



Essex, Connecticut

THIS FACILITY, LIKE ALL OTHER CONTINUING CARE (LIFE-CARE) FACILITIES IN THE STATE OF CONNECTICUT, IS SUBJECT TO CHAPTER 319HH, CONNECTICUT GENERAL STATUTES, CONCERNING MANAGEMENT OF CONTINUING CARE FACILITIES. REGISTRATION UNDER THE LAW DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT OF THE FACILITY BY THE DEPARTMENT OF SOCIAL SERVICES OR THE STATE OF CONNECTICUT, NOR DOES SUCH REGISTRATION EVIDENCE THE ACCURACY OR COMPLETENESS OF THE INFORMATION IN THIS DISCLOSURE STATEMENT.

DISCLOSURE STATEMENT

October 1, 2015

Equal Housing Opportunity

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**Acknowledgment of Receipt
of Disclosure Statement**

Essex Meadows

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

Acknowledgment:

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

Signature of Prospective Resident

Date: _____

Signature of Prospective Resident, if two

Date: _____

Signature of Legal Representative, if applicable

Date: _____

**Notice
To
Prospective Resident**

Essex Meadows

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

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

Acknowledgment:

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

Signature of Prospective Resident

Date: _____

Signature of Prospective Resident, if two

Date: _____

Signature of Legal Representative, if applicable

Date: _____

INTRODUCTION

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

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

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

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

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

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

I. THE PEOPLE

ESSEX MEADOWS PROPERTIES, INC.

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

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

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

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

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

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

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

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

LIFE CARE SERVICES LLC

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

LCS is a nationally recognized leader in the development and management of quality senior living communities throughout the United States. Since 1971, LCS has been instrumental in the planning, development, and management of senior living communities throughout the United States. Management services are provided through Life Care Services, and it currently manages more than 110 communities (see Exhibit A attached to this Disclosure Statement.)

Edward R. Kenny is Chief Executive Officer and a Manager of Life Care Services. In this role, he provides both strategic and hands-on leadership to a dynamic organization of 550 employees who serve more than 33,000 seniors nationwide. Under Ed's direction, the LCS Family of Companies have grown to become leading providers of high-quality senior lifestyle products and services, and the third largest senior living management company. Ed assumed the top executive position at LCS in 2006. He began his association with the organization in 1979, initially serving as executive director for several communities managed by Life Care Services. He serves on the Board of Assisted Living Federation of America (ALFA), is a past Chairman of the American Seniors Housing Association (ASHA), and an invited member of the National Investment Center (NIC) where he serves on the NIC Operator Advisory Board. Ed holds a Bachelor of Science degree in health services administration from Providence College.

Joel D. Nelson is President, Chief Operating Officer and a Manager of Life Care Services. He is responsible for the day-to-day operating activities and sees the company vision strategy and financial plan is successfully executed. He joined the company in 1986 as an administrator-in-training, and served in a number of administrative, regional managerial, and company leadership and executive roles before assuming his current position in 2014. Joel has been a presenter at several national conferences. He earned a Bachelor of Arts degree from Simpson College with a double major in health care administration and business management.

Diane C. Bridgewater is Executive Vice President/Chief Financial and Administrative Officer, Treasurer, Secretary and a Manager of Life Care Services. She joined Life Care Services in 2006 after filling several executive level positions with Pioneer Hi-Bred International, a DuPont Company. In her years with Pioneer, she held a number of operational and financial roles including: Chief Financial Officer, Vice President and Business Director for North America, Director of Customer and Sales Services for Seed and Crop Protection, Worldwide Finance Director and other roles. Diane started her career with KPMG. She earned her undergraduate degrees in accounting and French from the University of Northern Iowa and received her CPA certification in 1986.

Rick W. Exline is Executive Vice President and a Manager of Life Care Services. Rick is responsible for overseeing 90 senior living communities in 29 states and the District of Columbia. Rick began his career as an administrator-in-training in 1978, and after holding a number of operations management and marketing positions was named a Senior Vice President in 2000, with a promotion in 2011 to his current position. Rick graduated from Simpson College with a bachelor's degree in political science and from Oklahoma Baptist University with a bachelor's degree in health care administration.

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

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

ADMINISTRATION

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

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

COMMUNICATION WITH RESIDENTS

Residents' Council

The Residents' Council at The Community consists of 10 residents, who have been elected by the resident body of The Community. The Residents' Council represents the interests of the residents and functions in an advisory role to Administration and the Board of Directors of Essex Meadows Properties, Inc. The Executive Director and Administrator meet with the Residents' Council at least monthly to address resident concerns, which are then communicated

to the Board of Directors. Certain members of the Board of the Directors periodically meet with the Residents' Council (current practice is quarterly), and discuss operations, progress of on-going projects, and the budgeting process (including the Fair Share adjustments and other fee increases).

Residents' Association

Membership in the Residents' Association is open to all residents of The Community. The Residents' Association meets annually to elect members of the Residents' Council. The Executive Director (or her designee) holds monthly meetings with all residents to provide updates of on-going projects, discuss topics of interest to the residents, and discuss the completion and availability of the Disclosure Statement. A separate meeting is held by the Executive Director to present the budget (including the Fair Share adjustments and other fee increases). Residents can also become involved at The Community by serving on one of the numerous resident committees, including but not limited to: Finance Committee, Marketing Committee, Health Committee, Food Committee, Community Life Services, Green Committee, and Library Committee.

II. THE COMMUNITY

THE LOCATION

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

ESSEX MEADOWS

The Community consists of 179 apartments, 13 cottages, and a 45-bed licensed health care center, which is Medicare certified.

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

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

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

THE PERSONNEL

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

THE SERVICES

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

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

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

MANAGED CARE

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

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

2. If The Community's health care center is not a participating provider with the resident's managed care program and the resident chooses to receive health care services at a managed care participating provider during a Medicare-qualified stay, then the resident must relocate for as long as necessary for those services to be provided, and

be responsible for all charges for those health care services. In addition, while receiving health care services at the managed care participating provider, the resident will continue to pay the Monthly Fee and the Owner's Supervision Fee as provided under the terms of the Residency Agreement. Such a Medicare-qualified stay at a managed care participating provider will not reduce the number of cumulative days of care that the resident is eligible to receive without additional charge pursuant to the Residency Agreement.

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

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

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

CONTRACTS AND FEES

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

III. THE PROPOSAL

THE LIFE-CARE CONCEPT

The lifecare retirement concept ensures an individual lifetime use of a residence, support services, and long-term nursing care in an on-site health care center. This concept has grown as an increasing number of men and women reaching retirement age have sought better alternatives to traditional retirement living. The Community offers a continuum of services all under one roof so that a resident will be able to remain an involved member of his/her chosen community even if the resident's health needs change.

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

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

THE RETURN OF CAPITAL™ PLAN

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

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

THE FLEX PLAN

The Flex Plan Residency Agreement is designed to offer choice and flexibility in retirement planning. A resident will pay a lesser Entrance Fee – currently 35 percent less than

the Entrance Fee paid under the Return of Capital™ Plan. The resident has the flexibility to invest this 35 percent savings as he or she wishes. After occupancy, the Entrance Fee paid under the Flex Plan Residency Agreement will reduce by the following: (i) 4 percent of the total Entrance Fee is retained as a processing fee; and (ii) 2 percent of the total Entrance Fee per month of occupancy until the Entrance Fee is fully earned by us.

The Flex Plan Residency Agreement is attached hereto as Exhibit D. We reserve the right to offer new prospective residents alternative forms of residency agreements from time to time.

THE RESIDENCY AGREEMENTS

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

Return of Capital™ Plan:

1. Admission Payments under the Return of Capital™ Plan. The term "Admission Payments" used throughout the Return of Capital™ Residency Agreement refers to the sum of two separate payments: the Entrance Fee and the Loan as described in Paragraphs 2 and 3 below.
2. Payment of the Entrance Fee under the Return of Capital™ Plan. Upon execution of the Return of Capital™ Residency Agreement, a resident is required to pay a portion of the required Entrance Fee in an amount equal to 10 percent of the total Admission Payments, which will be held in escrow until released to us. The balance of the Entrance Fee is due to be paid to us upon the earlier of (i) the date the resident moves into The Community or (ii) 60 days following the date the resident executed the Residency Agreement.
3. Refund of Entrance Fee under the Return of Capital™ Plan. The Entrance Fee is fully refundable prior to occupancy if (i) we do not accept a resident's application for admission; (ii) the resident cancels the Residency Agreement within the 30 day right-of-rescission period; or (iii) due to death, illness, injury or incapacity the resident is unable to occupy his or her residence or The Community's health care center. In all other cases of cancellation prior to occupancy, we will retain a processing fee equal to \$5,000 and any costs specifically incurred by us at resident's request. We will refund the remaining balance, without interest, to the resident (or his/her estate) within 30 days. After occupancy, we will refund a declining portion of the Entrance Fee based on the period of resident's occupancy. For more information on the refund of the Entrance Fee, please see Sections 2.1 and 2.2 of the Return of Capital™ Residency Agreement.
4. Payment of a Loan. Payment of the resident's Loan and all monthly charges grants a resident the lifetime use of a residence and of the services and amenities provided at The Community. Under the Return of Capital™ Residency Agreement, the resident is

required to make the Loan on the earlier of (i) the date the resident moves into The Community; or (ii) 60 days following our execution of the Residency Agreement.

5. Loan Repayment. In the event of resident's death (or the death of the remaining resident if there are two of you) or in the event of cancellation of the Return of Capital™ Residency Agreement (cancellation by both residents if there are two residents), the Loan shall become due and payable in full upon the date we receive the next Admission Payments (Entrance Fee plus Loan) for the resident's residence. However, in no event shall such date be more than twenty-four (24) months from the date the resident's residence is released to us for reoccupancy.

In the event the residence is reoccupied by an existing resident of The Community who transfers from another apartment/cottage, the Loan shall be due and payable upon the date we receive the Admission Payments (Entrance Fee plus Loan) for the apartment/cottage vacated by the existing resident who transferred to the resident's residence. If more than one internal transfer of existing residents occurs, repayment of the Loan will be tied to the last vacated apartment/cottage. However, in no event shall such date be more than twenty-four (24) months from the date the resident's residence is released to us for reoccupancy.

If there is one resident under the Return of Capital™ Residency Agreement, we will repay the Loan to that resident or his/her estate (or to whomever that resident has assigned his/her rights to repayment). If there are two residents (either through initial residency at The Community or through a subsequent amendment to the Residency Agreement wherein a second person is added to the Residency Agreement after initial residency in accordance with The Community's admissions policy and with our express written approval), we will repay the Loan to the last remaining resident or the last remaining resident's estate (or to whomever the last remaining resident assigned his/her rights to repayment). We will not repay the Loan while a second Resident is occupying The Community.

For more information, see the Loan Agreement, which is attached to the Return of Capital™ Residency Agreement as Exhibit A.

Flex Plan:

1. Entrance Fee under the Flex Plan. The resident is required to pay an Entrance Fee in two installments – a 10 percent deposit is due at the time the resident enters into the Residency Agreement and the remaining balance is due on the earlier of (i) the date the resident moves into The Community, or (ii) 60 days following the date of our execution of the Residency Agreement.
 2. Refund of the Entrance Fee under the Flex Plan. The Entrance Fee deposit is fully refundable prior to occupancy if (i) we do not accept a resident's application for admission; (ii) the resident cancels the Residency Agreement within the 30 day right-of-rescission period; or (iii) due to death, illness, injury or incapacity the resident is unable to occupy his or her residence or The Community's health care center. In all other cases of cancellation prior to

occupancy, we will retain a processing fee equal to \$5,000 and any costs specifically incurred by us at resident's request. We will refund the remaining balance, without interest, to the resident (or his/her estate) within 30 days.

After occupancy, we will retain 4 percent of the Entrance Fee as a processing fee plus 2 percent of the Entrance Fee for each month of occupancy, until the full amount of the Entrance Fee has been earned by us. The balance, if any, will be refunded to the resident or his/her estate within 60 days after cancellation or death of the remaining resident. Refund of your Entrance Fee, if any, will not occur while your furniture and other property are in the Residence.

If there is one resident under the Residency Agreement, we will refund the unearned portion of the Entrance Fee, if any, to that resident or his/her estate (or to whomever that resident has assigned his/her rights to repayment). If there are two residents (either through initial residency at The Community or through a subsequent amendment to the Residency Agreement wherein a second person is added to the Residency Agreement after initial residency in accordance with The Community's admissions policy and with our express written approval), we will refund the unearned portion of the Entrance Fee, if any, to the last remaining resident or the last remaining resident's estate (or to whomever the last remaining resident assigned his/her rights to repayment). We will not refund the unearned portion of the Entrance Fee, if any, while a second resident is occupying The Community.

For more information on the refund of the Entrance Fee, please see Sections 2.1 and 2.2 of the Flex Plan Residency Agreement.

Both Return of Capital™ Plan and Flex Plan:

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

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

MONTHLY CHARGES

The resident is required to pay a Monthly Fee (and a second person Monthly Fee if there are two residents) to us in order to live at The Community. The amount of the Monthly Fee is determined by the Fair Share Allocation Formula developed to apportion the costs of operating The Community among its residents. The Monthly Fee is adjusted annually upon 30 days'

advance written notice to residents, and will be increased only if it is necessary to meet the financial needs of The Community. The Fair Share Allocation Formula is intended to reflect anticipated changes in operating costs, anticipated inflation during the coming year, and the need to maintain working capital, among other items. The Fair Share will take into account the amount of reserves and working capital necessary to assure The Community's financial independence and the ability to deal with unforeseen circumstances.

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

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

FEE SCHEDULES

Historical Admission Payments, Entrance Fees and Monthly Fees are included as Exhibit G to this Disclosure Statement. Current Admission Payments, Entrance Fees, Monthly Fees and Extra Charges are included as Exhibit H to this Disclosure Statement.

THE MORTGAGE AND INDENTURE OF TRUST

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

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

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

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

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

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

HEALTH CENTER RESIDENT LOANS ESCROW

Once a resident is permanently assigned to The Community's health care center and his/her residence has been resold, the resident's Loan is no longer secured under the Mortgage and Indenture of Trust. In order to provide security, we have voluntarily established an escrow account to secure repayment of the Loans for health care center residents with US Bank, National Association; 333 Commerce Street, Suite 800; Nashville, TN 37201. From the Admission Payments or Entrance Fee paid by the new resident, we will deposit in the Health Center Resident Loans Escrow an amount equal to the balance of the Loan owed to the resident residing in The Community's health care center. Such deposit will be maintained jointly with all other similar deposits held in escrow for the benefit of residents of The Community's health care center whose residences have been released and reoccupied. Such deposits and any earnings realized on the funds held pursuant to the Health Center Resident Loans Escrow Agreement will be used by us only for purposes related to The Community, as set forth in the escrow agreement. Upon cancellation of the Return of Capital™ Residency Agreement or death of a health care center resident, funds from such escrow will be applied in repayment of the balance of the health care center resident's Loan.

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

ESTATE PLANNING

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

If there is one resident under the Residency Agreement, the Loan repayment or the Entrance Fee refund will be repaid to that resident or his/her estate (or to whomever that resident has assigned his/her rights to repayment). If there are two residents (either through initial residency at The Community or through a subsequent amendment to the Residency Agreement wherein a second person is added to the Residency Agreement after initial residency in accordance with The Community's admissions policy and with our express written approval), the Loan repayment or the Entrance Fee refund will be repaid to the last remaining resident or the last remaining resident's estate (or to whomever the last remaining resident assigned his/her rights to repayment). The Loan repayment or the Entrance Fee refund will not be repaid while a second resident is occupying The Community.

IV. FINANCIAL STATEMENTS AND PROJECTIONS

FINANCIAL PROJECTIONS

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

CASH FLOW PROJECTION (PRO FORMA)

The pro forma cash flow projection for the period beginning January 1, 2015 and ending December 31, 2019 of the Operations Division of Essex Meadows Properties, Inc. can be found on the following page. This pro forma projection is based on the assumptions stated in the notes attached thereto and is a projection of future activity rather than historical financial statements. Such pro forma cash flow projection is based on cash flow concepts, which makes it unlike an income statement prepared in accordance with generally accepted accounting principles.

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

ESSEX MEADOWS PROPERTIES, INC.
Essex, Connecticut

CASH FLOW PROJECTION - OPERATIONS DIVISION *
For the Period Beginning January 1, 2015

	Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019
Beginning Cash (1)	5,744,073	5,758,466	5,769,988	5,235,451	4,799,352
Additions:	0	0	0	0	0
Apartment Service Fees (2)	10,489,314	10,914,418	11,298,699	11,668,471	12,087,882
Health Center Income - Net (3)	4,243,101	4,287,801	4,346,787	4,432,801	4,544,187
Miscellaneous Income (4)	417,200	417,200	417,200	417,200	417,200
Working Capital Fees (5)	205,851	215,023	202,319	210,971	220,636
Interest Income (excluding HC Escrow) (6)	85,255	85,463	81,569	74,333	66,338
Interest on Health Center Escrow Fund (7)	49,951	47,985	48,054	49,395	51,470
Disbursements:	0	0	0	0	0
Operating Expenses (8)	(14,584,279)	(15,058,268)	(15,547,662)	(16,052,961)	(16,695,079)
Capital Expenses - not paid from fund (9)	(370,000)	(381,100)	(392,533)	(404,309)	(416,438)
Capital Expenses -- paid from Reserve Fund (10)	(450,000)	(445,000)	(916,971)	(760,000)	(840,000)
Debt Service Expense (11)	(72,000)	(72,000)	(72,000)	(72,000)	(72,000)
Net Change	14,393	11,522	(534,538)	(436,099)	(635,805)
Ending Cash	5,758,466	5,769,988	5,235,451	4,799,352	4,163,547

* The term "Operations Division" is defined on page 7 under note (1) of the audit report for Essex Meadows Properties, Inc.
Note: The negative cash flows in years 3 through 5 are due to large planned capital expenditures to be paid from the Capital Reserve Fund

ESSEX MEADOWS
Essex, Connecticut

PRO FORMA CASH FLOW ASSUMPTIONS

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

Cash and Cash Equivalents	\$1,814,792
Restricted and Escrowed Funds	<u>3,929,281</u>
Total	\$5,744,073

- (2) Apartment Service Fees: represents the total of first and second-person monthly Service Fees for all apartments. The Fair Share sets the monthly Service Fees equal to the sum of total expenses plus any increase in reserves. The number of second persons was projected using the population projections prepared by a consulting actuarial firm, Milliman, Inc. of Omaha, Nebraska. The number of apartments occupied by more than one person projected for 2015 through 2019 is as shown in the following table:

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
55.84	53.70	51.52	49.34	47.55

- (3) Health Center Income: assumes average daily rates in 2015 of \$411.17 for a private room and \$360.70 for a semiprivate room. The 45-bed health center is designed for 33 private rooms and 6 semiprivate rooms. Private rooms may be converted to semiprivate, with total beds not to exceed 45. The average census has been projected to be 91.1 percent in 2015 through 2019.
- (4) Miscellaneous Income: represents revenue from meals, garage rentals, guest rooms, and beauty and barber shops.
- (5) Working Capital Fees: represents a non-refundable one-time fee equal to two times the then-current monthly service fee. The Working Capital Fee was implemented December, 2005 and is paid by each resident upon closing on an apartment.
- (6) Interest Income: on cash balances is assumed to be at an annual average rate of 1.5 percent.
- (7) Interest on Health Center Escrow: represents interest earnings on the Finance Division's Health Center Resident Loans Escrow account. Deposits are made to the Escrow account when a resident has moved to The Community health center. Such deposits are applied towards repayment of a health center resident's Loan amount due upon termination of the Residency Agreement. Interest earned on these funds is for the use of the Operations division. The net balance of this fund at December 31, 2014 was \$2,576,451.

- (8) Operating Expenses: includes the expenses for staffing, materials, and services for the entire project. Operating expenses are projected to increase at 3.25% annually in years 2-4 and 4% in year 5.
- (9) Capital Expenses – not paid from fund: represents the total cost to the Operations Division for the repair or replacement of interior finishes and elements of the buildings and equipment and of other portions of the buildings and equipment that are not paid from the Repair and Replacement Reserve Fund. Capital expenditures not paid from the Repair and Replacement Fund are included in the Fair Share Allocation Formula used to establish the monthly Service Fees paid by the residents.
- (10) Capital Expenses – paid from reserve fund: represents the total cost to the Operations Division for the repair or replacement of interior finishes and elements of the buildings and equipment and of other portions of the buildings and equipment that are paid from the Repair and Replacement Reserve Fund.
- (11) Debt Service Expense: represents annual principal and interest payments to Essex Savings Bank on a 15 year loan fixed rate loan of \$950,000.

RESIDENTIAL TURNOVER RATES

The residential turnover rate is calculated by dividing the number of apartments released by the average number of occupied apartments. The residential turnover rates for the most recently completed 12-month period, and anticipated for the next five years, are as follows:

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
9.68%	10.40%	10.38%	10.38%	10.43%	10.48%

NUMBER OF HEALTH CARE ADMISSIONS

The number of health care admissions pursuant to continuing-care contracts for the most recently completed 12-month period, and anticipated for the next five years, is as follows:

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
72	80	82	82	81	81

DAYS OF CARE

The days of care per year for the most recently completed 12-month period, and anticipated for the next five years, are as follows:

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
11,856	11,947	12,145	12,277	12,355	12,384

NUMBER OF PERMANENT TRANSFERS

The number of permanent transfers to the health center in the 12-month period ending December 31, 2014 was six (6) residents.

OCCUPANCY RATES

Occupancy rates for the most recently completed 12-month period, and anticipated for the next five years, are as follows:

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
90.78%	92.05%	94.71%	95.24%	95.24%	95.24%

ESSEX MEADOWS PROPERTIES, INC.
Essex, Connecticut

FORECASTED STATEMENT OF REVENUES AND EXPENSES

	Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019
OPERATING INCOME					
Amortization of Non-Refundable Fees	2,559,948	2,761,925	2,583,758	2,638,438	2,726,811
Owner's Supervision Fees	155,976	156,090	155,616	154,470	153,474
Monthly Service Fees	10,489,314	10,914,418	11,298,699	11,668,471	12,087,882
Health Center Revenues - Net	4,243,101	4,287,801	4,346,787	4,432,801	4,544,187
Interest Income	135,206	133,448	129,623	123,728	117,808
Other Income	623,051	632,223	619,519	628,171	637,836
TOTAL INCOME	18,206,596	18,885,905	19,134,001	19,646,079	20,267,998
EXPENSES:	0	0	0	0	0
G&A	(3,209,429)	(3,313,736)	(3,421,432)	(3,532,629)	(3,673,934)
Plant	(2,363,521)	(2,440,335)	(2,519,646)	(2,601,535)	(2,705,596)
Housekeeping	(976,069)	(1,007,791)	(1,040,544)	(1,074,362)	(1,117,337)
Dietary	(2,973,734)	(3,070,380)	(3,170,167)	(3,273,198)	(3,404,126)
Resident Care	(5,061,526)	(5,226,026)	(5,395,871)	(5,571,237)	(5,794,087)
Marketing Expense	(303,772)	(316,000)	(329,000)	(342,000)	(356,000)
Debt Service Expense	(72,000)	(72,000)	(72,000)	(72,000)	(72,000)
Depreciation/Amortization	(1,242,618)	(1,182,891)	(1,131,062)	(1,046,332)	(986,388)
TOTAL OPERATING EXPENSES	(16,202,669)	(16,629,159)	(17,079,724)	(17,513,293)	(18,109,467)
NET INCOME	2,003,928	2,256,746	2,054,278	2,132,786	2,158,530

ESSEX MEADOWS PROPERTIES, INC.
Explanation of Material Differences Between
The Forecasted Statement of Income and Expenses for 2014
And 2014 Actual Results from Operations

	2014 Actual	2014 Pro Forma	Difference
OPERATING INCOME:			
Non-Refundable Fees (1)	2,554,409	2,959,920	(405,511)
Owner's Supervision Fees	151,524	156,771	(5,247)
Monthly Fees	9,945,320	10,201,594	(256,274)
Health Center Revenues - Net (2)	4,526,388	3,993,574	532,814
Interest Income (3)	13,404	98,685	(85,281)
Other Income (4)	575,103	683,159	(108,056)
TOTAL INCOME	17,766,148	18,093,703	(327,555)
OPERATING EXPENSES:			
General & Administrative	(3,029,962)	(3,004,520)	(25,442)
Plant	(2,492,056)	(2,430,308)	(61,748)
Housekeeping	(919,495)	(928,725)	9,230
Dietary	(2,859,219)	(2,881,223)	22,004
Resident Care	(4,708,477)	(4,836,636)	128,159
Marketing Expense (5)	(254,861)	(294,924)	40,063
Debt Service Expense (6)	(33,170)	(66,602)	33,432
Depreciation/Amortization	(1,459,212)	(1,433,743)	(25,469)
TOTAL OPERATING EXPENSES	(15,756,452)	(15,876,682)	120,229
NET INCOME	2,009,696	2,217,022	(207,326)

**FOOTNOTES TO
EXPLANATION OF MATERIAL DIFFERENCES**

- (1) Non-Refundable Fees - The negative variance was due to less amortization of non-refundable fees than anticipated because of fewer entrance fee generating closings in 2014.
- (2) Health Center Revenues – Net – Health center revenues were favorable to projections as a result of having fewer life care residents and more private pay residents to create a more profitable payer mix within the health center.
- (3) Interest Income –The negative variance was due to incurring losses on the sale of investments as well as earning less income due to less cash balance through the year.
- (4) Other Income – The negative variance was due in part to a lower utilization of assistance-in-living by residents and generating less in working capital fees than anticipated. The average working capital fee was less per closing than anticipated because there were more one-bedroom unit closings than two-bedroom unit closings, as well as fewer closings and fewer second person working capital fees than originally budgeted. There was a positive variance to other income as a result of earning more garage fees than projected.
- (5) Marketing Expense - The positive variance in marketing expenses is due to less wage and labor expenses than anticipated.
- (6) Debt Service Expense – The positive variance was due to interest payments being less than predicted in 2014.

FINANCING

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

AUDITED FINANCIAL STATEMENTS

Audited financial statements for fiscal years ending 12/31/14 and 12/31/13 for Essex Meadows Properties, Inc. are attached to this Disclosure Statement as Exhibit E.

V. REGULATORY MATTERS

REGISTRATION

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

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

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

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

ADMISSION PAYMENTS (ENTRANCE FEE) ESCROW

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

US Bank, National Association
333 Commerce Street, Suite 800
Nashville, TN 37201
(615) 251-0717

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

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

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

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

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

Included as Exhibit F to this Disclosure Statement is a signed statement from the escrow agent, US Bank, verifying that the required Admission Payments Escrow has been established and maintained.

OPERATING RESERVE ESCROW

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

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

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

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

US Bank, National Association
333 Commerce Street, Suite 800
Nashville, TN 37201
(615) 251-0717

Included as Exhibit F to this Disclosure Statement is a signed statement from the escrow agent, US Bank, verifying that the required Operating Reserve Escrow has been established and maintained.

RESERVE FOR REPLACEMENT ESCROW

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

INVESTMENT DIRECTION

We have entered into an agreement with PNC Institutional Investments to provide investment instructions to the escrow agent of the funds held in the various escrow accounts. Under the provisions of the continuing-care law, operating reserve funds may not be invested in any building or health care facility of any kind, or used for capital construction or improvements, or for the purchase of real estate. Investment decisions will be made with an expectation of reasonable return while maintaining the security of the fund.

TAX DISCUSSION

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

MEDICAL EXPENSE DEDUCTION

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

JUDICIAL PROCEEDINGS

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

VI. EXHIBITS

EXHIBIT A

**SENIOR LIVING COMMUNITIES MANAGED
BY LIFE CARE SERVICES
AS OF 8/14/2015**

Alabama, Hoover – Danberry at Inverness
Arizona, Chandler – Chandler Memory Care
Arizona, Peoria – Sierra Winds
Arizona, Phoenix – Sagewood
Arizona, Scottsdale – Scottsdale Memory Care
Arizona, Tempe (Phoenix) – Friendship Village of Tempe
Arkansas, Fayetteville – Clarity Pointe Fayetteville
Arkansas, Little Rock – Clarity Pointe Little Rock
California, Carlsbad – LaCosta Glen and GlenBrook
California, Cupertino – The Forum at Rancho San Antonio
California, Fullerton – Morningside of Fullerton and Park Vista
California, Pleasanton – Stoneridge Creek Pleasanton and CreekView
California, San Diego – Casa de las Campanas
California, San Rafael – Aldersly Garden Retirement Community
California, Thousand Oaks – University Village at Thousand Oaks and Oak View
Connecticut, Chester – Chester Village West
Connecticut, Essex – Essex Meadows
Connecticut, Mystic – StoneRidge
Connecticut, Redding – Meadow Ridge
Connecticut, Southbury – Pomperaug Woods
District of Columbia – Residences at Thomas Circle
Florida, Boca Raton - Sinai Residences of Boca Raton
Florida, Jacksonville – Clarity Pointe Jacksonville
Florida, Jacksonville – The Beach House
Florida, Naples – Bayshore Memory Care
Florida, North Port – The Springs of South Biscayne
Florida, Orlando – Gentry Park
Florida, Palm City – Sandhill Cove
Florida, Poinciana – Tuscan Isle
Florida, Pompano Beach – Preserve at Palm Aire
Florida, Sarasota – Fountains of Hope
Georgia, Columbus – Spring Harbor
Georgia, Cumming – Towne Club at Windermere
Georgia, Savannah – The Marshes of Skidaway Island
Georgia, Stone Mountain – Park Springs
Hawaii, Honolulu – Hale Ola Kino
Illinois, Chicago – The Clare
Illinois, Godfrey – The United Methodist Village
Illinois, Lincolnshire – Sedgebrook
Illinois, Mokena – Clarendale of Mokena
Illinois, Naperville – Monarch Landing
Illinois, Tinley Park – Hanover Place of Tinley Park

Illinois, Wheaton – Wyndemere
Indiana, Carmel – Magnolia Springs at Bridgewater
Indiana, Greenwood (Indianapolis) – Greenwood Village South
Indiana, Indianapolis – Magnolia Springs Southpointe
Indiana, Indianapolis – Marquette
Indiana, North Manchester – Peabody Retirement Community
Indiana, Terre Haute – Westminster Village
Indiana, West Lafayette – Westminster Village West Lafayette
Iowa, Ames – Green Hills Retirement Community
Iowa, Cedar Rapids – Cottage Grove Place
Kansas, Atchison – Dooley Center
Kentucky, Lexington – Magnolia Springs Lexington
Kentucky, Louisville – Clarity Pointe Louisville
Kentucky, Louisville – Magnolia Springs East
Kentucky, Louisville – Magnolia Springs at Whipps Mill
Louisiana, Covington – Christwood
Maryland, Annapolis – Baywoods of Annapolis
Maryland, Columbia – Vantage House
Maryland, Pikesville (Baltimore) – North Oaks
Maryland, Timonium – Mercy Ridge
Maryland, Towson (Baltimore) – Blakehurst
Michigan, Battle Creek – NorthPointe Woods
Michigan, Dearborn – Henry Ford Village
Michigan, East Lansing – Burcham Hills
Michigan, Jackson – Vista Grande Villa
Michigan, Kalamazoo – Friendship Village
Michigan, Waterford – Canterbury on-the-Lake
Minnesota, Apple Valley – Timbers
Minnesota, Brooklyn Park – Tradition
Minnesota, Brooklyn Park – Waterford Estates
Minnesota, Brooklyn Park – Waterford Manor
Minnesota, Burnsville – The Rivers
Minnesota, Crystal – Heathers Estates
Minnesota, Crystal – Heathers Manor
Minnesota, Plymouth – Trillium Woods
Minnesota, Wayzata – Meridian Manor
Missouri, Chesterfield (St. Louis) – Friendship Village Chesterfield
Missouri, Ellisville – Gambrill Gardens
Missouri, Higginsville – John Knox Village East
Missouri, Kansas City – Kingswood Senior Living Community
Missouri, Sunset Hills (St. Louis) – Friendship Village Sunset Hills
New Jersey, Lakewood – Harrogate
New Jersey, Teaneck – Heritage Pointe of Teaneck
North Carolina, Arden – Ardenwoods
North Carolina, Chapel Hill – The Cedars of Chapel Hill
North Carolina, Charlotte – The Cypress of Charlotte
North Carolina, Durham – Croasdaile Village
North Carolina, Greensboro – WhiteStone

North Carolina, Greenville – Cypress Glen Retirement Community
North Carolina, Lumberton – Wesley Pines Retirement Community
North Carolina, Pittsboro – Galloway Ridge
North Carolina, Raleigh – The Cypress of Raleigh
North Carolina, Wilmington – Plantation Village
Ohio, Dublin – Friendship Village of Dublin
Oklahoma, Bartlesville – Green Country Village
Oregon, Dallas – Dallas Retirement Village
Oregon, Salem – Capital Manor
Pennsylvania, Reading – Heritage of Green Hills
South Carolina, Greenville – Rolling Green Village
South Carolina, Hilton Head Island – The Cypress of Hilton Head
South Carolina, Sumter – Covenant Place
South Carolina, West Columbia – Laurel Crest
Tennessee, Brentwood – The Heritage at Brentwood
Tennessee, Franklin – Maristone of Franklin
Tennessee, Germantown – The Gardens of Germantown
Tennessee, Germantown – The Village at Germantown
Tennessee, Knoxville – Clarity Pointe Knoxville
Tennessee, Mt. Juliet – Maristone at Providence
Texas, Austin – Westminster
Texas, Bedford – Parkwood Healthcare
Texas, Bedford – Parkwood Retirement
Texas, Dallas – Autumn Leaves
Texas, Dallas – Monticello West
Texas, Dallas – Signature Pointe
Texas, Dallas – Walnut Place
Texas, Katy – Grand Parkway
Texas, Lubbock – Carillon Senior LifeCare Community
Texas, New Braunfels – Elan-Westpointe
Texas, Wichita Falls – Rolling Meadows
Virginia, Norfolk – Province Place of DePaul
Virginia, Portsmouth – Province Place of Maryview
Washington, Issaquah – Timber Ridge at Talus
Wisconsin, Mequon – Newcastle Place
Wisconsin, Milwaukee – Eastcastle Place

EXHIBIT B

DESCRIPTION OF THE SERVICES

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

Included in Exhibit H to this Disclosure Statement is a list of ancillary charges for any additional items described herein.

Additional Services

Additional services are provided to residents for an extra charge billed monthly. Such services include, but are not limited to: guest accommodations (with a seven-day limit on usage), guest meals, beauty/barber shop services, additional resident meals, additional housekeeping, personal laundry service, and such other reasonable services as requested.

Beauty and Barber Shop

Beauty and barber shop services are available at additional charge.

Dining Services

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

There are three dining venues available at The Community:

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

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

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

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

Health Care Center

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

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

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

A resident will receive nursing care services in a semiprivate room. If a resident desires a private room, the resident may obtain one (based on availability) upon agreement to pay the difference between the semiprivate room charge and the private room charge. In our sole discretion, if the private room in which a resident is residing is needed for semiprivate use, resident will be required to reside in a semiprivate room until a private room is once again available (unless a private room is medically necessary). Care in The Community's health care center includes basic nursing care services provided in accordance with the laws and regulations governing skilled nursing facilities.

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

In the event The Community's health care center is fully occupied, we will place the resident in an alternate facility of comparable quality, and the resident will pay the same monthly charges to us as if he or she were a patient in The Community's health care center. The charges associated with the alternate facility in excess of the monthly charges paid by the resident for

nursing care services under the Residency Agreement will be allocated to all residents pursuant to the Fair Share Allocation Formula.

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

Health Care Center Permanent Assignment

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

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

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

(c) In the case of a double-occupied residence, if only one of the residents requires nursing care beyond the 90 days, that resident will pay his/her Owner's Supervision Fee plus the then-current first person Monthly Fee for the two-bedroom deluxe apartment and the cost of extra meals per day, physician services, and ancillary items. The resident who has remained in the residence will continue to pay the first-person Monthly Fee for the residence and his/her Owner's Supervision Fee. Under the Flex Plan Residency Agreement, the health care center resident will also pay a supplemental charge, which is outlined in Paragraph 6.4 of the Flex Plan Residency Agreement.

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

will also pay a supplemental charge, which is outlined in Paragraph 6.4 of the Flex Plan Residency Agreement.

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

Laundry

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

Maintenance

We maintain all buildings, grounds, and common areas and also provide weekly housekeeping services in the residences. Housekeeping services include cleaning, dusting, and vacuuming the interior of the residence; washing of hard surface floors; and cleaning of ovens and windows (as needed). Residences may be painted every eight years upon resident's request, and furniture is moved at least once a year for cleaning hard-to-reach areas. Staff will assist residents in arranging and moving furniture as needed during the first 90 days of occupancy at no charge. Rearranging of residence furniture is possible after that time at the resident's expense. Extra cleaning help is available at additional charge.

Monthly Billing Statement

A monthly billing statement outlining the Monthly Fee, the Owner's Supervision Fee, and any extra charges will be placed in the resident's mailbox or other appropriate place on or about the fifth day of the month. Monthly billing statements are required to be paid by the tenth business day of each month.

Resident Health Services Program

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

Parking

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

Pets

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

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

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

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

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

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

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

Prescription Service

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

Private Dining Room

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

Receptionist

A receptionist is on duty from approximately 8:30 a.m. to 7:30 p.m., seven days a week. Additional hours may be scheduled depending on the needs of the residents and staff. All

payments of monthly billing statements, as well as maintenance orders and messages, are handled at the reception desk.

Security

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

Social Director

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

Telephone Service

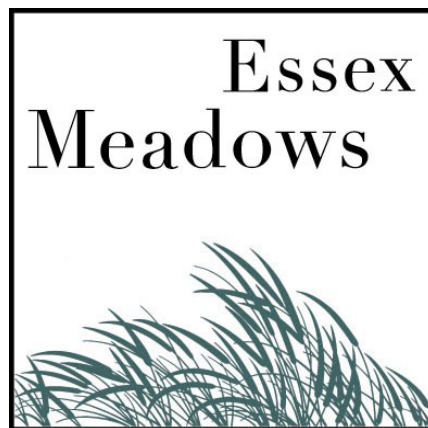
Each residence has live jacks in various locations. Actual telephone service is at the resident's expense.

Transportation

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

EXHIBIT C

RETURN OF CAPITAL RESIDENCY AGREEMENT



Essex, Connecticut

RESIDENCY AGREEMENT
(RETURN OF CAPITAL™)

09/29/2015

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HANDBOOK

GLOSSARY

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

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

"Agreement" means this Residency Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ESSEX MEADOWS RESIDENCY AGREEMENT (RETURN OF CAPITAL™)

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

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

Apartment/Cottage Number: _____
Apartment/Cottage Style: _____

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

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

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

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

1.1 Admission Payments. To assure you a place in The Community, in accordance with all the terms of this Agreement, you will pay to us an Entrance Fee and make a Loan to us for a total of \$_____. Your

Entrance Fee and Loan together constitute your Admission Payments, payable as outlined in paragraphs 1.2 and 1.3 below.

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

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

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

2. REIMBURSEMENT OF ADMISSION PAYMENTS.

2.1 Reimbursement of Entrance Fee Prior to Assuming Occupancy.

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

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

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

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

request, if any, and which are set forth in an addendum to this Agreement. The balance will be refunded to you without interest within thirty (30) days of your notice of cancellation.

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

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

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

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

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

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

3. MONTHLY CHARGES.

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

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

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

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

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

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

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

4.1 One full meal per day;

4.2 Water, sewer, air conditioning, heating, and electricity for apartment residents – water and sewer for cottage residents;

4.3 Maintenance of buildings and grounds;

- 4.4 Weekly housekeeping service;
- 4.5 Weekly flat laundry service;
- 4.6 Planned activities - social, cultural, and recreational for those who wish to participate – a monthly list of Community activities is posted in the mailroom, with a copy placed in each resident's in-house mailbox each month. Copies are also available at the front desk and through the Social Director;
- 4.7 One space for open parking for apartment residents – two-car attached garage for cottage residents;
- 4.8 Complete kitchen, including refrigerator, range with oven, garbage disposal, ductless hood fan, microwave, and dishwasher;
- 4.9 Washer and dryer in common area for apartment residents – washer and dryer in each cottage;
- 4.10 Scheduled transportation – the list of scheduled transportation is incorporated into the monthly activities schedule and is distributed as outlined in Paragraph 4.6 above;
- 4.11 Emergency call monitoring in your Residence by Community staff;
- 4.12 Assisted living services for a limited period of time as determined on a case-by-case basis at the time such services are required, in our sole discretion – a list of which is attached hereto as Exhibit B;
- 4.13 Use of all common areas in The Community; and
- 4.14 Use of The Community health center pursuant to the terms of this Agreement.

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

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

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

A list of these ancillary charges for the additional services can be obtained from the front desk. A copy of the ancillary charges is also in the Resident Handbook provided to all new residents. We will give you advance written notice of not less than thirty (30) days before any changes in ancillary charges are implemented. Each year, a current copy of the ancillary charges is distributed to each resident.

6. THE COMMUNITY HEALTH CENTER. You have the right to participate, as fully and meaningfully as you are able, in making the decision about a permanent move to The Community health center. If, in the opinion of your attending physician or the Medical Director, you need nursing care services in The Community health center, we will provide you with semi-private nursing care services to the extent authorized by our license from the State of Connecticut on the following terms:

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

Monthly Fee charged for your Residence (first and second person, as applicable) and the Owner's Supervision Fee(s) will continue as before.

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

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

6.2.2 Retain Residence. If you choose to retain your Residence, you will continue to pay your Monthly Fee for your Residence and the Owner's Supervision Fee. You will also pay a monthly charge for nursing care services in an amount equal to the then-current first person Monthly Fee for the two-bedroom deluxe apartment, plus the charges for the extra meal per day not covered by the Monthly Fees and the charges for any additional services as described in paragraphs 6.8 and 6.9.

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

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

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

6.3.2 Retain Residence. If you choose to retain your Residence, you will continue to pay your Monthly Fee (first and second person) for your Residence and the Owner's Supervision Fees. Each of you will pay a monthly charge for nursing care services in an amount equal to the then-current first person Monthly Fee for the two-bedroom deluxe apartment, plus the charges for the extra meals per day not covered by the Monthly Fees and the charges for any additional services as described in paragraphs 6.8 and 6.9.

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

6.5 Alternate Nursing Care if Bed is Not Available. If, due to unusual circumstances, beds are not available in The Community health center, we will relocate you (upon your agreement) to an alternate health

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

You have the right to obtain treatment, care and services from providers with which we do not have a contractual arrangement. If a bed is not available in The Community health center and you choose to relocate to a health center not designated by us, you will pay to us all applicable monthly charges under this Agreement, including the monthly charge for nursing care services. The monthly charges paid for nursing care services under this Agreement will be applied against the charges associated with your stay in a non-designated health center. Any charges for your stay in the non-designated health center in excess of the monthly charges paid by you for nursing care services under this Agreement will be solely your responsibility. You will be relocated (upon your agreement) back to The Community health center as soon as a bed is available.

6.6 Alternate Nursing Care Based on Resident's Choice. You have the right to be independent in decisions regarding your medical care. If a bed is available in The Community health center and you choose to obtain nursing care from an alternate care facility and not from The Community health center, you will be responsible for making your own arrangements for such alternate accommodations. You will also be responsible for paying the alternate care facility direct for the services and supplies that you will be receiving from it. We will not be responsible for paying for any portion of your care and services. Further, you will continue to pay the Monthly Fee and the Owner's Supervision Fee.

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

the opinion of the Medical Director or your attending physician with the concurrence of the Medical Director, to return to a residence, we will provide you a residence of the same type as your Residence as soon as one becomes available. Upon reoccupying a residence, your monthly charges will be based on the then-current charges for the residence. Your identified deposit in the Health Center Resident Loans Escrow outlined in paragraph 6.11 will be released to us, and your Loan will again be secured by the Mortgage and Indenture of Trust.

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

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

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

6.11 Health Center Resident Loans Escrow. If you release your Residence because you have moved to The Community health center, we will attempt to assign your Residence for occupancy by someone else. Upon reoccupancy of your Residence, we will deposit into the Health Center Resident Loans Escrow your Loan amount paid pursuant to paragraph 1.3. Such deposit will be maintained jointly with all other similar deposits held in escrow for the benefit of residents of The Community health center whose residences have been released and reoccupied. Such deposits and any earnings thereon will be used by us only for purposes

related to The Community, as set forth in the Health Center Resident Loans Escrow Agreement. Upon cancellation of this Agreement, funds from such escrow will be applied in repayment of your Loan. A copy of the Health Center Resident Loans Escrow Agreement is available for your review upon your request.

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

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

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

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

6.13.3 Negotiated Managed Care Rate. If The Community health center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will attempt to negotiate an acceptable reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept the rate provided by your managed care program. Such a managed care stay in The Community health center will not reduce the number of cumulative days of care that you are eligible to receive without additional charge pursuant to paragraph 6.1. You agree that you will continue to pay the Monthly Fee and the Owner's Supervision Fee. You will also be obligated to pay for any additional services as described in paragraphs 6.8 and 6.9.

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

If at any time during any such Medicare-qualified stay in The Community health center you are no longer eligible to receive any of the cumulative days of care provided for in paragraph 6.1,

then you agree to pay the per diem charge for your care in The Community health center, the Monthly Fee and the Owner's Supervision Fee while you are assigned to The Community health center. You will also be obligated to pay for any additional services as described in paragraphs 6.8 and 6.9.

6.13.5 Post Medicare-Qualified Stay. At the conclusion of each such Medicare-qualified stay, you will be entitled to health care in The Community health center in accordance with the terms of this Agreement other than as set forth in this paragraph 6.13, as adjusted to reflect any reduction during such stay in the number of cumulative days of care that you are eligible to receive without additional charge pursuant to paragraph 6.1.

7. DURATION OF YOUR RIGHT TO OCCUPY THE RESIDENCE.

You may reside in your Residence for as long as you (or either of you) live unless you (both of you if there are two of you) are not capable of meeting the requirements of occupancy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that nursing care services be given, you will be requested to relocate to The Community health center where Essex Meadows is licensed to provide such care. You have the right to participate, as fully and meaningfully as you are able, in making the decision about a permanent move to The Community health center. Further, you have the right to be independent in decisions regarding your medical care, and we shall not prevent or otherwise infringe upon your right to obtain treatment, care and services from providers with which we do not have a contractual arrangement. If it is determined that you require hospitalization, we will assist in the coordination of your transfer to an appropriate hospital. Community staff will not accompany a resident to the hospital.

8. YOUR VOLUNTARY CANCELLATION RIGHTS AFTER ASSUMING OCCUPANCY.

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

forth in paragraph 3.5. Refund of your Entrance Fee, if any, and repayment of your Loan will be in accordance with Section 2 above.

9. OUR CANCELLATION RIGHTS.

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

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

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

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

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

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

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

are subsequently readmitted to The Community. In the event of cancellation, refund of your Entrance Fee, if any, and repayment of your Loan will be in accordance with Section 2 above.

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

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

9.4.2 Because it is and shall continue to be our declared policy to not cancel your residency solely by reason of your financial inability to pay the monthly charges, you shall be permitted to remain at The Community at reduced monthly charges based on your ability to pay for so long as you establish facts to justify deferral of the usual charges, and the deferral of such charges can, in our sole discretion, be granted without impairing our ability to operate on a sound financial basis. The loss of revenue to The Community from any such deferral of charges will be borne by us and will not be charged back to the residents under the Fair Share Allocation Formula. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by making unapproved gifts or other transfers or by not maintaining Medicare Part A, Medicare Part B and/or adequate supplemental insurance required under paragraph 6.12. To evidence these agreements based on the circumstances at the time, you agree to enter into a financial assistance amendment with us at the time of any such deferrals to reflect the reduced monthly charges, the interest rate to be applied to the deferrals, and to provide us with a perfected first security interest in your Loan repayment rights. Any such deferred charges shall be offset against any Entrance Fee refund owed by us under paragraph 2.2 of this Agreement or against any Loan repayment due under your Loan Agreement.

10. MISCELLANEOUS PROVISIONS WITH RESPECT TO YOUR RESIDENCE.

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

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

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

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

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

remaining person may continue to occupy the Residence under the terms of this Agreement.

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

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

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

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

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

11.1 General. All projected Cash Requirements (including additions to reserves) necessary to provide the facilities and services to the residents of The Community (including residents of The Community health center) are charged to The Community residents through the application of the Fair Share Allocation Formula. Generally, the projected Cash Requirements are based upon the costs incurred in connection with the operation of The Community for the preceding year with adjustments for inflation or

deflation, occupancy rates, additions to reserves, and nonrecurring expenses, and reduced by projected revenues (such as fees for additional services, health center fees, certain investment income) for the upcoming year. Once determined, the projected Cash Requirements are then allocated among The Community residents based upon the size of the apartment/cottage which each resident occupies and the number of residents in The Community.

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

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

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

expenses incurred in performing management services for The Community, such as transportation, living expenses, telephone expense, and photocopying expense; cost of maintenance and normal replacement of landscaping; principal payments on all loans except loans from residents and interest payments on all loans; and other similar items related to The Community. Operating Cash Requirements shall not include income taxes or dividends.

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

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

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

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

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

11.3.7 There shall then be subtracted the projected net revenues to be received in the coming fiscal year from (i) The Community health center operations; (ii) investment income from the health center resident loans escrow and from the balance of deposits in the waiting list escrow; (iii) fees for additional services to the residents as provided in Sections 5 and 6 of this Agreement; (iv) space rentals from such support services as barber/beauty shops; (v) income from investment of operating reserves, including reserves required by the

State of Connecticut; (vi) nonrecurring operating income; (vii) an amount equal to fifty percent (50%) of marketing costs (defined as salaries and wages and all fringe benefits paid to marketing personnel employed by The Community, and promotional expenses), which shall be contributed by us; and (viii) an amount equal to the costs of repainting and recarpeting apartments/cottages incurred after the apartment/cottage has been released to us but prior to reoccupancy by a new resident, which shall be contributed by us.

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

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

Number of One-Bedroom Traditional Apartments x 84.5 percent factor	Number of Two-Bedroom Custom with Den Apartments x 115.5 percent factor
Number of One-Bedroom Deluxe Apartments x 92.2 percent factor	Number of Essex Suites x 129.7 percent factor
Number of One-Bedroom Custom Apartments x 95.8 percent factor	Number of Meadows Suites x 137.3 percent factor
Number of Two-Bedroom Traditional/One-Bedroom with Den Apartments x 100.0 percent factor	Number of Cascade Suites X 156.5 percent factor
Number of Two-Bedroom Deluxe Apartments x 106.8 percent factor	Number of Three-Bedroom Custom Apartments x 171.5 percent factor
Number of Two-Bedroom Custom Apartments x 106.8 percent factor	Number of Silver Star Cottages x 142.4 percent factor
Number of Two-Bedroom Enhanced Apartments x 111.8 percent factor	Number of Columbia Cottages x 149.9 percent factor
Number of Two-Bedroom Deluxe with Den Apartments (or Three-Bedroom) x 115.5 percent factor	Number of Charter Oak Cottages x 154.4 percent factor
	Number of Lexington Cottages x 165.7 percent factor
	Number of Second Persons x 47.1 percent factor

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

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

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

11.4.4 The Fair Share for each apartment/cottage size and for the second person shall be the product of multiplying the arithmetic quotient determined under paragraph 11.4.3 by the factor assigned to each apartment/cottage and to the second person in paragraph 11.4.1. The amount of increase or decrease in the Monthly Fee will be the difference between the new Fair Share for each apartment/cottage size and for the second person and the applicable Fair Share for the preceding year, divided by twelve (12).

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

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

12. NO JURY TRIALS. Resident or Essex Meadows may submit any dispute, claim or controversy of any kind between them arising out of, or in connection with or relating to this Agreement and any amendment hereof, or the breach hereof, for judicial resolution in any court of appropriate jurisdiction. Resident and

Essex Meadows each waives any and all right to request or have a jury trial in any such proceeding, and agrees that the judge in any such proceeding shall be the decider of all fact issues, as well as all law issues, subject to the right of either party to appeal the judge's decision as provided by law.

13. AMENDMENTS.

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

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

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

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

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

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

14. MISCELLANEOUS LEGAL PROVISIONS.

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

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

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

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

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

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

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

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

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

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

14.11 Tax Considerations. Each person considering executing this Agreement should consult with his or her tax advisor regarding the tax considerations associated with this Agreement and the Loan Agreement. Tax considerations are discussed in the Disclosure Statement.

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

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

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

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

14.16 Responsible Party. You agree to execute and deliver to us within sixty (60) days after assuming occupancy in your Residence a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us, and you agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of The Community.

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

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

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

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

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

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

Executed this _____ day of _____, _____ (year)

RESIDENT or REPRESENTATIVE

RESIDENT or REPRESENTATIVE

Witness

Witness

Residence Type _____

Residence No. _____

**ESSEX MEADOWS
PROPERTIES, INC.**

By _____

Its _____

Date _____



Return of Capital Residency Agmt (2015-09-29)
FINAL

EXHIBIT A
LOAN AGREEMENT
(TO BE EXECUTED UPON OCCUPANCY)

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

1. Payment of Loan Proceeds. The Loan shall be made to Essex Meadows Properties, Inc. on the earlier of (i) the date you move into Essex Meadows, Bokum Road, Essex, Connecticut ("The Community") or (ii) sixty (60) days following execution of the Residency Agreement by Essex Meadows Properties, Inc.

2. Security. Your Loan and the loans of all other residents of The Community shall be secured by a mortgage on the real estate known as The Community, which is owned by Essex Meadows Properties, Inc. The mortgage will be subject to certain "permitted encumbrances" as described in the Mortgage and Indenture of Trust. A copy of the Mortgage and Indenture of Trust is available to you upon request. Notwithstanding the above, if you have released your Residence pursuant to the provisions regarding The Community health center usage, and your Residence is reoccupied, your Loan and the loans of all other residents of The Community health center whose apartments/cottages have been so released and reoccupied shall be secured by the funds maintained in the Health Center Resident Loans Escrow and not by the Mortgage and Indenture of Trust. A copy of the Health Center Resident Loans Escrow Agreement is available to you upon request.

3. Repayment. In the event of your death (or the death of the remaining Resident if there are two of you) or in the event of cancellation of your Residency Agreement (cancellation by both of you if there are two of you), your Loan shall become due and payable in full upon the date Essex Meadows Properties, Inc. receives the next Admission Payments (Entrance Fee plus Loan) for your Residence. However, in no event shall such date be more than twenty-four (24) months from the date your Residence is released to us for reoccupancy. In the event your Residence is reoccupied by an existing resident of The Community who transfers from another apartment/cottage, your Loan shall be due and payable upon the date Essex Meadows Properties, Inc. receives the Admission Payments (Entrance Fee plus Loan) for the apartment/cottage vacated by the existing resident who transferred to your Residence. If more than one internal transfer of existing

residents occurs, repayment of your Loan will be tied to the last vacated apartment/cottage. However, in no event shall such date be more than twenty-four (24) months from the date your Residence is released to us for reoccupancy.

If there is one Resident under the Residency Agreement, Essex Meadows Properties, Inc. will repay the Loan to that Resident or his/her estate (or to whomever that Resident has assigned his/her rights to repayment). If there are two Residents (either through initial residency at The Community or through a subsequent amendment to the Residency Agreement wherein a second person is added to the Residency Agreement after initial residency in accordance with The Community's admissions policy and with our express written approval), Essex Meadows Properties, Inc. will repay the Loan to the last remaining Resident or the last remaining Resident's estate (or to whomever the last remaining Resident assigned his/her rights to repayment). Essex Meadows Properties, Inc. will not repay the Loan while a second Resident is occupying The Community.

4. Right of Offset. Essex Meadows Properties, Inc. shall have the right to offset against any Loan repayment any unpaid or deferred monthly charges owed by you, any unreimbursed health care expenses advanced by Essex Meadows Properties, Inc. on your behalf, and any other sums owed by you to Essex Meadows Properties, Inc. under the Residency Agreement. You agree to look solely to the assets which secure your Loan for the repayment of your Loan.

5. Successors and Assigns. All terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

6. Defined Terms. Defined terms used herein are used as defined in the Residency Agreement.

Resident

Resident

Date

Date

Witness

Witness

**ESSEX MEADOWS
PROPERTIES, INC.**

By _____

Its _____

Date _____



09/29/2015

EXHIBIT B

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

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

How does Resident Health Services Assisted Living work?

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

Services Available at No Charge

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

Services Available for a Fee

- Admission to the Assisted Living Services Program - \$120.00.
- Re-assessment visit every 120 days or change in condition visit - \$75.00.
- Management of the ATC (Around The Clock) medication system - \$190.00 monthly (apartment resident) and \$230.00 monthly (cottage resident)
 - Medication management using the Around-the-Clock (ATC) pre-pour packaging system will include, medication reminders up to 3 times daily.
- A request for a nursing visit to your residence will be charged at the current Homecare visit rate.
- Case management fees will apply to residents employing private homecare agencies, or private employees without nursing supervision.
- Nursing and/or nurses' aide services provided in your residence:
 - “A-la-carte” services are available during routine hours - \$8.50 per each 15-minute period (apartment residents) and \$10.00 per each 15-minute period (cottage residents).
 - Service packages are available at the following rates:
 - Four (4) hours of service per week.
 - Assistance with one or two activities of daily living such as bathing or dressing.
 - \$600.00 per month.
 - Costs for services provided outside of routine hours are arranged on an individual basis.
- Treatment of a minor skin biopsy or small wound, requiring only a band aid can be done once daily for three (3) days as a complimentary service.
 - A wound requiring further treatment will be dressed once daily for less than a week, under doctor” orders. To obtain doctor's orders, the nursing staff will open a “treatment chart” for a one-time fee of \$100.00. This chart will remain on file with us should you require treatment at a later date. (You will not be charged again.) This would apply to B12 injections, which also need doctor's orders to be administered by a nurse.

- Local transportation to medical appointments:
 - A 24-hour notice is requested and service is subject to care and driver availability.
 - \$17.00 one way; \$30.00 local round trip; additional \$25.00 per hour if driver is requested to wait for you.
- Companion services by a non-certified staff person: \$8.50 per 15-minute period (apartment residents); \$10.00 per each 15-minute period (cottage residents). CNA for hands-on assistance - \$25.00 per hour.
- Regularly scheduled visits by podiatrist and audiologist in the Residential Health Services office are coordinated by request.

Fees are subject to change upon 30 days' advance written notice to the residents.

EXHIBIT C

MANAGED RESIDENTIAL COMMUNITY RESIDENTS' BILL OF RIGHTS

You have the right to:

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

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

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

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

Information/General: (860) 509-7400
 Complaints: (860) 509-7400

Nancy Shaffer, State Long Term Care Ombudsman
Office of the Long Term Care Ombudsman
55 Farmington Avenue
Hartford, CT 06105-3730
(866) 388-1888 or (860) 424-5200

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

Contacts:

Dan Lerman
414 Chapel Street, Suite 301
New Haven, CT 06511
Dan.Lerman@ct.gov

Thom Pantaleo
401 West Thames Street, Unit 102
Norwich, CT 06360
Thomas.Pantaleo@ct.gov

Brenda Foreman
55 Farmington Ave.
Hartford, CT 06106
Brenda.Foreman@ct.gov

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

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

Date

Resident

Resident's Representative

Relationship to Resident

EXHIBIT D

COMPLAINT RESOLUTION PROCESS

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

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

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

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

EXHIBIT E

Acknowledgment of Receipt of Resident Handbook

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

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

Date

Resident

Resident's Representative

Relationship to Resident

Date

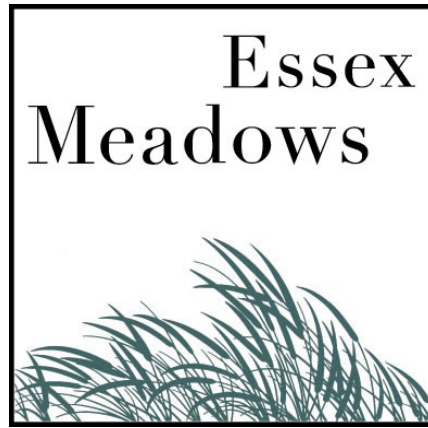
Resident

Resident's Representative

Relationship to Resident

EXHIBIT D

FLEX PLAN RESIDENCY AGREEMENT



Essex, Connecticut

RESIDENCY AGREEMENT
(FLEX PLAN)

09/29/2015

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EXHIBIT C – COMPLAINT RESOLUTION PROCESS

EXHIBIT D – ACKNOWLEDGMENT OF RECEIPT OF RESIDENT
HANDBOOK

GLOSSARY

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

"Agreement" means this Residency Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ESSEX MEADOWS RESIDENCY AGREEMENT (FLEX PLAN)

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

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

Apartment/Cottage Number: _____
Apartment/Cottage Style: _____

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

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

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

1. ENTRANCE FEE AND WORKING CAPITAL FEE.

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

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

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

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

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

2. REIMBURSEMENT OF ENTRANCE FEE.

2.1 Reimbursement of Entrance Fee Prior to Assuming Occupancy.

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

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

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

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

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

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

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

2.2.2 After Occupancy. In the event of your death (if there are two of you, the death of the remaining Resident) or cancellation of this Agreement by you (cancellation by both of you if there are two of you) or by us after the date you assume occupancy at The Community and after the expiration of the thirty (30) day right of rescission period, we will retain four percent (4%) of your Entrance Fee as a processing fee, plus two percent (2%) of your Entrance Fee per month of occupancy until the full amount of your Entrance Fee has been earned by us. The balance of your Entrance Fee, if any, will be refunded to you within sixty (60) days after your death (or the death of the remaining Resident if there are two of you) or after notice of cancellation by you or us. Refund of your Entrance Fee, if any, will not occur while your furniture and other property are in the Residence.

If there is one Resident under the Residency Agreement, Essex Meadows Properties, Inc. will refund the unearned portion of the Entrance Fee, if any, to that Resident or his/her estate (or to whomever that Resident has assigned his/her rights to repayment). If there are two Residents (either through initial residency at The Community or through a subsequent amendment to the Residency Agreement wherein a second person is added to the Residency Agreement after initial residency in accordance with The Community's admissions policy and with our express written approval), Essex Meadows Properties, Inc. will refund the unearned portion of the Entrance Fee, if any, to the last remaining Resident or the last remaining Resident's estate (or to whomever the last remaining Resident assigned his/her rights to repayment). Essex Meadows Properties, Inc. will not refund the unearned portion of the Entrance Fee, if any, while a second Resident is occupying The Community.

2.3 Right of Offset. We have the right to offset against any Entrance Fee refund any unpaid monthly charges owed by you, any unreimbursed

health care expenses we have advanced on your behalf, any amounts deferred by us under paragraph 9.4.2, and any other sums owed by you to us.

3. MONTHLY CHARGES.

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

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

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

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

3.5 Late Payment. We shall permit a thirty (30) day grace period before the imposition of a late payment charge for failure to pay the monthly charges or any extra charges when due. A late payment charge will be assessed at the rate of one percent (1%) per month (12% per annum) on the

total delinquent amounts due. Late payment charges will not be compounded and will not be included in the total delinquent amounts computed for determining any late payment charge assessed in any succeeding month. The late payment charge is waived if payment is delayed due to slow processing by your supplemental insurance carrier. However, we do not waive our right to cancel this Agreement for nonpayment of fees subject to Section 9 of this Agreement.

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

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

4.1 One full meal per day;

4.2 Water, sewer, air conditioning, heating, and electricity for apartment residents – water and sewer for cottage residents;

4.3 Maintenance of buildings and grounds;

4.4 Weekly housekeeping service;

4.5 Weekly flat laundry service;

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

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

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

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

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

4.11 Emergency call monitoring in your Residence by Community staff;

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

4.13 Use of all common areas in The Community; and

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

5. ADDITIONAL SERVICES PROVIDED FOR AN EXTRA CHARGE.

Essex Meadows will also make available at The Community, at your request, so long as you reside in a residence at The Community, at the then prevailing rates of extra charge:

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

5.2 Tray service to your Residence;

5.3 Additional housekeeping;

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

A list of these ancillary charges for the additional services can be obtained from the front desk. A copy of the ancillary charges is also in the Resident Handbook provided to all new residents. We will give you advance written notice of not less than thirty (30) days before any changes in ancillary charges are implemented. Each year, a current copy of the ancillary charges is distributed to each resident.

6. THE COMMUNITY HEALTH CENTER. You have the right to participate, as fully and meaningfully as you are able, in making the decision about a permanent move to The Community health center. If, in the opinion of your attending physician or the Medical Director, you need nursing care services in The Community health center, we will provide you with semi-private nursing care services to the extent authorized by our license from the State of Connecticut on the following terms:

6.1 First 90 Days of Nursing Care. We will provide nursing care services in The Community health center without additional charge (except for payment of your Monthly Fee and Owner's Supervision Fee) for ninety (90) cumulative days for you (ninety (90) days for each of you if there are two of you, but the allowance cannot be combined and used by only one of you), except that you (each of you if there are two of you) will pay the charges for the extra meals not covered by the Monthly Fee and the charges for any additional services as described in paragraphs 6.9 and 6.10. The Monthly Fee charged for your Residence (first and second person, as applicable) and the Owner's Supervision Fee(s) will continue as before.

6.2 More Than 90 Days of Nursing Care When There is One of You. If there is one of you and you require nursing care services beyond the

ninety (90) cumulative days, and you relocate to The Community health center, your monthly charges will depend upon whether you choose to release your Residence:

6.2.1 Release Residence. If you choose to release your Residence for reoccupancy by someone else, you must provide us with thirty (30) days advance written notice of such release. The Monthly Fee for your Residence will cease upon the later of (i) the expiration of said thirty (30) day period or (ii) the date all your furniture and personal belongings have been removed from your Residence. You will pay a monthly charge for nursing care services in an amount equal to your Owner's Supervision Fee, plus the then-current first person Monthly Fee for the two-bedroom deluxe apartment and a supplemental charge described in paragraph 6.4 hereof. In addition, you will pay the charges for the extra meals per day not covered by the Monthly Fee and the charges for any additional services as described in paragraphs 6.9 and 6.10.

6.2.2 Retain Residence. If you choose to retain your Residence, you will continue to pay your Monthly Fee for your Residence and the Owner's Supervision Fee. You will also pay a monthly charge for nursing care services in an amount equal to the then-current first person Monthly Fee for the two-bedroom deluxe apartment and a supplemental charge described in paragraph 6.4 hereof, plus the charges for the extra meals per day not covered by the Monthly Fees and the charges for any additional services as described in paragraphs 6.9 and 6.10.

6.3 More Than 90 Days of Nursing Care When There Are Two of You. If there are two of you, and only one of you requires nursing care services beyond the ninety (90) cumulative days, and such Resident relocates to The Community health center, that Resident will pay the Owner's Supervision Fee, plus the then-current first person Monthly Fee for the two-bedroom deluxe apartment and a supplemental charge described in paragraph 6.4. In addition, the health center Resident will pay the charges for the extra meals per day not covered by the Monthly Fee and the charges for any additional services as described in paragraphs 6.9 and 6.10. The Resident remaining in the Residence will pay the first person Monthly Fee for the Residence and the Owner's Supervision Fee.

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

6.3.1 Release Residence. If you choose to release your Residence for reoccupancy by someone else, you must provide us with thirty (30) days advance written notice of such release. The Monthly Fee for your Residence (first and second person) will cease upon the later of (i) the expiration of said thirty (30) day period or (ii) the date all your furniture and personal belongings have been removed from your Residence. Each of you will pay a monthly charge for nursing care services in an amount equal to your Owner's Supervision Fee, plus the then-current first person Monthly Fee for the two-bedroom deluxe apartment and a supplemental charge described in paragraph 6.4 hereof. In addition, you will pay the charges for the extra meals per day not covered by the Monthly Fees and the charges for any additional services as described in paragraphs 6.9 and 6.10.

6.3.2 Retain Residence. If you choose to retain your Residence, you will continue to pay your Monthly Fee (first and second person) for your Residence and the Owner's Supervision Fees. Each of you will also pay a monthly charge for nursing care services in an amount equal to the then-current first person Monthly Fee for the two-bedroom deluxe apartment and a supplemental charge described in paragraph 6.4 hereof, plus the charges for the extra meals per day not covered by the Monthly Fees and the charges for any additional services as described in paragraphs 6.9 and 6.10.

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

6.5 Private Room. In the event a private room is available and desired by you, but is not medically necessary, you may occupy the private room upon agreement to pay the difference between the charge for a semi-private

room and the charge for a private room. However, at our sole discretion, if the private room in which you are residing is needed for semi-private use, you agree to reside in a semi-private room until a private room is once again available (unless a private room is medically necessary).

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

You have the right to obtain treatment, care and services from providers with which we do not have a contractual arrangement. If a bed is not available in The Community health center and you choose to relocate to a health center not designated by us, you will pay to us all applicable monthly charges under this Agreement, including the monthly charges for nursing care services. The monthly charges paid for nursing care services under this Agreement will be applied against the charges associated with your stay in a non-designated health center. Any charges for your stay in the non-designated health center in excess of the monthly charges paid by you for nursing care services under this Agreement will be solely your responsibility. You will be relocated (upon your agreement) back to The Community health center as soon as a bed is available.

6.7 Alternate Nursing Care Based on Resident's Choice. You have the right to be independent in decisions regarding your medical care. If a bed is available in The Community health center and you choose to obtain nursing care from an alternate care facility and not from The Community health center, you will be responsible for making your own arrangements for

such alternate accommodations. You will also be responsible for paying the alternate care facility direct for the services and supplies that you will be receiving from it. We will not be responsible for paying for any portion of your care and services. Further, you will continue to pay the Monthly Fee and the Owner's Supervision Fee.

6.8 Return to Residence. If you release your Residence because you have moved to The Community health center, and if later you are able, in the opinion of the Medical Director or your attending physician with the concurrence of the Medical Director, to return to a residence, we will provide you a residence of the same type as your Residence as soon as one becomes available. Upon reoccupying a residence, your monthly charges will be based on the then-current charges for the residence.

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

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

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

6.12 Supplemental Insurance. You are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in The Community health center. Such

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

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

6.13.1 Participating Provider. If The Community health center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, we agree to accept reimbursement at the rate negotiated with your managed care program. Such managed care stay in The Community health center will not reduce the number of cumulative days of care that you are eligible to receive without additional charge pursuant to paragraph 6.1. You agree that you will continue to pay the Monthly Fee and the Owner's Supervision Fee. You will also be obligated to pay for any additional services as described in paragraphs 6.9 and 6.10.

6.13.2 Not a Participating Provider. If The Community health center is not a participating provider with your managed care program and you choose to receive health care services at a managed care participating provider during a Medicare-qualified stay, then you must relocate for as long as necessary for those services to be provided, and be responsible for all charges for those health care services. You agree that you will continue to pay the Monthly Fee and the Owner's Supervision Fee. Such a Medicare-qualified stay at a managed care participating provider other than The Community health center will not reduce the number of

cumulative days of care that you are eligible to receive without additional charge pursuant to paragraph 6.1.

6.13.3 Negotiated Managed Care Rate. If The Community health center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will attempt to negotiate an acceptable reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept the rate provided by your managed care program. Such a managed care stay in The Community health center will not reduce the number of cumulative days of care that you are eligible to receive without additional charge pursuant to paragraph 6.1. You agree that you will continue to pay the Monthly Fee and the Owner's Supervision Fee. You will also be obligated to pay for any additional services as described in paragraphs 6.9 and 6.10.

6.13.4 No Negotiated Managed Care Rate. If The Community health center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive health care in The Community health center during a Medicare-qualified stay, then each day of your stay in The Community health center will reduce by one day the number of cumulative days of care that you are eligible to receive without additional charge pursuant to paragraph 6.1. You agree that you will continue to pay the Monthly Fee and the Owner's Supervision Fee. You will also be obligated to pay for any additional services as described in paragraphs 6.9 and 6.10.

If at any time during any such Medicare-qualified stay in The Community health center you are no longer eligible to receive any of the cumulative days of care provided for in paragraph 6.1, then you agree to pay the per diem charge for your care in The Community health center, the Monthly Fee and the Owner's Supervision Fee while you are assigned to The Community health center. You will also be obligated to pay for any additional services as described in paragraphs 6.9 and 6.10.

6.13.5 Post Medicare-Qualified Stay. At the conclusion of each such Medicare-qualified stay, you will be entitled to health care in The Community health center in accordance with the terms of this Agreement other than as set forth in this paragraph 6.13, as

adjusted to reflect any reduction during such stay in the number of cumulative days of care that you are eligible to receive without additional charge pursuant to paragraph 6.1.

7. DURATION OF YOUR RIGHT TO OCCUPY THE RESIDENCE.

You may reside in your Residence for as long as you (or either of you) live unless you (both of you if there are two of you) are not capable of meeting the requirements of occupancy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that nursing care services be given, you will be requested to relocate to The Community health center where Essex Meadows is licensed to provide such care. You have the right to participate, as fully and meaningfully as you are able, in making the decision about a permanent move to The Community health center. Further, you have the right to be independent in decisions regarding your medical care, and we shall not prevent or otherwise infringe upon your right to obtain treatment, care and services from providers with which we do not have a contractual arrangement. If it is determined that you require hospitalization, we will assist in the coordination of your transfer to an appropriate hospital. Community staff will not accompany a resident to the hospital.

8. YOUR VOLUNTARY CANCELLATION RIGHTS AFTER ASSUMING OCCUPANCY.

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

9. OUR CANCELLATION RIGHTS.

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

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

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

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

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

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

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

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

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

9.4.2 Because it is and shall continue to be our declared policy to not cancel your residency solely by reason of your financial inability to pay the monthly charges, you shall be permitted to remain at The Community at reduced monthly charges based on your ability to pay for so long as you establish facts to justify deferral of the usual charges, and the deferral of such charges can, in our sole discretion, be granted without impairing our ability to operate on a sound financial basis. The loss of revenue to The Community from any such deferral of charges will be borne by us and will not be charged back to the residents under the Fair Share Allocation Formula. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by making unapproved gifts or other transfers or by not maintaining Medicare Part A, Medicare Part B and/or adequate supplemental insurance required under paragraph 6.12. To evidence these agreements based on the circumstances at the time, you agree to enter into a financial assistance amendment with us at the time of any such deferrals to reflect the reduced monthly charges and the interest rate to be applied to the deferrals. Any such deferred charges shall be offset against any Entrance Fee refund owed by us under paragraph 2.2 of this Agreement.

10. MISCELLANEOUS PROVISIONS WITH RESPECT TO YOUR RESIDENCE.

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

10.2 Occupants of Residence. Except as hereinafter provided, no person other than you (or both of you if there are two of you) may occupy the Residence except with our express written approval. In the event that a second person who is not a party to this Agreement is accepted for residency under this Agreement at a time after the date hereof (said acceptance to be in accordance with admissions policy governing all other admissions), you shall pay an additional Entrance Fee as determined by us, and each month

thereafter the then-current additional monthly charges for second persons shall be paid. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than thirty (30) days (except with our express written approval), and you may cancel this Agreement as provided in Section 8.

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

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

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

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

10.7 Refurbishment. Customary and normal refurbishment costs of your Residence will be borne by all residents of The Community under the Fair Share Allocation Formula. Any necessary refurbishment costs caused by you or your guests which are beyond those which are customary and

normal, will be paid by you, and such costs may be withheld from any Entrance Fee refund due to you or your estate.

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

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

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

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

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

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

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

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

Cash Requirements and resulting Monthly Fees to increase at an unusually high rate.

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

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

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

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

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

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

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

Number of One-Bedroom Traditional Apartments x 84.5 percent factor	Number of Two-Bedroom Custom with Den Apartments x 115.5 percent factor
Number of One-Bedroom Deluxe Apartments x 92.2 percent factor	Number of Essex Suites x 129.7 percent factor
Number of One-Bedroom Custom Apartments x 95.8 percent factor	Number of Meadows Suites x 137.3 percent factor
Number of Two-Bedroom Traditional/One-Bedroom with Den Apartments x 100.0 percent factor	Number of Cascade Suites X 156.5 percent factor
Number of Two-Bedroom Deluxe Apartments x 106.8 percent factor	Number of Three-Bedroom Custom Apartments x 171.5 percent factor
Number of Two-Bedroom Custom Apartments x 106.8 percent factor	Number of Silver Star Cottages x 142.4 percent factor
Number of Two-Bedroom Enhanced Apartments x 111.8 percent factor	Number of Columbia Cottages x 149.9 percent factor
Number of Two-Bedroom Deluxe with Den Apartments (or Three-Bedroom) x 115.5 percent factor	Number of Charter Oak Cottages x 154.4 percent factor
	Number of Lexington Cottages x 165.7 percent factor
	Number of Second Persons x 47.1 percent factor

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

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

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

11.4.4 The Fair Share for each apartment/cottage size and for the second person shall be the product of multiplying the arithmetic quotient determined under paragraph 11.4.3 by the factor assigned to each apartment/cottage and to the second person in paragraph 11.4.1. The amount of increase or decrease in the Monthly Fee will be the difference between the new Fair Share for each apartment/cottage size and for the second person and the applicable Fair Share for the preceding year, divided by twelve (12).

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

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

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

13. AMENDMENTS.

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

13.2 All Agreements. In addition, any designated residency agreements, which may include this Agreement, may be amended in any respect with the approval of: (a) not less than eighty percent (80%) of the residents of The

Community apartments/ cottages; and (b) us; provided, however, that no such amendment shall:

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

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

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

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

14. MISCELLANEOUS LEGAL PROVISIONS.

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

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

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

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

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

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

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

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

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

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

14.11 Tax Considerations. Each person considering executing this Agreement should consult with his or her tax advisor regarding the tax considerations associated with this Agreement. Tax considerations are discussed in the Disclosure Statement.

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

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

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

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

14.16 Responsible Party. You agree to execute and deliver to us within sixty (60) days after assuming occupancy in your Residence a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us, and you agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of The Community.

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

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

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

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

17. RESIDENT HANDBOOK. The Community has established certain rules, policies and guidelines in order to promote the health, safety and welfare of its residents. A copy of the Resident Handbook containing these rules, policies and guidelines will be provided to each resident upon admission to the Community. The Resident Handbook also contains a list of extra charges for additional services available to the residents of The Community. The Community may revise the Resident Handbook from time to time and any revisions will be provided to the

residents. Upon receipt of the Resident Handbook, you agree to sign an Acknowledgment form, a copy of which is attached hereto as Exhibit D. Your signed Acknowledgment will be placed in your resident file.

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

Executed this _____ day of _____, _____ (year).

**ESSEX MEADOWS
PROPERTIES, INC.**

RESIDENT or REPRESENTATIVE

By _____

Its _____

Witness

Date _____

RESIDENT or REPRESENTATIVE



Witness

Flex Plan Residency Agmt (2015-09-29) FINAL

Residence Type _____

Residence No. _____

EXHIBIT A

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

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

How does Resident Health Services Assisted Living work?

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

Services Available at No Charge

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

Services Available for a Fee

- Admission to the Assisted Living Services Program - \$120.00
- Re-assessment visit every 120 days or change in condition visit - \$75.00
- Management of the ATC (Around The Clock) medication system - \$190.00 monthly (apartment resident) and \$230.00 monthly (cottage resident)
 - Medication management using the Around-the-Clock (ATC) pre-pour packaging system will include, medication reminders up to 3 times daily.
- A request for a nursing visit to your residence will be charged at the current Homecare visit rate.
- Case management fees will apply to residents employing private homecare agencies, or private employees without nursing supervision.
- Nursing and/or nurses' aide services provided in your residence:
 - “A-la-carte” services are available during routine hours - \$8.50 per each 15-minute period (apartment residents) and \$10.00 per each 15-minute period (cottage residents).
 - Service packages are available at the following rates:
 - Four (4) hours of service per week.
 - Assistance with one or two activities of daily living such as bathing or dressing.
 - \$600.00 per month.
 - Costs for services provided outside of routine hours are arranged on an individual basis.
- Treatment of a minor skin biopsy or small wound, requiring only a band aid can be done once daily for three (3) days as a complimentary service.
 - A wound requiring further treatment will be dressed once daily for less than a week, under doctor's orders. To obtain doctor's orders, the nursing staff will open a “treatment chart” for a one-time fee of \$100.00. This chart will remain on file with us should you require treatment at a later date. (You will not be charged again.) This would apply to B12 injections, which also need doctor's orders to be administered by a nurse.

- Local transportation to medical appointments:
 - A 24-hour notice is requested and service is subject to care and driver availability.
 - \$17.00 one way; \$30.00 local round trip; additional \$25.00 per hour if driver is requested to wait for you.

- Companion services by a non-certified staff person: \$8.50 per 15-minute period (apartment residents); \$10.00 per each 15-minute period (cottage residents). CNA for hands-on assistance - \$25.00 per hour.

- Regularly scheduled visits by podiatrist and audiologist in the Residential Health Services office are coordinated by request.

Fees are subject to change upon 30 days' advance written notice to the residents.

EXHIBIT B

MANAGED RESIDENTIAL COMMUNITY RESIDENTS' BILL OF RIGHTS

You have the right to:

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

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

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

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

Information/General: (860) 509-7400
Complaints: (860) 509-7400

Nancy Shaffer, State Long Term Care Ombudsman
Office of the Long Term Care Ombudsman
55 Farmington Avenue
Hartford, CT 06105-3730
(866) 388-1888 or (860) 424-5200

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

Contacts:

Dan Lerman
414 Chapel Street, Suite 301
New Haven, CT 06511
Dan.Lerman@ct.gov

Thom Pantaleo
401 West Thames Street, Unit 102
Norwich, CT 06360
Thomas.Pantaleo@ct.gov

Brenda Foreman
55 Farmington Ave.
Hartford, CT 06106
Brenda.Foreman@ct.gov

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

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

Date

Resident

Resident's Representative

Relationship to Resident

EXHIBIT C

COMPLAINT RESOLUTION PROCESS

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

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

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

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

EXHIBIT D

Acknowledgment of Receipt of Resident Handbook

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

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

Date

Resident

Resident's Representative

Relationship to Resident

Date

Resident

Resident's Representative

Relationship to Resident

EXHIBIT E

AUDITED FINANCIAL STATEMENTS



ESSEX MEADOWS PROPERTIES, INC.
Financial Statements and Supplementary Information
December 31, 2014 and 2013
(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

The Board of Directors
Essex Meadows Properties, Inc.:

We have audited the accompanying financial statements of Essex Meadows Properties, Inc., which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of operations and accumulated deficit, comprehensive income, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Essex Meadows Properties, Inc. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Des Moines, Iowa
April 13, 2015

ESSEX MEADOWS PROPERTIES, INC.

Balance Sheets

December 31, 2014 and 2013

Assets	2014	2013
Current assets:		
Cash	\$ 2,442,892	777,070
Trade accounts receivable, net	1,121,259	1,141,350
Prepays and other assets	132,145	145,822
Due from parent	314,313	1,876,892
Total current assets	4,010,609	3,941,134
Assets limited as to use (note 2)	7,243,818	6,233,276
Property and equipment, net (note 4)	23,786,914	24,387,521
Cost of acquiring initial contracts, net of amortization of \$776,999 and \$768,002 at December 31, 2014 and 2013, respectively	38,234	47,231
Total assets	\$ 35,079,575	34,609,162
Liabilities and Stockholder's Deficit		
Current liabilities:		
Current installments of long-term debt (note 6)	\$ 41,094	39,414
Accounts payable	715,847	620,865
Advance deposits – health center	101,741	106,383
Accrued expenses and payroll withholding	859,724	803,281
Total current liabilities	1,718,406	1,569,943
Long-term debt, less current installments (note 6)	730,487	771,577
Mortgage loans and health center loans from residents (note 5)	43,042,653	42,018,873
Other long-term liability – residents' fair share	3,848,852	3,470,098
Refundable deposits – residency agreements	303,675	144,146
Deferred fees	2,835,404	3,514,745
Total liabilities	52,479,477	51,489,382
Stockholder's deficit:		
Common stock of \$0.10 par value. Authorized, 400,000 shares; issued and outstanding, 155,089 shares	15,509	15,509
Additional paid-in capital	489,739	489,739
Accumulated other comprehensive loss	(24,788)	(17,090)
Accumulated deficit	(17,880,362)	(17,368,378)
Total stockholder's deficit	(17,399,902)	(16,880,220)
Total liabilities and stockholder's deficit	\$ 35,079,575	34,609,162

See accompanying notes to financial statements.

ESSEX MEADOWS PROPERTIES, INC.

Statements of Operations and Accumulated Deficit

Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Apartment service fees	\$ 10,255,845	9,835,818
Health center and assisted living service fees	4,590,432	4,185,682
Fair share adjustment	(378,754)	(368,256)
Miscellaneous income	41,125	(10,620)
Total operating revenues	<u>14,508,648</u>	<u>13,642,624</u>
Operating expenses:		
General and administrative (notes 3 and 8)	3,427,749	3,393,484
Plant	2,492,056	2,269,845
Environmental services	919,495	866,328
Food and beverage	2,859,219	2,783,310
Medical and resident services	4,708,477	4,565,309
Total operating expenses	<u>14,406,996</u>	<u>13,878,276</u>
Excess (deficit) of operating revenues over expenses	<u>101,652</u>	<u>(235,652)</u>
Other revenues:		
Entrance fees and cancellation penalties	2,554,409	3,139,421
Supervision fees	151,524	146,960
Working capital fees	128,060	233,344
Interest income	13,842	1,460
Miscellaneous income	39,120	28,540
Total other revenues	<u>2,886,955</u>	<u>3,549,725</u>
Other expenses:		
Depreciation and amortization	1,459,212	1,577,044
Interest expense	33,170	45,206
Miscellaneous expense	8,209	97,620
Total other expenses	<u>1,500,591</u>	<u>1,719,870</u>
Net income	1,488,016	1,594,203
Accumulated deficit at beginning of year	(17,368,378)	(16,262,581)
Stockholder distributions paid	<u>(2,000,000)</u>	<u>(2,700,000)</u>
Accumulated deficit at end of year	\$ <u>(17,880,362)</u>	<u>(17,368,378)</u>

See accompanying notes to financial statements.

ESSEX MEADOWS PROPERTIES, INC.

Statements of Comprehensive Income

Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Net income	\$ 1,488,016	1,594,203
Change in net unrealized losses on securities	<u>(7,698)</u>	<u>50,733</u>
Comprehensive income	<u>\$ 1,480,318</u>	<u>1,644,936</u>

See accompanying notes to financial statements.

ESSEX MEADOWS PROPERTIES, INC.

Statements of Cash Flows

Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Net income	\$ 1,488,016	1,594,203
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of property and equipment	8,209	—
Depreciation and amortization	1,459,212	1,577,044
Amortization of deferred fees	(2,050,585)	(2,082,482)
Realized losses on sale of assets limited as to use	—	85,011
Changes in assets and liabilities:		
Trade accounts receivable, net	20,091	(369,427)
Prepays and other assets	13,677	23,731
Accounts payable	(43,169)	349,111
Accrued expenses and payroll withholding	56,443	69,562
Other long-term liability – residents’ fair share	378,754	368,256
Net cash provided by operating activities	<u>1,330,648</u>	<u>1,615,009</u>
Cash flows from investing activities:		
Purchases of property and equipment	(719,666)	(611,759)
Proceeds from assets limited as to use	109,750	9,689,359
Purchases of assets limited as to use	<u>(1,127,990)</u>	<u>(9,253,390)</u>
Net cash used in investing activities	<u>(1,737,906)</u>	<u>(175,790)</u>
Cash flows from financing activities:		
Proceeds from (payments of) refundable deposits, net	154,887	(255,483)
Proceeds from loans and entrance fees from residents	5,173,559	8,912,391
Repayments on loans and entrance fees from residents	(2,778,535)	(6,452,273)
Receipts (disbursements) related to due from parent	1,562,579	(660,752)
Payments on long-term debt	(39,410)	(33,980)
Stockholder distributions paid	<u>(2,000,000)</u>	<u>(2,700,000)</u>
Net cash provided by (used in) financing activities	<u>2,073,080</u>	<u>(1,190,097)</u>
Net increase in cash	1,665,822	249,122
Cash at beginning of year	<u>777,070</u>	<u>527,948</u>
Cash at end of year	\$ <u>2,442,892</u>	<u>777,070</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 33,170	45,206
Supplemental disclosure of noncash investing activity:		
Accounts payable incurred for property and equipment	\$ 138,151	—

See accompanying notes to financial statements.

ESSEX MEADOWS PROPERTIES, INC.

Notes to Financial Statements

December 31, 2014 and 2013

(1) Summary of Significant Accounting Policies and Related Matters

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

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

(a) *Description of Business*

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

(b) *Cash Equivalents*

Cash equivalents consist primarily of money market accounts with maturities of three months or less at the time of purchase and are carried at cost, which approximates fair value. Money market accounts and other cash equivalents included in assets limited as to use are not considered cash equivalents for purposes of the statements of cash flows.

(c) *Trade Accounts Receivable, Net*

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

(d) *Assets Limited as to Use*

Assets limited as to use are funds held in accordance with contractual requirements with the residents. In addition, approximately \$1,240,014 and \$1,190,983 at December 31, 2014 and 2013, respectively, is required to be held in accordance with regulatory requirements. All investment securities are classified as available-for-sale. Available-for-sale securities are recorded at fair value with unrealized holding gains and losses excluded from earnings and reported as a separate component of accumulated other comprehensive loss until realized.

(e) *Property and Equipment, Net*

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

ESSEX MEADOWS PROPERTIES, INC.

Notes to Financial Statements

December 31, 2014 and 2013

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

(f) Cost of Acquiring Initial Contracts

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

(g) Revenue

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

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

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

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

(h) Fair Value of Financial Instruments

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

ESSEX MEADOWS PROPERTIES, INC.

Notes to Financial Statements

December 31, 2014 and 2013

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

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

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

Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques. The Company did not hold any Level 3 investments at December 31, 2014 and 2013.

There were no transfers between levels during 2014 or 2013.

The following tables show the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2014 and 2013:

	December 31, 2014		
	Level 1	Level 2	Total at fair value
Assets limited as to use – mutual funds and money market and other cash equivalents	\$ 7,243,818	—	7,243,818
	<u>\$ 7,243,818</u>	<u>—</u>	<u>7,243,818</u>
	December 31, 2013		
	Level 1	Level 2	Total at fair value
Assets limited as to use – mutual funds and money market and other cash equivalents	\$ 6,233,276	—	6,233,276
	<u>\$ 6,233,276</u>	<u>—</u>	<u>6,233,276</u>

(i) Income Taxes

On January 1, 2003, the Parent filed an election to be taxed under the provisions of the Internal Revenue Code regulating small business corporations (Subchapter S). As the Company is a 100% owned subsidiary of the Parent, the Parent has elected to treat the Company as a qualified Subchapter S subsidiary. Due to this election, the Company is treated as a disregarded entity for income tax purposes and all of its income and expenses are deemed to belong to the Parent. Therefore, no provisions or liabilities for income taxes have been recorded in the financial statements as of December 31, 2014

ESSEX MEADOWS PROPERTIES, INC.

Notes to Financial Statements

December 31, 2014 and 2013

and 2013. The Company recognized the effect of income tax positions only if those positions are more likely than not of being sustained.

(j) Use of Estimates

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

(2) Assets Limited as to Use

Assets limited as to use on the balance sheet at December 31, 2014 and 2013 were as follows:

		<u>2014</u>	<u>2013</u>
Operating reserves held to satisfy regulatory requirements	\$	1,708,489	1,702,496
Health center loan escrow		2,570,106	1,896,905
Entrance fee and wait list escrows		650,454	596,547
Repair and replacement reserves		<u>2,314,769</u>	<u>2,037,328</u>
	\$	<u><u>7,243,818</u></u>	<u><u>6,233,276</u></u>

The fair value of available-for-sale securities by class of security at December 31, 2014 and 2013 was as follows:

<u>Description</u>		<u>2014</u>	<u>2013</u>
Money market and other cash equivalents	\$	1,282,032	861,349
Mutual funds		<u>5,961,786</u>	<u>5,371,927</u>
	\$	<u><u>7,243,818</u></u>	<u><u>6,233,276</u></u>

ESSEX MEADOWS PROPERTIES, INC.

Notes to Financial Statements

December 31, 2014 and 2013

Gross unrealized gains and losses for each security type at December 31, 2014 and 2013 are as follows:

<u>Description</u>	<u>Amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Fair value</u>
2014:				
Money market and other cash equivalents	\$ 1,282,032	—	—	1,282,032
Mutual funds	5,986,574	—	(24,788)	5,961,786
	<u>\$ 7,268,606</u>	<u>—</u>	<u>(24,788)</u>	<u>7,243,818</u>
2013:				
Money market and other cash equivalents	\$ 861,349	—	—	861,349
Mutual funds	5,389,017	—	(17,090)	5,371,927
	<u>\$ 6,250,366</u>	<u>—</u>	<u>(17,090)</u>	<u>6,233,276</u>

During 2014 and 2013, no other-than-temporary impairments were recognized.

(3) Management Agreement

The Company has a management agreement with Life Care Services, LLC (LCS), which provides for general management and related services. The agreement may be terminated by either party if the other party files, or has a petition or complaint in receivership or bankruptcy filed against it, or if the other party fails to properly perform its obligations, in accordance with the terms of the agreement. Management fees paid to LCS totaled \$533,402 and \$504,630 during the years ended December 31, 2014 and 2013, respectively, and are included in general and administrative expenses.

(4) Property and Equipment, Net

A summary of property and equipment at December 31, 2014 and 2013 is as follows:

	<u>Useful lives</u>	<u>2014</u>	<u>2013</u>
Land		\$ 753,155	753,155
Building and building improvements	5–60 years	42,201,272	41,617,515
Equipment	2–25 years	2,192,328	2,098,004
Furniture and fixtures	5–15 years	3,735,764	3,763,325
		<u>48,882,519</u>	<u>48,231,999</u>
Less accumulated depreciation		<u>25,095,605</u>	<u>23,844,478</u>
Property and equipment, net		<u>\$ 23,786,914</u>	<u>24,387,521</u>

ESSEX MEADOWS PROPERTIES, INC.

Notes to Financial Statements

December 31, 2014 and 2013

(5) Mortgage Loans and Health Center Loans from Residents

Upon occupancy, residents who have not entered into flex plan residency agreements make loans to the Company, which are secured by a Mortgage and Indenture of Trust, subject to certain permitted encumbrances. The loans will be repaid upon termination of residency and satisfaction of the terms of the loan agreement. The residents agree to look solely to the assets, which secure the loan for repayment of the loan. Any amounts due to the Company may be offset against loan repayments. The loan becomes due and payable in full upon the date the Company receives the next admission fee for the residence, or 24 months after the residence is released for reoccupancy, whichever is earlier. Mortgage loans classified as noncurrent at December 31, 2014 and 2013 were \$39,923,148 and \$39,567,118, respectively.

When a resident moves to the health center, the resident's loan amount, as described in the residency agreement, is transferred to the health center reserve escrow fund, which is included in assets limited as to use. Health center reserves are held for repayment of the related loans and are not secured by the Mortgage and Indenture of Trust. Health center loans classified as noncurrent at December 31, 2014 and 2013 were \$3,119,505 and \$2,451,755, respectively.

(6) Long-Term Debt

Long-term debt at December 31, 2014 and 2013 consists of the following:

	<u>2014</u>	<u>2013</u>
\$950,000 term loan with bank due January 1, 2029, principal and interest payments payable monthly, with interest at 4.125%	\$ 771,581	810,991
Less current installments	<u>(41,094)</u>	<u>(39,414)</u>
Total long-term debt, less current installments	\$ <u>730,487</u>	<u>771,577</u>

The term loan was modified to reduce the interest rate on July 1, 2013. The term loan is collateralized by property and equipment and may be prepaid in part or in whole, along with an additional fee as described in the agreement. The annual aggregate maturities of the term loan are as follows:

2015	\$ 41,094
2016	42,846
2017	44,673
2018	46,578
2019	48,563
Thereafter	<u>547,827</u>
	\$ <u>771,581</u>

ESSEX MEADOWS PROPERTIES, INC.

Notes to Financial Statements

December 31, 2014 and 2013

(7) Employee Retirement Benefit Plan

The Company has a defined contribution employee benefit plan covering all eligible employees. Matching contributions made by the Company totaled \$93,972 and \$89,102 at December 31, 2014 and 2013, respectively. The Company does not provide postretirement healthcare or life insurance benefits for its employees.

(8) Related-Party Transactions

For the years ended December 31, 2014 and 2013, the Company's Parent provided certain management and advisory services in exchange for a fee of \$104,085 and \$111,902, respectively. This fee is classified as a general and administrative expense in the statements of operations and accumulated deficit.

(9) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through April 13, 2015, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.



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

Independent Auditors' Report on Supplementary Information

The Board of Directors
Essex Meadows Properties, Inc.:

We have audited the financial statements of Essex Meadows Properties, Inc. as of and for the years ended December 31, 2014 and 2013, and have issued our report thereon dated April 13, 2015, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in Schedules 1 through 4 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Des Moines, Iowa
April 13, 2015

ESSEX MEADOWS PROPERTIES, INC. – OPERATIONS DIVISION

Schedule of Assets, Liabilities, and Division Equity Information

December 31, 2014 and 2013

Assets	2014	2013
Current assets:		
Cash	\$ 1,814,792	669,405
Trade accounts receivable, net	608,804	935,901
Prepays and other assets	162,111	164,692
Due from finance division	—	433,005
Total current assets	<u>2,585,707</u>	<u>2,203,003</u>
Assets limited as to use	<u>3,929,281</u>	<u>3,641,507</u>
	<u>\$ 6,514,988</u>	<u>5,844,510</u>
Liabilities and Division Equity		
Current liabilities:		
Accounts payable	\$ 701,208	586,456
Accrued expenses and payroll withholding	859,724	803,281
Refundable deposits	135,376	146,547
Due to finance division	131,700	—
Total current liabilities	<u>1,828,008</u>	<u>1,536,284</u>
Due to health center loan escrow	500,000	500,000
Other long-term liability – residents' fair share	<u>1,344,952</u>	<u>1,248,430</u>
Total liabilities	<u>3,672,960</u>	<u>3,284,714</u>
Division equity	<u>2,842,028</u>	<u>2,559,796</u>
	<u>\$ 6,514,988</u>	<u>5,844,510</u>

See accompanying independent auditors' report on supplementary information.

Schedule 2

ESSEX MEADOWS PROPERTIES, INC. – OPERATIONS DIVISION

Schedule of Operating Revenues and Expenses Information

Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenues:		
Apartment service fees	\$ 10,255,845	9,835,818
Health center and assisted living service fees	4,590,432	4,185,682
Space rental	3,600	3,600
Investment income (loss)	7,771	(41,802)
Other	157,814	260,927
	<u>15,015,462</u>	<u>14,244,225</u>
Expenses:		
General and administrative	3,029,962	2,936,039
Plant	2,492,056	2,269,845
Environmental services	919,495	866,328
Food and beverage	2,859,219	2,783,310
Medical and resident services	4,708,477	4,565,309
Interest	33,170	45,206
Other	39,410	33,980
	<u>14,081,789</u>	<u>13,500,017</u>
Revenues in excess of expenses, before fair share capital expenditures	933,673	744,208
Fair share capital expenditures	<u>402,484</u>	<u>226,769</u>
Excess of current operating revenues before contribution to and interest earnings on repair and replacement reserves and fair share adjustment	531,189	517,439
Contribution to repair and replacement reserves	(411,723)	(419,297)
Interest (earnings) loss on repair and replacement reserves	(22,944)	7,822
Surplus of fair share operating revenues which may be used to offset future year results	<u>(96,522)</u>	<u>(105,964)</u>
Net operating results	<u>\$ —</u>	<u>—</u>

See accompanying independent auditors' report on supplementary information.

Schedule 3**ESSEX MEADOWS PROPERTIES, INC. – OPERATIONS DIVISION**

Schedule of Changes in Division Equity Information

Years ended December 31, 2014 and 2013

Balance at December 31, 2012	\$ 2,297,503
Losses on the reserves	(7,822)
Funding of the reserves	419,297
Expenditures from the reserves	<u>(149,182)</u>
Balance at December 31, 2013	2,559,796
Earnings on the reserves	22,944
Funding of the reserves	411,723
Expenditures from the reserves	<u>(152,435)</u>
Balance at December 31, 2014	<u>\$ 2,842,028</u>

See accompanying independent auditors' report on supplementary information.

ESSEX MEADOWS PROPERTIES, INC. – OPERATIONS DIVISION

Schedule of Cash Flows Information
Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in:		
Trade accounts receivable, net	\$ 327,097	(163,978)
Prepays and other assets	2,581	74,210
Accounts payable	114,752	310,268
Accrued expenses and payroll withholding and refundable deposits	45,272	113,814
Other long-term liability – residents' fair share	96,522	105,964
Net cash provided by operating activities	<u>586,224</u>	<u>440,278</u>
Cash flows from investing activity:		
(Payments to) proceeds from assets limited as to use, net	<u>(5,542)</u>	76,984
Net cash (used in) provided by investing activity	<u>(5,542)</u>	<u>76,984</u>
Cash flows from financing activity:		
Payments from (to) finance division, net	<u>564,705</u>	<u>(286,791)</u>
Net cash provided by (used in) financing activity	<u>564,705</u>	<u>(286,791)</u>
Net increase in cash	1,145,387	230,471
Cash at beginning of year	<u>669,405</u>	<u>438,934</u>
Cash at end of year	<u>\$ 1,814,792</u>	<u>669,405</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 33,170	45,206

See accompanying independent auditors' report on supplementary information.

EXHIBIT F

STATEMENT FROM ESCROW AGENT

~~XXXXXXXXXX~~

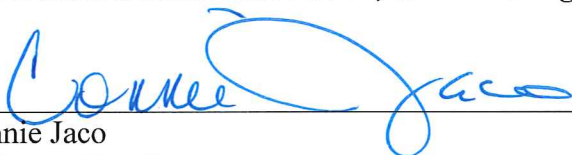
**STATEMENT OF ESCROW AGENT
FOR
ESSEX MEADOWS PROPERTIES, INC.**

The undersigned hereby confirms to the Connecticut Department of Social Services (the "Department") that Essex Meadows Properties, Inc. has established and, as of the date indicated below, maintains the following escrow accounts (the "Accounts") with U.S. Bank National Association ("U.S. Bank"):

- Entrance Fee Escrow Account
- Operating Reserve Escrow Account

U.S. Bank makes no representation as to what, if any, funds are held in either of the Accounts and disclaims any and all duties to the Department with respect to the Accounts, including but not limited to any duty to provide notice to any person or entity of activities in the Accounts or the closing of either such Account.

U.S. Bank National Association, as Escrow Agent



Connie Jaco

Assistant Vice President

Title

09/15/2015

Date

EXHIBIT G

HISTORICAL ADMISSION PAYMENTS, ENTRANCE FEES AND MONTHLY FEES

**RETURN OF CAPITAL™ ADMISSION PAYMENTS
(Historical)**

	January 2010	January 2011	January 2012	January 2013	January 2014	January 2015
Apartments						
Studio	---	128,000	128,000	---	---	---
One-Bdrm Traditional	190,000	190,000	190,000	197,700	197,700	197,700
One-Bdrm Deluxe	238,000	238,000	238,000	245,000	245,000	245,000
One-Bdrm Custom	244,000	244,000	244,000	252,000	252,000	252,000
One-Bdrm Extended Custom	255,000	255,000	255,000	263,000	263,000	263,000
One-Bdrm w/ Den	285,000	285,000	285,000	294,000	294,000	294,000
Two-Bdrm Traditional	285,000	285,000	285,000	294,000	294,000	294,000
Two-Bdrm Deluxe	350,500	350,500	350,500	361,000	361,000	361,000
Two-Bdrm Custom	350,500	350,500	350,500	361,000	361,000	361,000
Two-Bdrm Enhanced	400,000	400,000	400,000	412,000	412,000	412,000
Two-Bdrm Deluxe w/ Den	420,000	420,000	420,000	433,000	433,000	433,000
Two-Bdrm Custom w/ Den	420,000	420,000	420,000	433,000	433,000	433,000
The Essex Suite	424,000	424,000	424,000	437,000	437,000	437,000
The Meadows Suite	475,000	475,000	475,000	489,000	489,000	489,000
The Cascade Suite	---	---	---	---	---	539,000
Three-Bdrm Custom	594,500	594,500	594,500	612,000	612,000	612,000
Cottages						
Silver Star	600,000	600,000	600,000	618,000	618,000	618,000
Columbia	750,000	750,000	750,000	773,500	773,500	773,500
Charter Oak	790,000	790,000	790,000	814,000	814,000	814,000
Lexington	875,000	875,000	875,000	900,000	900,000	900,000

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

**FLEX PLAN ENTRANCE FEES
(Historical)**

	January 2010	January 2011	January 2012	January 2013	January 2014	January 2015
Apartments						
One-Bdrm Traditional	123,500	123,500	123,500	128,505	128,505	128,505
One-Bdrm Deluxe	154,700	154,700	154,700	159,250	159,250	159,250
One-Bdrm Custom	158,600	158,600	158,600	163,800	163,800	163,800
One-Bdrm Extended Custom	165,750	165,750	165,750	170,950	170,950	170,950
One-Bdrm w/ Den	185,250	185,250	185,250	191,100	191,100	191,100
Two-Bdrm Traditional	185,250	185,250	185,250	191,100	191,100	191,100
Two-Bdrm Deluxe	227,825	227,825	227,825	234,650	234,650	234,650
Two-Bdrm Custom	227,825	227,825	227,825	234,650	234,650	234,650
Two-Bdrm Enhanced	260,000	260,000	260,000	267,800	267,800	267,800
Two-Bdrm Deluxe w/ Den	273,000	273,000	273,000	281,450	281,450	281,450
Two-Bdrm Custom w/ Den	273,000	273,000	273,000	281,450	281,450	281,450
The Essex Suite	275,600	275,600	275,600	284,050	284,050	284,050
The Meadows Suite	308,750	308,750	308,750	317,850	317,850	317,850
The Cascade Suite	---	---	---	---	---	350,350
Three-Bdrm Custom	386,426	386,426	386,426	397,800	397,800	397,800

**MONTHLY FEES
(Historical)**

(Return of Capital™ and Flex Plan)

	January 2010	January 2011	January 2012	January 2013	January 2014	January 2015
Apartment						
Studio	2,661	2,753	2,849	---	---	---
One-Bdrm Traditional	2,885	2,984	3,087	3,212	3,325	3,428
One-Bdrm Deluxe	3,141	3,249	3,361	3,497	3,618	3,732
One-Bdrm Custom	3,265	3,378	3,494	3,635	3,760	3,879
One-Bdrm Extended Custom	3,265	3,378	3,494	3,635	3,760	3,879
One-Bdrm w/ Den	3,403	3,520	3,641	3,788	3,919	4,043
Two-Bdrm Traditional	3,403	3,520	3,641	3,788	3,919	4,043
Two-Bdrm Deluxe	3,629	3,754	3,884	4,041	4,181	4,313
Two-Bdrm Custom	3,629	3,754	3,884	4,041	4,181	4,313
Two-Bdrm Enhanced	3,801	3,932	4,068	4,233	4,379	4,518
Two-Bdrm Deluxe w/ Den	3,918	4,053	4,193	4,363	4,514	4,657
Two-Bdrm Custom w/ Den	3,918	4,053	4,193	4,363	4,514	4,657
The Essex Suite	4,398	4,550	4,708	4,899	5,069	5,230
The Meadows Suite	4,655	4,816	4,983	5,185	5,365	5,535
The Cascade Suite	---	---	---	---	---	6,299
Three-Bdrm Custom	5,800	6,001	6,209	6,462	6,686	6,898
Cottage						
Silver Star	4,827	4,994	5,167	5,377	5,563	5,739
Columbia	5,080	5,256	5,438	5,659	5,855	6,041
Charter Oak	5,229	5,410	5,598	5,825	6,027	6,218
Lexington	5,574	5,767	5,967	6,210	6,426	6,630
Second Person Fee	1,627	1,682	1,739	1,808	1,870	1,928

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

EXHIBIT H

CURRENT FEE SCHEDULES

As of 01/01/2015

Admission Payments, Entrance Fees and Monthly Fees:

	ROC Admission Payments	Flex Plan Entrance Fees	Monthly Fees
One-Bedroom Traditional	197,700	128,505	3,428
One-Bedroom Deluxe	245,000	159,250	3,732
One-Bedroom Custom	252,000	163,800	3,879
One-Bedroom Extended Custom	263,000	170,950	3,879
One-Bedroom Den	294,000	191,100	4,043
Two-Bedroom Traditional	294,000	191,100	4,043
Two-Bedroom Deluxe	361,000	234,650	4,313
Two-Bedroom Custom	361,000	234,650	4,313
Two-Bedroom Enhanced	412,000	267,800	4,518
Two-Bedroom Deluxe with Den	433,000	281,450	4,657
Two-Bedroom Custom with Den	433,000	281,450	4,657
The Essex Suite	437,000	284,050	5,230
The Meadows Suite	489,000	317,850	5,535
The Cascade Suite	539,000	350,350	6,299
Three Bedroom Custom	612,000	397,800	6,898
Silver Star (Cottage)	618,000	---	5,739
Columbia (Cottage)	773,500	---	6,041
Charter Oak (Cottage)	814,000	---	6,218
Lexington (Cottage)	900,000	---	6,630
Second Person Fee	0	0	1,928

The Monthly Fees include the \$50 per-person monthly Owner's Supervision Fee.
Fees are subject to change.

Ancillary Charges

<u>F&B Service</u>	<u>Charge</u>	
Extra Breakfast/Lunch/Dinner	\$ 16.00	
Guest Meal - no meal credit used	\$ 25.00	
Guest Meal - with meal credit	\$ 9.00	
Holiday Guest Meal - (Easter, Mother's Day, Thanksgiving & Christmas)	\$ 29.00	no meal credits accepted
Holiday Guest Meal - Children under 10	\$ 14.50	
Holiday Guest Meal - Children substitute items from Pub Menu	As Priced	
Meal Tray Delivery	\$ 5.00	apartments and cottages
Meal Credit	\$ 5.20	per meal - per Absence Policy
Private Dining/Food	Billed according to menu & labor requested	
<u>Health Center Service</u>	<u>Charge</u>	
Meal Plan	\$ 36.00	per day (2 meals per day)
Private Room Differential - Standard	\$ 43.26	per day
Private Room Differential - Medium	\$ 67.98	per day
Private Room Differential - Semi-Converted	\$ 123.60	per day
<u>General</u>	<u>Charge</u>	
Guest Room	\$ 110.00	per night - includes tax
Cot Rental	\$ 10.00	per night - includes tax
Housekeeping - carpet extraction & emergency cleaning	\$ 15.00	per 15 minute interval
Postage Meter	Billed at cost	
Fax Machine	Billed at cost	
Copy Machine	\$ 0.15	per copy
Notary Service	\$ 5.00	per notary acknowledgement
<u>Community Life/Resident Services</u>	<u>Charge</u>	
Activities	Billed at cost	
Resident Services - Apartments	\$ 8.50	per 15 minute interval - see Resident Services Policy for packages and companion rates
Resident Services - Cottages	\$ 10.00	per 15 minute interval with \$20 minimum - see Resident Services Policy for packages and companion rates
Companion Services - Apartments/Cottages	\$ 25.00	per hour
Medication Management - Apartments	\$ 190.00	per month - includes reminders - up to 3 times per day
Medication Management - Cottages	\$ 230.00	per month - includes reminders - up to 3 times per day
Assisted Living Case Management	\$ 120.00	per opening
	\$ 75.00	per recertification
Local Transportation - by car	\$ 30.00	round trip
	\$ 17.00	one way
	\$ 25.00	per hour if driver has to wait
Airport/Special Transportation	Individually priced	
<u>Maintenance</u>	<u>Charge</u>	
Key Fab	\$ 20.00	per replacement
Garage Door Opener	\$ 20.00	per replacement
Keys	\$ 8.00	per replacement

Fees are subject to change.

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