u>-</u>	<u>-</u>
Endowment - 12/31/2015	<u>\$ 40,288</u>	<u>\$ 2,477,558</u>	<u>\$ 6,231,568</u>	<u>\$ 8,749,414</u>

DUNCASTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Changes in temporarily restricted net assets for the years ended December 31, 2015 and 2014, are as follows:

	<u>Resident Assistance Fund</u>	<u>Employees</u>	<u>Other Initiatives</u>	<u>Capital Projects</u>	<u>Endowment Investment Returns</u>	<u>Total</u>
Temporarily restricted net assets - 12/31/2013	\$ 954,967	\$ 674,044	\$ 1,921,142	\$ 3,739	\$ 3,138,555	\$ 6,692,447
Contributions	16,925	-	75,891	20,581	-	113,397
Appropriated for expenditure and released from restriction	(106,902)	(38,424)	-	(20,583)	(533,400)	(699,309)
Investment return	-	-	-	-	443,693	443,693
Temporarily restricted net assets - 12/31/2014	864,990	635,620	1,997,033	3,737	3,048,848	6,550,228
Contributions	110,402	-	74,351	1,175	-	185,928
Appropriated for expenditure and released from restriction	(120,915)	(86,220)	-	(1,175)	(429,279)	(637,589)
Investment return	-	-	-	-	(142,011)	(142,011)
Temporarily Restricted Net Assets - 12/31/2015	<u>\$ 854,477</u>	<u>\$ 549,400</u>	<u>\$ 2,071,384</u>	<u>\$ 3,737</u>	<u>\$ 2,477,558</u>	<u>\$ 5,956,556</u>

NOTE 10 - PENSION PLAN

The Organization adopted a 401(k) plan on April 1, 2010. The 401(k) plan covers all employees who meet the plan's eligibility requirements. Eligibility requirements are defined as attainment of age 21, 1 year of service and 1,000 hours worked during that year. Terminated employees will not receive a profit sharing contribution. Under the plan, employees who meet the age requirements can make contributions pursuant to a salary reduction program. The Organization will make a discretionary matching contribution equal to a uniform percentage of the salary deferral to employees who meet the length of service and age requirements. For the years ended December 31, 2015 and 2014, the Organization matched \$.50 of every dollar up to 4% of employee's gross earnings. The Organization may also elect to make a discretionary profit-sharing contribution. Employees are 100% vested in their own contributions to the Plan. Employees will become vested in any contribution Duncaster makes over a five-year vesting period.

Pension expense for the plans for the years ended December 31, 2015 and 2014, was \$270,590 and \$287,362 respectively.

DUNCASTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - HEALTHCARE INDUSTRY

Regulatory Environment

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

BlumShapiro

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Independent Auditors' Report on Supplementary Information

To the Board of Directors
Duncaster, Inc. and The Duncaster Foundation, Inc.

We have audited the consolidated financial statements of Duncaster, Inc. and The Duncaster Foundation, Inc., as of and for the years ended December 31, 2015 and 2014, and our report thereon dated April 6, 2016, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities and changes in net assets as of and for the years ended December 31, 2015 and 2014, are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
April 6, 2016

DUNCASTER, INC. AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION DECEMBER 31, 2015

	<u>Duncaster, Inc.</u>	<u>The Duncaster Foundation, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,511,739	\$ -	\$ -	\$ 1,511,739
Accounts receivable, net	1,378,029	-	(120,916)	1,257,113
Assets whose use is limited	5,548,597	-	-	5,548,597
Due from Foundation	477,960	-	(477,960)	-
Prepaid expenses and inventories	163,192	-	-	163,192
Total current assets	<u>9,079,517</u>	<u>-</u>	<u>(598,876)</u>	<u>8,480,641</u>
Investments	<u>7,301,951</u>	<u>11,117,374</u>	<u>-</u>	<u>18,419,325</u>
Property and Equipment, Net	<u>56,396,815</u>	<u>1,398,748</u>	<u>(706,641)</u>	<u>57,088,922</u>
Other Assets				
Pledges receivable, net	-	157,521	-	157,521
Annuity-related investments	-	27,719	-	27,719
Total other assets	<u>-</u>	<u>185,240</u>	<u>-</u>	<u>185,240</u>
Total Assets	<u>\$ 72,778,283</u>	<u>\$ 12,701,362</u>	<u>\$ (1,305,517)</u>	<u>\$ 84,174,128</u>

DUNCASTER, INC. AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED) DECEMBER 31, 2015

	<u>Duncaster, Inc.</u>	<u>The Duncaster Foundation, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Current portion of long-term debt	\$ 1,391,000	\$ -	\$ -	\$ 1,391,000
Accounts payable and accrued expenses	2,969,743	-	(120,916)	2,848,827
Accrued salaries and wages	973,919	-	-	973,919
Due to Duncaster	-	477,960	(477,960)	-
Entrance fee refunds payable	3,195,218	-	-	3,195,218
Accrued interest payable	311,373	-	-	311,373
Entrants' deposits	151,634	-	-	151,634
Total current liabilities	<u>8,992,887</u>	<u>477,960</u>	<u>(598,876)</u>	<u>8,871,971</u>
Annuities Payable	<u>-</u>	<u>35,278</u>	<u>-</u>	<u>35,278</u>
Long-Term Debt, Net of Current Portion, Original Issue Discount and Deferred Costs	<u>25,849,434</u>	<u>-</u>	<u>-</u>	<u>25,849,434</u>
Interest Rate Swap Obligation	<u>888,313</u>	<u>-</u>	<u>-</u>	<u>888,313</u>
Deferred Gain on Sale of Asset	<u>706,641</u>	<u>-</u>	<u>(706,641)</u>	<u>-</u>
Refundable and Nonrefundable Entrance Fees				
Entrance fees refunds payable, net of current portion	16,291,949	-	-	16,291,949
Nonrefundable fees, net	20,940,894	-	-	20,940,894
Total refundable and nonrefundable entrance fees	<u>37,232,843</u>	<u>-</u>	<u>-</u>	<u>37,232,843</u>
Future Service Obligation	<u>1,939,000</u>	<u>-</u>	<u>-</u>	<u>1,939,000</u>
Total liabilities	<u>75,609,118</u>	<u>513,238</u>	<u>(1,305,517)</u>	<u>74,816,839</u>
Net Assets				
Unrestricted	(2,830,835)	-	-	(2,830,835)
Temporarily restricted	-	5,956,556	-	5,956,556
Permanently restricted	-	6,231,568	-	6,231,568
Total net assets	<u>(2,830,835)</u>	<u>12,188,124</u>	<u>-</u>	<u>9,357,289</u>
Total Liabilities and Net Assets	<u>\$ 72,778,283</u>	<u>\$ 12,701,362</u>	<u>\$ (1,305,517)</u>	<u>\$ 84,174,128</u>

DUNCASTER, INC. AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION DECEMBER 31, 2014

	<u>Duncaster, Inc.</u>	<u>The Duncaster Foundation, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 307,231	\$ -	\$ -	\$ 307,231
Accounts receivable, net	1,050,685	-	(106,902)	943,783
Assets whose use is limited	12,613,062	-	-	12,613,062
Due from Foundation	342,082	-	(342,082)	-
Prepaid expenses and inventories	124,502	-	-	124,502
Total current assets	<u>14,437,562</u>	<u>-</u>	<u>(448,984)</u>	<u>13,988,578</u>
Investments	<u>9,229,785</u>	<u>11,648,147</u>	<u>-</u>	<u>20,877,932</u>
Property and Equipment, Net	<u>46,045,422</u>	<u>1,398,748</u>	<u>(706,641)</u>	<u>46,737,529</u>
Other Assets				
Pledges receivable, net	-	156,346	-	156,346
Annuity-related investments	-	50,081	-	50,081
Total other assets	<u>-</u>	<u>206,427</u>	<u>-</u>	<u>206,427</u>
Total Assets	<u>\$ 69,712,769</u>	<u>\$ 13,253,322</u>	<u>\$ (1,155,625)</u>	<u>\$ 81,810,466</u>

DUNCASTER, INC. AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED) DECEMBER 31, 2014

	<u>Duncaster, Inc.</u>	<u>The Duncaster Foundation, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Current portion of long-term debt	\$ 1,345,000	\$ -	\$ -	\$ 1,345,000
Accounts payable and accrued expenses	1,514,759	106,902	(106,902)	1,514,759
Accrued salaries and wages	985,103	-	-	985,103
Due to Duncaster	-	342,082	(342,082)	-
Entrance fee refunds payable	2,943,071	-	-	2,943,071
Accrued interest payable	224,143	-	-	224,143
Entrants' deposits	181,421	-	-	181,421
Total current liabilities	<u>7,193,497</u>	<u>448,984</u>	<u>(448,984)</u>	<u>7,193,497</u>
Annuities Payable	<u>-</u>	<u>43,752</u>	<u>-</u>	<u>43,752</u>
Long-Term Debt, Net of Current Portion, Original Issue Discount and Deferred Costs	<u>27,857,015</u>	<u>-</u>	<u>-</u>	<u>27,857,015</u>
Interest Rate Swap Obligation	<u>1,023,923</u>	<u>-</u>	<u>-</u>	<u>1,023,923</u>
Deferred Gain on Sale of Asset	<u>706,641</u>	<u>-</u>	<u>(706,641)</u>	<u>-</u>
Refundable and Nonrefundable Entrance Fees				
Entrance fees refunds payable, net of current portion	14,349,256	-	-	14,349,256
Nonrefundable fees, net	18,881,149	-	-	18,881,149
Total refundable and nonrefundable entrance fees	<u>33,230,405</u>	<u>-</u>	<u>-</u>	<u>33,230,405</u>
Future Service Obligation	<u>2,881,000</u>	<u>-</u>	<u>-</u>	<u>2,881,000</u>
Total liabilities	<u>72,892,481</u>	<u>492,736</u>	<u>(1,155,625)</u>	<u>72,229,592</u>
Net Assets				
Unrestricted	(3,179,712)	-	-	(3,179,712)
Temporarily restricted	-	6,550,228	-	6,550,228
Permanently restricted	-	6,210,358	-	6,210,358
Total net assets	<u>(3,179,712)</u>	<u>12,760,586</u>	<u>-</u>	<u>9,580,874</u>
Total Liabilities and Net Assets	<u>\$ 69,712,769</u>	<u>\$ 13,253,322</u>	<u>\$ (1,155,625)</u>	<u>\$ 81,810,466</u>

DUNCASTER, INC. AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2015

	Duncaster, Inc. (Unrestricted)	The Duncaster Foundation, Inc. (Unrestricted)	The Duncaster Foundation, Inc. (Temporarily Restricted)	The Duncaster Foundation, Inc. (Permanently Restricted)	Eliminations	Total
Revenues and Other Support						
Net resident service fee revenue	\$ 9,782,651	\$ -	\$ -	\$ -	\$ -	9,782,651
Assisted living revenue	2,127,130	-	-	-	-	2,127,130
Health center patient revenue	6,361,614	-	-	-	-	6,361,614
Amortization of entrance fees	2,834,447	-	-	-	-	2,834,447
Other income	919,897	-	-	-	-	919,897
Gift and grant income	60,219	157,047	185,928	21,210	-	424,404
Investment income	289,141	-	2,113,170	-	-	2,402,311
Contributions from The Duncaster Foundation, Inc.	344,935	-	(637,589)	-	(344,935)	-
Net assets released from restrictions	-	637,589	1,661,509	21,210	(344,935)	2,402,311
Net revenues and other support	<u>22,720,034</u>	<u>794,636</u>	<u>1,661,509</u>	<u>21,210</u>	<u>(344,935)</u>	<u>24,852,454</u>
Expenses						
Medical and other resident care	6,509,521	-	-	-	-	6,509,521
General and administrative	5,480,678	449,701	-	-	-	5,930,379
Depreciation and amortization	3,939,143	-	-	-	-	3,939,143
Dietary	2,575,981	-	-	-	-	2,575,981
Buildings and grounds	2,938,676	-	-	-	-	2,938,676
Housekeeping	831,479	-	-	-	-	831,479
Contributions to Duncaster, Inc.	-	344,935	-	-	(344,935)	-
Interest	903,644	-	-	-	-	903,644
Total expenses	<u>23,179,122</u>	<u>794,636</u>	<u>-</u>	<u>-</u>	<u>(344,935)</u>	<u>23,628,823</u>
Income (Loss) from Operations	(459,088)	-	1,661,509	21,210	-	1,223,631
Change in Net Unrealized Loss on Investments	(269,645)	-	(2,255,181)	-	-	(2,524,826)
Change in Interest Rate Swap Obligation	135,610	-	-	-	-	135,610
Change in Future Service Obligation	942,000	-	-	-	-	942,000
Change in Net Assets	348,877	-	(593,672)	21,210	-	(223,585)
Net Assets - Beginning of Year	(3,179,712)	-	6,550,228	6,210,358	-	9,580,874
Net Assets - End of Year	<u>(2,830,835)</u>	<u>\$ -</u>	<u>\$ 5,956,556</u>	<u>\$ 6,231,568</u>	<u>\$ -</u>	<u>\$ 9,357,289</u>

DUNCASTER, INC. AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2014

	Duncaster, Inc. (Unrestricted)	The Duncaster Foundation, Inc. (Unrestricted)	The Duncaster Foundation, Inc. (Temporarily Restricted)	The Duncaster Foundation, Inc. (Permanently Restricted)	Eliminations	Total
Revenues and Other Support						
Net resident service fee revenue	\$ 9,548,059	\$ -	\$ -	\$ -	\$ -	\$ 9,548,059
Assisted living revenue	1,943,775	-	-	-	-	1,943,775
Health center patient revenue	6,352,234	-	-	-	-	6,352,234
Amortization of entrance fees	3,124,383	-	-	-	-	3,124,383
Other income	876,476	-	-	-	-	876,476
Gift and grant income	160,457	125,808	113,397	44,225	-	443,887
Investment income	174,677	-	594,270	-	-	768,947
Contributions from The Duncaster Foundation, Inc.	332,188	-	(699,309)	-	(332,188)	-
Net assets released from restrictions	-	699,309	-	-	-	-
Net revenues and other support	<u>22,512,249</u>	<u>825,117</u>	<u>8,358</u>	<u>44,225</u>	<u>(332,188)</u>	<u>23,057,761</u>
Expenses						
Medical and other resident care	6,265,370	-	-	-	-	6,265,370
General and administrative	5,523,997	492,929	-	-	-	6,016,926
Depreciation and amortization	3,715,163	-	-	-	-	3,715,163
Dietary	2,468,878	-	-	-	-	2,468,878
Buildings and grounds	2,917,982	-	-	-	-	2,917,982
Housekeeping	740,011	-	-	-	-	740,011
Contributions to Duncaster, Inc.	-	332,188	-	-	(332,188)	-
Interest	819,201	-	-	-	-	819,201
Total expenses	<u>22,450,602</u>	<u>825,117</u>	<u>-</u>	<u>-</u>	<u>(332,188)</u>	<u>22,943,531</u>
Income from Operations	61,647	-	8,358	44,225	-	114,230
Change in Net Unrealized Income (Loss) on Investments	171,412	-	(150,577)	-	-	20,835
Change in Interest Rate Swap Obligation	(47,998)	-	-	-	-	(47,998)
Change in Future Service Obligation	1,085,000	-	-	-	-	1,085,000
Change in Net Assets	1,270,061	-	(142,219)	44,225	-	1,172,067
Net Assets - Beginning of Year	(4,449,773)	-	6,692,447	6,166,133	-	8,408,807
Net Assets - End of Year	<u>\$ (3,179,712)</u>	<u>\$ -</u>	<u>\$ 6,550,228</u>	<u>\$ 6,210,358</u>	<u>\$ -</u>	<u>\$ 9,580,874</u>

Duncaster, Inc.
Projected Statement of Revenue and Expense
 (dollars in thousands)

	2016	2017	2018
REVENUES AND OTHER SUPPORT:			
Non-Healthcare Resident Revenue	10,645	10,954	11,276
Health center/AL patient revenues	9,916	10,179	10,449
Amortization of entrance fees	3,129	3,114	3,254
Other income	800	824	865
Gifts/Duncaster Foundation Dist	441	450	450
Investment income/Gain Loss	185	200	200
Net assets released from Restrictions			
Total revenues and other support	25,116	25,721	26,494
EXPENSES:			
Medical and other resident care	6,221	6,438	6,599
General and administration	6,492	6,655	6,821
Depreciation and amortization	4,598	4,768	4,968
Dietary	2,603	2,668	2,735
Buildings and grounds	3,253	3,334	3,418
Housekeeping	999	1,024	1,050
Contributions To Duncaster, Inc.			
Interest	1,232	1,203	1,144
Total expenses	25,398	26,090	26,735
INCOME FROM OPERATIONS	(282)	(369)	(241)
CHANGE IN UNREALIZED GAIN (LOSS)	-	-	-
Change in Interest Rate Swap Obligation+			
Change in Future Services Obligation	+		
CHANGE IN NET ASSETS	(282)	(369)	(241)
NET ASSETS, beginning of year	** (2,831)	(3,113)	(3,482)
NET ASSETS, end of the period	(3,113)	(3,482)	(3,723)

**Reflects retroactive change in Net Assets with adoption of Accounting Standards Update
 No: 2012-01 December 31, 2012

+No budget or projected values are possible for FSO or change in SWAP value

Duncaster, Inc.
Projected Statement of Cash Flows
(dollars in thousands)

	2016	2017	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	(282)	(369)	(241)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Net proceeds from entrance fees and EF payable	4,213	4,433	4,715
Change in net unrealized (gain) loss on investments			
Change in future services obligation			
Amortization of entrance fees	(3,129)	(3,114)	(3,254)
Depreciation and amortization	4,598	4,611	4,751
Provision for bad debt	36	48	40
Gain on sale of equipment			
Change in Interest Rate Swap Obligation			
Change in Unrelaized gain on investments			
(Increase) decrease in operating assets:			
Accounts and other receivables	(123)	(30)	(40)
Prepaid expenses and other current assets	(75)	125	100
Due from Foundation			
Annuity related investments			
Other Long-term assets			
Increase (decrease) in operating liabilities:			
Accounts payable and accrued expenses	(40)		
Accrued interest payable	(8)	(5)	(5)
Entrants' Deposits			
Amortization of long term debt			
Annuities payable	(8)	(8)	(8)
Net cash provided by operating activities	<u>5,182</u>	<u>5,691</u>	<u>6,058</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment, net	(3,500)	(5,000)	(3,250)
(Purchase) sale of investments, net	(300)	(300)	(300)
Interest cost capitalized during construcion period			
Proceeds from sale of PP&E			
Net (increase) decrease in Assets with Limited Use	1,000	-	-
Net cash used in investing activities	<u>(2,800)</u>	<u>(5,300)</u>	<u>(3,550)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of long term debt	(1,391)	(1,436)	(1,485)
Short-term capital loan		1,000	(1,000)
Proceeds of long term debt net of pmts of issuance costs			
Initial Entrance fees			
Decrease in entrant's deposits			
Net cash provided by financing activities	<u>(1,391)</u>	<u>(436)</u>	<u>(2,485)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	991	(45)	23
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,086</u>	<u>3,077</u>	<u>3,032</u>
CASH AND CASH EQUIVALENTS, end of year	<u>3,077</u>	<u>3,032</u>	<u>3,055</u>

Actuarial/Financial Assumptions and Data:

1. Average age of members

2015	84
2016	85
2017	85
2018	85

2. Healthcare utilization rates (# and %)

2015	98	43%
2016	62	28%
2017	70	30%
2018	70	30%

3. Occupancy rates:

	IL	AL	SN
2015	92%	82%	90%
2016	93%	93%	90%
2017	94%	94%	90%
2018	94%	94%	90%

4. Number of healthcare admissions

2015	60
2016	70
2017	79
2018	80

5. Days of care

2015	12,500
2016	11,500
2017	11,000
2018	11,000

6. Number of permanent transfers

	AL	SN
2015	10	9
2016	8	12
2017	9	14
2018	9	12

7. Resident turnover

2015	12%
2016	15%
2017	14%
2018	13%

Duncaster, Inc.

Variations from FY15 financial projections

Revenue and expenses

- The projections for increased monthly fees from independent living and assisted living as a result of our expansion project were based on an earlier completion than occurred. The revenue did not meet our budget for FY15.
- The projection for “other income” is always a conservative number and varies year over year. In FY15 we saw an increase in dining revenue, wellness program revenue and several other miscellaneous categories of income.
- On the expense side we assumed a full year’s depreciation when the new project was completed but instead we took a much lower prorated portion of the project cost based on putting the apartments and rooms “into service” in October.
- Many of the fixed cost increases associated with the expansion were projected for a longer period of time than resulted. In addition we implemented changes to our employee health programs to control costs and which brought us under budget. Lastly we did not spend consulting dollars on expected projects in FY15.

Cash Flow

- As a result of the large positive variance from the pro forma profit and loss statement the projected cash flow was also higher.
- Entrance fees from the independent living expansion were significantly greater than expected due to a vastly different mix of singles/couples and refundable/non-refundable contract choices. All new apartments were occupied before the end of the year as well which increased the entrance fee pool.
- The short-term debt associated with the apartment expansion was paid off before the end of the year rather than early 2016 due to the entrance fee pool comment above.
- As stated above depreciation was significantly lower than expected on the expansion project. Accounts receivable increased both as a result of the expansion and slow collections from 3rd party payers for our health center.
- Accrued payables was significantly higher than projected as final requisitions for work completed on the expansion projects were not paid prior to yearend based on timing of the requests.

Duncaster, Inc.

Escrow Agent

U.S. Bank
225 Asylum Street, #23
Hartford, CT 06103

(860) 241-6800

Escrow Fund Earnings

There are minimal returns on escrowed funds due to restrictions on the investment vehicles available. Any income earned remains in the escrow fund (s) and would be utilized to meet escrow dollar requirements.

Investment decisions are made by the Escrow Agent and are limited to US Treasury notes and other low-risk/no-risk government cash –equivalent investments.

Investment of General Reserves

Duncaster reserves are invested based on its investment policy which is approved by the Board of Directors. There is an Investment Committee of the Board that recommends/sets policy and makes all investment decisions based on an asset allocation detailed in the policy, comprised of a percentage split between equities and fixed income options. The committee is comprised of Board members that have investment experience either through current work responsibilities or prior positions held outside the community.